The PRSP Process and Contents: A Rights-based Assessment for LDCs

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The liberalisation of markets called for by stabilisation policies introduced by structural adjustment programmes (SAPs) under the guidance of the International Monetary Fund (IMF) and the World Bank (WB) often resulted in delays in growth.[1] To reduce the negative impacts of these delays, the IMF introduced an Enhanced Structural Adjustment Facility (ESAF) for poor countries in September 1987.[2] In November 1999 the Poverty Reduction and Growth Facility (PRGF) replaced the ESAF. The aim of the PRGF is to support programmes to strengthen substantially and in a sustainable manner balance of payments positions and to foster durable growth. At the same time, the Poverty Reduction Strategy Papers (PRSPs)[3] replaced the Policy Framework Papers (PFP) which underpinned ESAFs. National programmes for poverty reduction are the foundation for IMF and WB lending programmes and for HIPC debt relief.[4]

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1 These programmes were introduced in mid-1980s and the main objective was economic development which is essentially a tool for human development (HD) but may not contribute to HD.

2 ESAF enabled selected poor countries to received assistance over a period of up to 3 years with reimbursement stretched out over a period of 10 years, in contrast to its regular credits, which were to be repaid within one to two years.

3 PRSPs are documents whose preparation is mandatory for countries wishing to be considered for concessional lending and debt relief under the enhanced Highly Indebted Poor Countries (HPIC) Initiative. The Bretton Woods institutions have adopted the PRS as the primary tool for policy dialogue for *all* countries applying for concessional lending. Intended to cover a multi-year or three-year time frame, the PRS has replaced the Policy Framework Paper (PFP) as the guiding instrument for policy setting and resource allocation.

4 The principal objective of the Debt Initiative for the heavily indebted poor countries (HIPCs) is to bring the country's debt burden to sustainable levels, subject to satisfactory policy performance, so as to ensure that adjustment and reform efforts are not put at risk by continued high debt and debt service burdens. In 1996 the World Bank and the International Monetary Fund first suggested that a group of Heavily Indebted Poor Countries (HIPC for short) should receive debt relief within the framework of a programme called the HIPC Initiative. It should apply to all forms of debt: bilateral debt with foreign governments, multilateral debt with international financial institutions (especially the IMF and the World Bank) and debt with private banks. In June 1999 the "Cologne Debt Initiative" (HIPC II) called for a noticeable broadening of the terms of the HIPC Initiative. At that Economic Summit, the G7 countries decided to lower the debt sustainability level. On a medium-term basis, up to 36 countries would benefit from debt relief. Proposals were also made to reform the conditions governing debt relief. It was decided that relief was to be granted only if the debtor countries worked out poverty reduction strategies. Governments were expected to involve their civil societies in formulating these strategies.

HIPC and PRGF countries are required to produce a PRSP before they can seek new programme support from the IMF or the World Bank. The Boards of the IMF and the Bank must approve a country's PRSP before a lending programme is agreed with the Bank and Fund. The Boards of the IMF and the Bank accept a PRSP on the basis of a coherent policy strategy, which will be assessed jointly by the Bank and Fund staff in terms of its objectives and policy content. Further, the Boards are required to review the extent to which Governments have consulted with civil society and how governance issues will be addressed.

There are five core principles underlying the development and implementation of poverty reduction strategies. The strategies should be:[5]

- country-driven — involving broad-based participation by civil society and the private sector in all operational steps;
- results-oriented — focusing on outcomes that would benefit the poor;
- comprehensive in recognizing the multidimensional nature of poverty;
- partnership-oriented — involving coordinated participation of development partners (bilateral, multilateral, and non-governmental);
- based on a long-term perspective for poverty reduction.

This article examines the PRSP process and contents from a rights-based perspective. In doing so I will select the rights-based features to assess the PRSP process and examine the PRSP process in light of the selected features and then I will examine the contents of the PRSPs from a rights-based perspective. In this regard, I have examined the PRSP process and contents of four African LDCs[6] namely, Malawi, Mozambique, Rwanda and Tanzania – of these Malawi and Rwanda have reached decision point and Mozambique and Tanzania have reached completion point.[7]

5 World Bank <http://www.worldbank.org/poverty/strategies/overview.htm> accessed 31 August 2010.

6 The list of least developed countries (LDCs), which is reviewed every three years by the Economic and Social Council (ECOSOC), refers to forty-nine specific countries. These are the poorest and weakest members of the international community, characterized by a series of vulnerabilities in terms of access to services and resources, an acute vulnerability to external 'economic shocks', as well as man-made and natural disasters. The criteria for determining the list of LDCs are under review. The Committee for Development Policy has recommended that the Economic Diversification Index be replaced by an Economic Vulnerability Index reflecting the main external shocks to which many low-income countries are subject, and incorporating the main structural elements of the countries' exposure to the shocks, including their smallness and lack of diversification.

7 A total of 42 countries are considered HIPCs of which 32 countries are LDCs. Nineteen LDCs have reached the decision point under the enhanced HIPC initiative (i.e., have

The Yardstick

The UNCHR defines a rights-based approach to development as 'a conceptual framework for the process of human development that is normatively based on international human rights standards and operationally directed to promoting and protecting human rights."[8] It further adds:

> Essentially, a rights-based approach integrates the norms, standards and principles of the international human rights system into the plans, policies and processes of development.
>
> The norms and standards are those contained in the wealth of international treaties and declarations. The principles include equality and equity, accountability, empowerment and participation. A rights-based approach to development includes the following elements:
>
> - express linkage to rights
> - accountability
> - empowerment
> - participation
> - non-discrimination and attention to vulnerable groups.[9]

Elementarily, the same view has been expressed in a plethora of literature.[10] The recent debate of the RB approach is centred on the right to development. The RB approach is spearheaded by the UN and the UN agencies are deeply divided regarding the right to development.[11] Despite this division the basic features of a rights-based poverty reduction strategy has been summarised

been approved for debt relief): Benin, Burkina Faso, Chad, Ethiopia, The Gambia, Guinea, Guinea Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tomé & Principe, Senegal, Tanzania, Uganda, and Zambia. To date, three of these countries (Mozambique, Tanzania, and Uganda) have reached completion point, or the point at which the full amount of committed debt relief is given.

8 UNCHR <www.unchr.org> accessed 18 August 2006.

9 Ibid.

10 For example, see Philip Alston, 'What's in a Name: Does it Really Matter if Development Policies Refer to Goals, Ideals or Human Rights?' in Henny Helmich and Elena Borghese (eds), *Human Rights in Development Co-operation* (Utrecht, 1998); Julia Hausermann, *A Human Rights Approach to Development, Rights and Humanity* (1998); The Human Rights Council of Australia, *The Rights Way to Development: A Human Rights Approach to Development Assistance* (1995).

11 Such division is evident from various UN documents; for example, compare the Reports of the independent expert on the right to development, Mr. Arjun Sengupta, submitted in accordance with various Commission resolutions and OHCHR, Human Rights and Poverty Reduction: A Conceptual Framework, United Nations, New York and Geneva, 2004.

in two different UN documents – one[12] is based on the right to development and the other[13] is independent of the RTD. In his RTD-DC approach, the UN independent expert on the right to development, Arjun Sengupta, proposes four basic operational elements: [14]

(a) A rights-based development programme – A development approach and policy prescription that is rights based implies a process that is equitable, non-discriminatory, participatory, accountable and transparent. Equity (or diminishing disparities) is an overarching theme in the right to development, and equity with respect to growth of resources (including GDP, technology and institutions) is central to the RTD-DC approach.

(b) Poverty reduction and social indicator targets – This requires identifying appropriate indicators and benchmarks to monitor the status of realization of each of the rights, as well as a mechanism for evaluating the interaction among the indicators.[15]

(c) Development compacts – A mechanism for ensuring that all stakeholders recognize the mutuality of obligations, so that the obligations of developing countries to carry out rights-based programmes are matched by reciprocal obligations of the international community to cooperate to enable the implementation of the programmes.

(d) Monitoring mechanism – A mechanism to monitor the implementation of the right to development.

On the other hand the basic features of the RB approach are Empowerment of the poor, explicit recognition of national and international human rights normative framework, Accountability, Non-discrimination and equality and participation.[16]

Among these features, I will select only the common features of the model, i.e. explicit recognition of rights,[17] accountability, participation, non-

[12] Hereinafter referred to as RTD-DC (Right to Development – Development Compact) approach.

[13] Hereinafter referred to as RB (Rights-Based) approach.

[14] See Frameworks for Development Cooperation and the Right to Development, Fifth report of the independent expert on the right to development, Mr. Arjun Sengupta, submitted in accordance with Commission resolution 2002/69.

[15] For elaborate discussion, see the Fourth report of the independent expert on the right to development, Mr. Arjun Sengupta, submitted in accordance with Commission resolution 2001/9.

[16] See generally OHCHR, *Human Rights and Poverty Reduction: A Conceptual Framework* (United Nations, 2004).

[17] Since the RTD is a composite right, explicit recognition of normative human rights framework is inherent in the RTD-DC approach. See the first three Reports of the independent expert on the right to development, Mr. Arjun Sengupta submitted in accordance with various Commission resolutions.

discrimination and equality. For both these models other human rights are also important for any poverty reduction strategy

The PRSP Process

The only common element between the basic features of the RB approach and PRSP approach is participation. The other core features of the PRSP approach are of course helpful for the RB approach, but explicit recognition of national and international human rights normative framework, accountability, empowerment of the poor and non-discrimination and equality are missing from the official features of the PRSP approach. It is relevant to examine the PRSP approach in the light of the basic features of the RB approach.

Explicit Recognition of Rights and Accountability

Both the World Bank and International Monetary Fund are creations of international law and they also create international law by signing binding agreements with countries. And as such these institutions are under certain international legal obligations.[18] Among these obligations, one particular obligation is very pertinent for the purpose of this article, i.e., the obligations of these institutions under international human rights law in formulating and implementing poverty reduction strategies. This is very important because:

> The essential idea underlying the adoption of a human rights approach to poverty reduction is that policies and institutions for poverty reduction should be based explicitly on the norms and values set out in the international law of human rights. Whether explicit or implicit, norms and values shape policies and institutions. The human rights approach offers an explicit normative framework – that of international human rights. Underpinned by universally recognized moral values and reinforced by legal obligations, international human rights provide a compelling normative framework for the formulation of national and international policies, including poverty reduction strategies.[19]

The development discourse of the World Bank has changed over time. The World Bank, which was known for its single-minded preoccupation with economic growth, began to demonstrate its support for sustainable development in the late 1980s.[20] In the early 1990s the Bank realized for

[18] This is an emerging debate; for a current state of the debate, see generally, Mac Darrow, *Between Light and Shadow: The World Bank, the International Monetary Fund, and International Human Rights Law* (Oxford, 2003).

[19] OHCHR, Human Rights and Poverty Reduction: A Conceptual Framework, (United Nations, 2004) 33.

[20] World Commission on Environment and Development, Our Common Future, Oxford University Press, 1987: the Commission's report emphasized that empowering people's organizations and strengthening local democracy are indispensable to sustainable development.

the first time the need for popular participation in development and at the end of the decade it recognized that sustainable development is impossible without the protection of human rights.[21] The development of the social and environmental policy framework at the World Bank was an important step in moving the institution toward a rights-based approach to development, greater accountability, and the goal of sustainable development. Despite these realizations, the Bank is still firm on its untenable position of dividing civil and political rights and economic, social and cultural rights – interdependence and indivisibility of both sets of rights constitutes one of the fundamental concepts of the RB approach.

During the Cold War era the World Bank maintained a strict separation between economics and politics, in other words, between civil and political rights and economic, social and cultural rights. There are several reasons behind Bank's position. Firstly, in the early years of Cold War, the Bank focused on consolidating its credibility as a multinational financial institution.[22] Secondly, the Bank preferred to facilitate the acquiescence of the USSR to the Bretton Woods institutions than to involve in political affairs.[23] Thirdly, the division is inherent in the Article of Agreement.

The World Bank Articles of Agreement read:

> The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.[24]

In line with its Articles of Agreement, the Bank clarifies its position:

> Except in situations where the violation of human rights has created conditions hostile to effective implementation of projects or has other adverse economic consequences, or where there are

[21] World Bank, *Development and Human Rights: The Role of the World Bank* (1998).

[22] David Gillies, 'Human Rights, Democracy and Good Governance: Stretching the World Bank's Policy Frontiers' in Jo Marie Griesgraber and Bernhard G Gunter (eds), *The World Bank: Lending on a Global Scale* (1996) 119.

[23] Henry J Bittermann, 'Negotiation of the Articles of Agreement of the International Bank for Reconstruction and Development' (1971) 5 *International Lawyer* 59, 79.

[24] World Bank Articles of Agreement, art. IV, sec. 10 (as amended Feb. 16, 1989). There is an argument that the political prohibition originated with John Maynard Keynes and the British delegation, in part, as a result of Britain's concern for post-war economic sovereignty. The United States, the dominant party in the negotiations, may have agreed to this provision in the Articles of Agreement for the International Bank for Reconstruction and Development (IBRD) in order to placate the British, since it had advocated against a similar prohibition in the founding provisions of the International Monetary Fund (IMF). See John D Ciorciari, 'The Lawful Scope of Human Rights Criteria in World Bank Credit Decisions: An Interpretative Analysis of the IBRD and IDA Articles of Agreement' (2000) 33 Cornell International Law Journal 331, 365, 366.

> international obligations relevant to the Bank, such as those mandated by binding decisions of the U.N. Security Council, the World Bank does not take into account the political dimensions of human rights in its lending decisions...[25]

And 'the focus of the Bank's efforts in the area of human rights is on those rights that are economic and social in nature.'[26] From a rights-based perspective this position is questionable. As I have mentioned earlier the only common feature of the RB and PRSP approach is participation – and the right to participation is a political right. Furthermore, in the recent time the Bank is focussing on good governance, corruption, rule of law – these issues are all political in nature and call for CP rights.[27]

From this background the absence of explicit recognition of national and international human rights normative framework in the PRSP approach is easily understandable. Such a recognition is absent in the PRSP Source Book and also in the guidelines and consequently it does not appear in either of the selected PRSPs, i.e., PRSPs of Malawi, Rwanda, Mozambique and Tanzania.

Accountability derives from obligations. One way of accepting obligations is recognition of human rights. In the absence of explicit recognition of human rights there is no guarantee of accountability to hold the Governments or the Bank for the possible perverse effects of the process.

Participation

The World Bank defines participation as a 'process by which stakeholders influence and share control over priority setting, policymaking, resource allocations, and/or program implementation.'[28] The Bank does not define participation as a right linking it to other relevant rights without which participation becomes ineffective and meaningless, e.g., right to information, freedom of expression, etc. On the other hand the RB approach requires an active and informed participation of the poor in the formulation, implementation and monitoring of poverty reduction strategies. This approach identifies the right to participation as a crucial and complex human right which is linked to other rights:

> The enjoyment of the right to participate is deeply dependent on the realization of other human rights. For example, if the poor are to participate meaningfully in PRSs, they must be free to organize

[25] World Bank, *Governance: The World Bank's Experience* (1994) 53.

[26] Ibid.

[27] For detailed discussion, see, Dana L Clark, 'The World Bank and Human Rights: The Need for Greater Accountability' (2002) 15 (Spring) *Harvard Human Rights Journal*; see also, Korinna Horta, 'Rhetoric and Reality: Human Rights and the World Bank' (2002) 15 (Spring) *Harvard Human Rights Journal* 227.

[28] World Bank, *Source Book for Poverty Reduction Strategies* (2002) 237.

> without restriction (right of association), to meet without impediment (right of assembly), and to say what they want without intimidation (freedom of expression); they must know the relevant facts (right to information) and they must enjoy an elementary level of economic security and well-being (right to a reasonable standard of living and associated rights).

The RB approach links the right to participation fundamental democratic principles. Thus the RB approach refers to democratic participation. Most importantly, it asserts that such participation cannot be hurried.

And the expected participants are:[29]

(1) The general public, particularly the poor and vulnerable groups;

(2) The government, including parliament, local government, line and central ministries;

(3) Civil Society Organisations such as NGOs, community-based organisations; trade unions and guilds, academic institutions;

(4) Private sector actors such as professional associations;

(5) Donors, both bilateral and multilateral.

An examination of the participation trends in the PRSP process of four African LDCs reveals that various factors hindered participation. These include hurried process of participation, secrecy and exclusion.

Malawi

Good governance, Decentralisation, Macro-economic Stability, Safety Nets, Taxation, Public Expenditure, Credit, HIV/AIDS, Gender and Empowerment, Infrastructure and Environment were considered to have serious implication for poverty reduction but these factors did not have much civil society input. In the thematic working group drafting team, none of the Civil Society was involved and they were denied access to drafts. Though civil societies are believed to be partners in the process, they were forced to play a submissive role.

The final PRSP was drafted by the Technical Committee alone without any representation of the civil society. Despite appeals from the civil society, drafts were never made available. Information sharing in the PRSP process was one way – from civil society to the government. The process was mostly secretive and civil society had to hunt and smuggle information.[30]

Ordinary people's participation was supposed to happen through district-level workshops, but these workshops were dominated by elected local officials, government employees, traditional authorities, and influential people within the District. District Chief Executives were responsible for the

29 Ibid, 250.

30 MEJN, 'Position Paper on the status of PRSP and Civil Society involvement in Malawi' (Malawi Economic Justice Network, 4 September 2001).

list of invitees to the workshops, with no guidance from the central government to ensure good participation of ordinary people.[31]

Mozambique

The government of Mozambique understands participation in terms of information dissemination and consultation on prepared drafts rather than any more far-reaching involvement by non-government actors.[32] Thus the process was consultative rather than participatory in nature. Initial conditions in the Mozambique PRSP process were not favourable for a good quality participatory process. Consultation by government was limited and civil society lacked the capacity and expertise to set up its own process to compensate for limitations of the official process and consequently, civil society had little impact.[33]

The whole PRSP process was undoubtedly compromised by time pressure, self-imposed by the government; keen to access debt relief, rather than by the IFIs who were conscious that a rushed process would compromise quality. Many CSOs attended in the sectoral consultation meetings but those CSOs do not share the government's view that their attendance constituted participation in the PRSP. A range of provincial and central government officials attended the consultation meetings but it is not clear how many CS actors did. Information has been severely restricted throughout due to poor organisation and reluctance. The level of provincial CS's awareness was very low. No popular version or translations of key messages into local languages was produced.

Rwanda

In Rwanda, by contrast, the government made a strong effort to hear ordinary people's views. Existing indigenous participatory practices known as Ubedehe was incorporated into the PRSP process to achieve broad based participation. A large segment of the population participated in the National Poverty Assessment, a study involving 1,000 sectors (the second lowest organisational level) that included outreach to communities and households. The government also undertook a Policy Relevance Test in 38 out of 100 districts, in which 10,000 people participated in focus group discussions on the effectiveness of proposed policies.[34] Thus, in Rwanda, the PRS process was characterised by a relatively high level of participation

31 Christian Aid, *Quality participation in poverty reduction strategies: Experiences from Malawi, Bolivia and Rwanda* (2002).

32 Rosemary McGee and A Norton, 'Participation in Poverty reduction strategies: a synthesis of experience with participatory approaches to policy design, implementation and monitoring' (IDS Working Paper No 109, 2000).

33 Rosemary McGee, Josh Levene and Alexandra Hughes, 'Assessing participation in poverty reduction strategy papers: a desk-based synthesis of experience in sub-Saharan Africa' (IDS Research Report No 52, 2000).

34 E Bugingo, 'Missing the Mark? Participation in the PRSP process in Rwanda' (Christian Aid Research Report, 2002) <http://www.christianaid.org.uk/indepth/0212rwanda/rwanda.pdf.> (file with the author).

of ordinary people. The government explicitly tried to include the most excluded groups. Focus groups in the Policy Relevance Test were organised with attention to social stratifications, such as class, age, and gender. However, few people in rural areas participated.[35] Mutebi et al observed:

> In Rwanda, broad participation was achieved by incorporating existing indigenous participatory practices known as *Ubedehe* into the PRSP process. This involved a bottom- up approach to participatory design, the government targeting 9,000 *cellules* to produce public action priority rankings and community development plans, as well as a PPA and Policy Relevance Test to collect poor peoples' opinions on the relevance of sectoral policies Participation appears to have been largely home-grown as a result, with broad consensus that there was grassroots participation at most stages which has helped in the post-conflict reconciliation and peace-building process.[36]

International NGOs, national NGOs, trade unions, and some churches participated in the process. But religious organisations, rurally-based NGOs, peasants' associations and the informal sector were not fully involved.[37]

Tanzania

The perspective of Tanzanian NGOs, following presentations from the government, the World Bank and the IMF regarding the PRSP was that Tanzanian CSO involvement in the preparation of the PRSP was consultative but not participatory. One of the deficiencies of a consultative approach is that it does not give those being consulted fair time and adequate resources and space for presenting their views. And, too often issues and concerns voiced during the consultation have little impact.[38]

Throughout the PRSP processes, civil society organisations were demanding for more active involvement and participation in the process of both NGOs and communities. However, on the whole CSOs were involved in a superficial and half-handed manner. The government developed the document internally, while civil society organisations were involved in a separate process, convened by the Tanzania Coalition for Debt and Development (TCDD). At a later stage, the civil society working groups managed to participate in the sharing sessions in the documents already prepared by the government (the zonal workshops). Rather than having a joint-sharing process about the best way to merge the civil society and

[35] Christian Aid, above n 31.

[36] F Mutebi, S Stone and N Thin, 'Rwanda' [2003] (2) *Development Policy Review* 253-70 (italics in original).

[37] Rosemary McGee, 'Assessing participation in poverty reduction strategy papers: a desk based synthesis of experience in sub-Saharan Africa' (IDS Research Report No 52, IDS, 2002).

[38] TASOET, 'Summary of report from Tanzania Social and Economic Trust' (2003).

government inputs, the inputs prepared by the civil society organisations were simply sent to the government-led processes for integration. The consultation that was done was all in a rushed manner, not allowing for true dialogue, discussion, and debate. The latest stage, the National Workshop carried after the zonal workshops of the government process, involved NGOs to some extent, in that some NGOs were invited to comment at that workshop on all the topics in the strategy paper. Some of their inputs were very critical but ended there. They were not again called for their participation in the final drafting of the paper, although they had argued that the final process should include representatives of civil society organisations. In this way, civil society organisations were involved only at late stages of the process and did not truly participate in the process of preparing the poverty strategy paper for the United Republic of Tanzania.[39]

Thus, the participatory process in each of the four countries was marked by some form of exclusion. Ordinary people, and in particular excluded groups, faced the greatest difficulty in gaining access to the PRS processes in their countries. Each government made some attempts to facilitate the participation of excluded groups (notably women's groups), but the impact of these efforts was minimal. Civil society faced barriers to participation, and some kinds of CSOs were excluded, e.g. rural organisations and indigenous peoples' organisations.

In all the countries, ordinary people, excluded groups, and CSOs had a hard time participating in policy-making, but CSOs were more likely to contest their exclusion. If governments are serious about hearing the voices of ordinary people, they need to actively seek out those voices. An active civil society is helpful in bringing about a participatory process, but the expectations, political will, and actions of the central government have a far greater influence on the quality of the process. In the countries, participation was easier during the analysis and information-gathering stage of the policy cycle, and more difficult during policy formulation and implementation. Lack of time, language barriers, and poor information flows characterised the process in each country. But the most crucial barrier is lack of knowledge:

> [T]he majority of HIPC countries simply do not have the necessary up-to-date poverty data and the institutional and analytical capacity to undertake extensive poverty monitoring and integrate poverty reduction strategies into a macroeconomic framework. In the absence of this critical knowledge infrastructure, it is unrealistic to expect that these countries can come up with a consensus-based national poverty reduction framework.[40]

This participation of the stakeholders in the preparation of the PRSPs, though limited, does not necessarily mean the same is guaranteed in the

39 TGNP, 'Discussion Paper' (2004).

40 Fantu Cheru, *The Highly Indebted Poor Countries (HIPC) Initiative: a human rights assessment of the Poverty Reduction Strategy Papers (PRSP)* (ECOSOC, 2001).

implementation of the PRSPs. All these four PRSPs fail to produce any viable and effective mechanism for popular participation in the implementation levels.

Participation always works towards a goal - in this case, the production of a poverty reduction plan capable of gaining the approval of the IFIs. The process is thus designed by and for groups able to express their project in the technocratic language of planning and poverty. But few such groups exist. In most countries civil society organisations rooted in popular constituencies draw on history, culture, religion, place, group, interests and political ideology to build their programmes. Many are unable to both present themselves in liberal, technocratic terms and to truly represent their constituencies.

The PRPS is not only a strategy, it may also be described as a device which recognises participation to increase and legitimate the influence of IFIs on the governments and populations of the poor countries. Such participation can be manipulated to achieve the outcomes the facilitators want. This is evident from the fact that civil societies are always demanding for participation, but when they get an ample opportunity, they fail to raise a concerted voice against an extremely partial view of trade liberalization in the PRSPs.[41] If they succeed to incorporate a balanced trade policy into the PRSP, that will go against IFIs' template delaying, reducing or even vanishing the chance of debt relief.

Extensive participation has been introduced to increase national ownership of programmes. But the problem with ownership begins with the calculations which form the basis for relief decisions. These calculations are done exclusively by the staffs of the IMF and the World Bank. These calculations are extremely complex and the IMF and the World Bank entertain sole monopoly in the technical field. A CAFOD Policy Paper states:

> Given the complexity of the calculations required and the extreme importance of predictions for the evaluation of the need for relief, even relatively well-equipped players such as the German government are hardly in a position to make a critical assessment of the data presented. Aside from investigating certain key indicators, there is nothing they can do to arrive at a decision but consider the information presented by the World Bank and the IMF.[42]

Therefore, it is hard to imagine the LDCs will be able to take part in these procedures. Even if they are able to overcome their technical barriers, there is absolutely no provision for objections on the part of the debtors.

[41] This argument is only relevant to four LDCs I am examining, i.e. Malawi, Mozambique, Rwanda and Tanzania.

[42] CAFOD, 'A Joint Submission to the World Bank and IMF Review of HIPC and Debt Sustainability' (CAFOD Policy Paper, August 2002) <http://www.cafod.org.uk/policy/debtsustainability20020902.shtml>.

Since the PRSPs must be approved by the IMF and World Bank, they will never be fully nationally owned. The fact that they are being developed in the context of obtaining debt relief under the Highly Indebted Poor Countries initiative (HIPC) or PRGF loans means that in most cases their content reflects the priorities of the Bretton Woods Institutions. The role of the World Bank and the IMF as overseers of poverty reduction programmes in debtor countries is exclusive. They are accountable to none. Involvement of other UN bodies like UNDP, UNICEF, ILO and UNCTAD could ensure a balance to some extent. But that did not happen.

Real national ownership cannot happen under threat of conditionality. Fantu Cheru observes:

> Linking debt relief to the preparation of the PRSP removes the "autonomy" of countries to come up with a framework that clearly makes an explicit connection between macroeconomic policies and poverty reduction goals.[43]

And,

> Although there is no clear evidence that shows that the IMF and World Bank are directly dictating policies to HIPC countries, Governments know by experience what the two powerful institutions expect of them.[44]

Non-discrimination and Equality and other Social protection issues

The integration of human rights into anti-poverty strategies helps to ensure that vulnerable individuals and groups are treated on a non-discriminatory and equal basis and are not neglected.[45]

The phrase non-discrimination does not appear in any of these PRSPs. There is no provision relating to any form of discrimination in the Mozambique PRSP. Malawi, Rwanda and Tanzania PRSPs only talk about gender equality and discrimination against women.

Stringent macroeconomic goals are a prominent feature in these PRSP. But these issues are not integrated with broader social development goals. Fantu Cheru finds the answer to the disconnect between macroeconomic components and the poverty reduction goals in:

> [T]he unequal power relations between indebted countries and the institutions that manage the HIPC process, namely, the IMF and the World Bank. What is obvious from our analysis is that countries have tried to read too much into the minds of the IMF and the World Bank. The Governments of HIPC try to make their PRSP meet the lending criteria of the Fund and the Bank, and have thus put too

[43] Cheru, above n 40.

[44] Ibid.

[45] OHCHR, *Human Rights and Poverty Reduction: A Conceptual Framework* (OHCHR, United Nations, 2004) 17-18.

> much emphasis on macroeconomic considerations, fiscal reform and privatization measures to placate these powerful institutions, without thinking through how such policies impact on poverty reduction and in what context. At the end of the day, what matters the most to these Governments is that they get the badly needed cash flow from these institutions.[46]

In respect of overall orientation, these PRSPs follow the prescripts set out in the World Bank 1990 World Development Report. Though social protections issues are incorporated, e.g., gender, environment, HIV/Aids, education, the highest priority is given to economic growth to reduce poverty.

The growing emphasis on the importance of social protection in Washington is not reflected in these and PRSPs, suggesting that its role in poverty reduction is still understood, in the main, as limited and optional, rather than as an integral element. Furthermore, a substantial section of the PRSP sourcebook – a guidance manual on PRSP development – is devoted to social protection; but this area seems to be receiving so little systematic attention.[47]

Limited social service provision and coverage may therefore be ineffective in addressing the poverty situation. The most probable consequence is the continued reliance on user fees to finance social service provision. This tends to restrict access to services by the poor and to exacerbate poverty itself.

PRSP processes have considerable significance in the LDCs where children form both the bulk of the population and the majority of those that live below the poverty line. This means that the LDCs, children are the locus of poverty, and strategies that prioritise children's rights and target child poverty reduction ensure a bias towards pro-poor growth and development policies.

Although they do not specifically prioritise children, they do discuss a limited range of interventions that are directed towards reducing child poverty and improving children's future opportunities. These include measures to promote school attendance, to improve access to basic health services and better nutrition, and to raise family incomes or livelihoods. They also present some recognition of and support for particularly vulnerable groups of children. But a common feature is the absence of a gender and child-focused demographic and poverty information and analysis. This lack of child-focused information at the outset does not augur well for the prioritisation and implementation of pro-poor social development policies and interventions that favour all women and children and address their rights. For example the Rwanda PRSP admits:

[46] Cheru, above n 40.

[47] Rachel Marcus and John Wilkinson, *Whose Poverty Matters? Vulnerability, Social Protection and PRSPs* (Childhood Poverty Research and Policy Centre, 2004).

> The war and genocide left 85,000 child-headed households. Some of the children have since grown up or been absorbed into other households, but most of them still face a higher burden of responsibility and work than their peers.

But there is no mention about child labour. In fact there is no systematic presence of child, women, and indigenous people issues in these PRSPs.

Thus the statement of Alfredo Sfeir-Younis, Director of the World Bank Office in Geneva, does not reflect the reality when he says:[48]

> The World Bank is already making a major contribution to the implementation of the RTD and we are ready to continue to do so.

Benefits from HIPC Initiative: Extent and Sustainability

A growing body of literature suggests that debt relief is the most efficient and effective form of resource transfer with many indirect benefits for the macro economy, growth prospects, the prudential management of public resources, and development policy as a whole.

Debt relief minimises the unpredictability of aid flows. Many bilateral aid programmes are still bedevilled by problems of low stability and low predictability and high pro-cyclicality. Moreover the granting or withholding of aid tends to aggravate economic cycles. Empirical analyses by the IMF show that aid flows tend to be more volatile than fiscal revenue or output, and highly unpredictable. In one in five African countries there is a divergence of at least 30% between budgeted and actual spending – and this is exacerbated by fickle aid flows.[49] Debt relief on the other hand is highly predictable, stable and, therefore, can act as a counter-cyclical source of finance. As a result, debt relief helps low-income governments to strike a balance between meeting poverty reduction expenditure commitments, while striving to maintain fiscal stability. Debt relief is anti-inflationary. A recent IMF paper points to a strong correlation between higher levels of indebtedness and increased inflationary pressures.[50]

Debt relief spurs economic growth. There is a positive correlation between debt relief and domestic private savings and investment, as well as FDI.[51] Some African finance ministries and regional analysts suggest that high

48 Alfredo Sfeir-Younis, 'The Right to Development: The Political Economy of Implementation' in *The Right to Development: Reflections on the First Four Reports of the Independent Expert on the Right to Development* (Franciscans International, 2003) 7, 19.

49 S Feeny and M McGillivray, *Aid, Public Sector Fiscal Behaviour, and Developing Country Debt*; G Dijkstra and N Hermes, *The Instability of Debt Service Payments and Economic Growth: Is there a Case for Debt Relief*; Ales Bullit and Javier Hamann, *How Volatile and Unpredictable are aid flows and What Are the Policy Implications* (IMF, 2001).

50 Carmen M Reinhart and Kenneth S Rogoff, *Africa: The Role of Price Stability and Currency Instability* (International Monetary Fund, 2004).

51 Government of Tanzania, Private Capital Flows to Tanzania in 1999-2000, 2002 and Government of Uganda, Private Capital Flows to Uganda in 1999-2000, 2002.

levels of indebtedness lead to HIPC governments increasing their borrowing from domestic credit sources resulting in higher interest rates and the crowding out of local investors to affordable credit. Debt write-offs can relieve the pressure on domestic borrowing, increasing the availability, and reducing the cost, of domestic credit thereby acting as a spur to economic growth. On the other hand, there is little if any evidence of a positive interaction between aid flows and domestic investment and savings.[52] Debt relief acts as *de facto* budget support. According to a CAFOD Policy Paper:[53]

> By enhancing central government spending capacity, debt relief supports the development of locally owned government expenditure priorities and monitoring systems. In line with donors' emphasis on Medium Term Expenditure Frameworks, debt relief acts as an important boost for (some) donors' efforts to increase the predictability of flows and enhance coordination and common pool approaches. Where debt relief results in increases in national budgets, it facilitates a closer integration of budget management systems and an improved coordination between capital and recurrent expenditures. Aid, however, can distort the relationship between recurrent and capital spending. Some donors prefer to spend on tangible capital projects as opposed to meeting recurrent budgetary costs. Aid, unlike debt relief, can leave recipient governments cash poor and project rich.

Debt relief cuts down on transaction costs. Aid can tie up recipient governments' meagre administrative staff in endless negotiations, report writing and separate auditing procedures with an array of official donors. Some estimates suggest that officials can spend half their time on donor-related activities rather than on improving the delivery of public sector services and administration.[54]

Debt relief improves local accountability and good governance. Debt relief within the context of locally developed and owned Poverty Reduction Strategies has the added benefit of increasing, and sometimes even kick-starting, political participation in decision-making over the management and distribution of public resources. As development agencies, we have heard many of our partners in recipient countries express their frustration with national governments, and particularly with the official donor community, regarding their unwillingness to take seriously the inputs of a wider group of stakeholders in the design and implementation of national Poverty Reduction Strategies. Nevertheless, some have reported improved access to key decision-making processes and a rise in public accountability regarding the management of public finances.

52 Ibrahim Elbadawi and Alan Gelb, 'Financing Africa's Development: Towards a Business Plan?' (Paper for AERC Policy Seminar, 2002).

53 CAFOD, above n 42.

54 World Bank, *Can Africa Reclaim the 21st Century* (2000) 45.

But these benefits are not taken for granted. The level and quality of benefits depend upon the soundness of the particular debt relief programme and its successful implementation. Again successful execution of any debt relief initiative depends on the effective applicability of the programme design. Any flaw and weakness in the conceptual basis and design will negate other benefits that might ensue from such initiatives. The SAPs are the best examples of such programmes where weak design and flawed conceptual basis frustrated their objectives.

Debt relief through HIPC Initiative has resulted in demonstrable social and economic gains for some eligible LDCs as the HIPC Initiative reduces the average debt service paid these countries by about one third. It has made possible for these countries to increase social spending, especially in the areas of education and health care and such expenditures are expected to increase from the previous levels.[55] Resources freed up from debt servicing have been used in new development programmes and economic progress in some LDCs. Examples includes:

- Mozambique has introduced a free immunisation programme for children;
- Governments of Malawi, Tanzania and Uganda have ended primary school fees. Elementary school attendance in Uganda has been tripled with debt savings. Benin has abolished user fees in rural areas.
- Mali, Mozambique and Senegal will be able to increase spending on HIV/AIDS prevention and treatment in an effort to slow the spread of infection.
- Uganda and Mozambique, among the early beneficiaries of debt relief and enhanced aid flows, have consistently sustained annual growth rates over 5%.
- The requirement to engage in a consultation process in designing Poverty Reduction Strategies has helped to increase the potential for poor people to influence national resource allocation processes.

These examples demonstrate that debt relief can generate additional resources that contribute to furthering human development. They also highlight the human cost of transferring limited public resources from governments in poor countries to creditors. However, these socio-economic gains under HIPC are by no means universal and, where they exist, they are limited and precarious. The HIP LDCs, as with all low-income countries, continue to face development challenges such as the spread of HIV/AIDS, low levels of literacy and poor nutrition, equipped with only scarce and highly vulnerable domestic resources. LDCs face development challenges equipped with only scarce and highly vulnerable resources. The fragile

[55] Lucia Hanmer and Ruth Shelton, 'Sustainable Debt: What has HIPC Delivered?' (August 2001).

economic and human conditions prevalent in these countries suggest that the benefits derived from limited amounts of debt relief are likely to be small or easily reversed.

The results of the enhanced HIPC initiative, as shown by the World Bank and IMF,[56] have been described as modest. According to a CAFOD Policy Paper:[57]

- Out of 20 HIPCs which have already reached HIPC decision point, 4 countries (Mali, Niger, Sierra Leone and Zambia) will have annual debt service payments due in 2003-2005 which will actually be higher than their annual debt services paid in 1998-2000.
- 3 LDCs will be paying almost as much in debt service payments as before HIPC (Ethiopia, Guinea-Bissau and Uganda).
- In 6 countries, annual debts serviced will be reduced by a modest $15 million in 2003-2005.
- The medium to longer term projections on debt servicing are also alarming - Senegal's debt service jumps by 61 per cent in 2004; Nicaragua's rises by 60 per cent in 2002; Mauritania's rises by 46 per cent in 2007.
- Over half of the HIPCs are spending more than 15% of their government revenue on debt servicing.

Debt relief does not occur immediately. Depending on the relief method chosen, debt relief is implemented over as long as 30-40 year periods. Therefore Board papers' assertion that debt sustainability will be reached on Completion Point may give a wrong idea over the time at which countries achieve debt sustainability.

There is little guarantee that the Initiative's graduates will be in a position to sustain their debt-servicing liabilities in the short term. For example, Uganda, the first HIPC graduate, currently has debts of over 200% of the debt-to-exports ratio. This will be the third time Uganda has exceeded its debt sustainability after reaching Completion Points. In short, the development gains made with the small additional resources provided by the enhanced HIPC Initiative will be swept away without additional financing.

Debt relief through HIPC and over optimistic assumptions

The World Bank and IMF projections bear no relation to the past achievement rates of growth, investment and financial inflows. These rates are very unstable in the LDCs, but the World Bank and IMF estimates are based on stable rates.

56 IMF, 'Financial Impact of the HIPC Initiative – First 26 Countries' (July 2002).

57 CAFOD, above n 42.

LDCs' high concentration of exports on a limited range of commodities leaves them acutely sensitive to external shocks in commodity prices and climatic conditions. The current export criterion of the Net Present Value of debt to exports for debt sustainability analysis therefore has a limited use. And its reliance on the narrow and highly volatile variable of export earnings as a means to calculate future debt sustainability has been described as the 'key failing' of the HIP Initiative.[58] Exports alone do not reflect the resources available to HIPC governments for poverty reduction expenditures. It would be quite possible, under the current criteria, for a country's debts to be considered sustainable from the point of view of external viability, while having insufficient resources to meet even the most basic poverty reduction expenditures.

In African LDCs, the scourge of HIV/AIDS will leave over a million children without teachers. In Mozambique alone, the Government estimate that 17% of their children will die of AIDS by the end of this decade.[59] The World Bank estimates that combating HIV/AIDS will cost low-income countries at least 1 to 2 per cent of GDP.[60] Most of the LDCs receiving debt relief are still spending more on debt than on public health. For example, Zambia has almost one million people affected by HIV/AIDS, but is spending 30 per cent more on debt servicing than on health.[61] For almost all HIPCs, private sector flows will not make up for chronic resource deficits. The marginalisation of the African continent from global trade is equivalent to a loss of 21 per cent of regional GDP or $68 billion per annum.[62] For Africa in 2001, adjusting for inflation, non-fuel commodities are at one half the annual average value for the period 1979-81. The World Bank and IMF estimate 8-10 of the HIPC countries most affected by the slump in commodity prices will have higher debt to export ratios by completion point than the 150% target set by HIPC itself.[63]

The HIPCs continue to rely on external official assistance, particularly in the form of grants, to fund their domestic spending and balance of payments gaps. Despite optimistic projections in decision point documents, new HIPCs are not receiving the levels of external financing anticipated that will in turn help them achieve the MDGs.[64]

For African LDCs, it is estimated that halving the proportion of people living in extreme poverty by 2015 will require growth rates of around 7-8 per cent[65]

58 Ibid.

59 Stephen Lewis, 'UNAIDS' (June 2002).

60 World Bank, *Can Africa Reclaim the 21st Century*, above n 54, 236.

61 Oxfam, 'Debt Relief and the HIV/AIDS Crisis in Africa' (July 2002).

62 World Bank, *Can Africa Reclaim the 21st Century*, above n 54, 47.

63 Ibid, 51.

64 Oxfam, 'The Enhanced HIPC Initiative and the Achievement of Long-Term External Debt Sustainability' (April 2002).

65 World Bank, 'African Development Indicators, 2001'.

and investment levels of more than 30% of GDP.[66] However, the continuing stagnation of Africa's terms of trade coupled with low saving rates will require the continent to access other sources of external finance if African countries are to achieve this level of economic growth. Even when the commitments made at Monterrey and in the G8 Africa Action Plan are taken into account, the pledged ODA increases fall far short of the levels of additional resources needed to achieve the MDGs.[67] It is not likely that private sources of credit will fill this gap. Low-income countries face continuing difficulties in reversing their marginalisation from global flows of private sector finance - difficulties that are exacerbated by the current investment climate and slowing of global growth.

The General Accounting Office of the US Congress (GAO) has pointed out that, even after being granted debt relief, all seven HIPCs investigated in a comprehensive case study will have to depend on outside assistance to finance their balance of payments deficit.[68] This necessary capital import will consist of a mixture of subsidies, concessional loans and – in spite of expressed commitments to the contrary on the part of most HIPCs – here and there also of loans at market rates. For this reason, many members of the HIPC group will relatively soon (most of them between 2010 and 2015) again have debt stocks exceeding their pre-HIPC level.[69]

On this basis, the GAO denies that the HIPC Initiative will lead to sustainable external viability for the participating countries. Apart from the consequences for their long-term debt repayment capacities, this also means that the accompanying poverty reduction programmes will be financed completely with borrowed money.[70]

Unless consistently high growth rates are attained, the unavoidable accumulation of new debt after HIPC relief is the beginning of a new debt crisis. The additional loans can in fact only be serviced if the growth rates of the gross national product and, in particular, export earnings and public revenue are greater than net new indebtedness (i.e. the growth rate of the total debt stock considering principal repayments and the incurment of new loans). Only under these conditions can the additional income cover debt servicing and make a contribution to the financing of development.

Thus the World Bank's assumptions appear extremely optimistic. The average growth rate of the countries involved up to the end of the year 2000 was 3.1% for the period from 1990 – 1999. The average rate for 2000 – 2010

66 World Bank, *Can Africa Reclaim the 21st Century*, above n 54.

67 A Joint Submission to the World Bank and IMF Review of HIPC and Debt Sustainability, CAFOD Policy Paper, August 2002. <http://www.cafod.org.uk/policy/debtsustainability20020902.shtml> (file with the author).

68 GAO 2000, 'Developing Countries: Debt Relief Initiative for Poor Countries Faces Challenges'.

69 Ibid.

70 Ibid.

is now estimated at 5.6%. Export income is even supposed to more than double from a yearly average of 4.2% to 8.9%. Not attaining the estimated levels will mean that through debt service the relatively heavy strain on the economies in question will lead to repayment problems and the subsequent build-up of new external debt.

At the same time, even in the cases in which the estimates are based on growth rates actually attained in the past, it must not be overlooked that the economies in question are structurally extremely sensitive to external shock. In the face of such considerations, even the prediction of continued growth at the rate that occurred in the nineties is actually over-optimistic if the Initiative is to lead a country safely out of the snares of heavy debt.

This is illustrated by the case of Zambia: immediately after receiving a debt relief commitment within the framework of HIPC II the country needed more money to mitigate the effects an income shortage produced by the terms of trade deterioration in the face of rising oil prices. And Zambia is no exception.

The relief offered so far under the HIPC and Enhanced HIPC Initiatives does not go far enough. Part of the problem with HIPC is that, in making determinations about debt reduction, the IFIs do not take into account new debt that countries incur while they try to meet the HIPC program requirements. Additionally, HIPC is not intended to do away with the debt of heavily indebted countries; instead, it aims to reduce that debt to a "sustainable" level.

The assumption that classical structural adjustment measures will automatically lead to a stabilization of the economy and a consequent improvement of conditions for the poor is unrealistic. With HIPC II the World Bank and the IMF have finally acknowledged that a well-directed effort is needed if debt relief is to be of benefit to the poorest population sectors.

Another major flaw of the HIPC initiative, at least in relation to the LDCs, it does not take into account the overall decrease in ODA flows to the LDCs. From the combination of decrease in effective development assistance in the heavily indebted LDCs and the World Bank emphasis on policy conditionality and country selectivity in aid allocation, it emerges that not all heavily indebted LDCs are sure to benefit from the HIPC Initiative in terms of higher economic growth.[71]

Conclusion: A Rights based debt relief

Despite all the goodwill and promises made by the international community in the LDC conferences, LDCs' situation has consistently worsened while their numbers have more than doubled. Although a broad range of factors explain this situation, debt certainly represents one of the main stumbling blocks to LDCs' capacity to reverse this trend. Excessively high debt

[71] Henrik Hansen, 'The Impact of Aid and External Debt on Growth and Investment' (CREDIT Research Paper No 02/26).

burdens have a direct effect on economic and social development a growing share of LDCs' governments scarce resources is used to service external debt. Despite repetitive debt rescheduling, the total debt stock of LDCs amounted to US$ 154 billion in 1998, almost four times the level of 1980.[72]

These crude statistics show that past attempts by the international community to solve the LDCs debt crisis have all failed. The HIPC initiative, launched in 1996, is the latest of such attempts. It is scheduled to provide debt relief to 32 LDCs whose debt stock represented 80% of LDCs total debt outstanding in 1999. However, although the outcome of this initiative is of critical importance for the long term prospect of LDCs debt burden, it is necessary to examine whether it can deliver, in its current form, what is needed by LDCs.

Eleven LDCs have not yet been approved for relief: Burundi, Central African Republic, Comoros, the Democratic Republic of Congo, Laos, Liberia, Myanmar, Sierra Leone, Somalia, Sudan, and Togo. In many of these cases, approval has been delayed due to internal conflicts and/or concerns about terrorism and human rights violations. Angola and Yemen, are thought to have potentially sustainable debts, and may not receive further debt relief.

There are 17 LDCs that still remain outside the HIPC initiative[73] and several of them are having significant debt burdens. This is particularly the case for some countries whose debt levels are unsustainable levels even according to the conservative criteria set by the World Bank and the IMF to benefit from the initiative.[74]

The PRSPs currently permit little scope for the civil society to significantly contribute to programme design. Governments appear to take a bigger role, but are also heavily constrained, especially with respect to macro-policy.[75] The fact that the content of PRSPs is very similar to previous adjustment packages suggests that little real change has occurred through this process.

Although there has been progress on debt relief for the world's poorest countries ,a pro-poor, deeper and broader and human development approach to debt relief is needed as over half of the countries receiving debt relief still spend more than 15% of their government revenues on debt servicing, diverting precious resources away from poverty reduction.

[72] Eurodad, 'Why HIPC still fails to deliver to LDCs' (Eurodad briefing for third Least Developed Countries Conference, Brussels, July 2001).

[73] Afghanistan, Bangladesh, Bhutan, Cambodia, Cape Verde, Djibouti, Equatorial Guinea, Eritrea, Haiti, Kiribati, Lesotho, Maldives, Nepal, Samoa, Solomon Islands, Tuvalu and Vanuatu.

[74] Bangladesh, Cambodia, Haiti, and Nepal have debt-to-export ratios exceeding the 150% threshold required to qualify to the Enhanced HIPC Initiative.

[75] Frances Stewart and Michael Wang, 'Do PRSPs empower poor countries and disempower the World Bank, or is it the other way round?' (QEH Working Paper Series-Working Paper No 108, 2003).

The debt relief initiatives must go beyond 'sustainable' level. The commitment 'to implement the enhanced programme of debt relief for the heavily indebted poor countries without further delay and to agree to cancel all official bilateral debts of those countries in return for their making demonstrable commitments to poverty reduction'[76] must be fulfilled. Anything less than that would mean rise in the overall level of debt and debt service burdens erasing the gains the LDCs have made in the social sectors. To achieve that a clear link must be established between Millennium Declaration goals and debt relief strategies.

No debt relief initiative should be put in isolation. It must be a part of global effort to mobilise the resources required for human development as enshrined in the UN Millennium declaration and Monterrey Consensus. The G7 and staffs of the World Bank and IMF are obliged to take into account the role of debt relief in meeting the 2015 Millennium Development Goals following their international undertakings in the *Monterrey Consensus*.

Under the Initiative relief is formally tied to the formulation of a poverty reduction programme by the government and the civil society of each of the debtor countries. Almost all of the LDCs are plagued by civil war or subject to a military dictatorship. Preparation of PRSP requires time, knowledge and the presence of a viable civil society. In social and political disruptions civil societies do not get the required time space to acquire knowledge and strength to constitute themselves as viable actors of social progress. In these situations debt relief must be freed from PRSPs.

The countries should enjoy more independence in preparing their PRSPs. This is the only way to make the Initiative country-specific. Debt relief must be comprehensive and sustainable – no matter how much debt needs to be cancelled in order to arrive at this level. The option of a 100% debt cancellation must be given serious consideration. Multilateral debt (particularly with the World Bank and the IMF) has become a problem especially for the poorest countries, since it tends to increase in size with every bilateral settlement. The dogma that multilateral debt must always be serviced and must never be cancelled is no longer tenable, neither politically nor from a fiscal point of view. Debt relief must include all categories of debt. The cost of total cancellation of all debt of the LDCs is not significant for the creditors.

The criteria of calculation of debt sustainability must be based on a broader set of social, economic and human development objectives. Foreign exchange earning capability should not be the sole judging factor of sustainability.

The international donors and creditors must take measures to ensure that past patterns of anti-poor borrowing and lending are not repeated. It is not enough that civil society should be involved in preparing PRSPs, its effective participation in any decisions to contract new debt and in how those

[76] Article 15, paragraph 3, the United Nations Millennium Declaration.

resources are used must be ensured. In this connection the donors can help the recipient countries in building their capacity to manage debts. Such management must be kept transparent at all levels and transparency can be achieved by all documents including loan documents available to public.

And for the achievement of all these, explicit recognition of human rights is essential in the process. The Bank and the Fund have moved a step forward from its controversial structural adjustment policies, but still such initiative falls short of a right-based approach.