GLOBALISATION AND SOCIO-ECONOMIC DEVELOPMENT IN THE SMALL ECONOMIES OF AFRICA

WORKSHOP PROCEEDINGS 22 –23RD SEPTEMBER, 2003 AT INTERCONTINENTAL HOTEL, LUSAKA

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FOREWORD

The discourse in this report is a product of a conference on globalisation and socio-economic development in small economies of Eastern and Southern Africa organized by the Fredriech Ebert Stiftung (FES) and the development policy of the headquarters of the FES in Berlin. The conference was held in September 2003. This conference was part of the program Dialogue on globalisation, which constitutes part of the international work of FES. Through conferences, workshops and publications the program seeks to contribute to the international debate on globalisation and to promote the exchange between stakeholders from the north and south. The program is aimed at encouraging the development of socially and politically responsible global agendas. Within this framework in 2003 / 2004, the FES has undertaken and will undertake a series of dialogues and events to explore these questions further. In several regional forums the viewpoints of policy makers in small economies are taken up during the debates. This particular conference looked at the relationship between globalisation and development. The participants were drawn from high-level political and economic decision makers. They included academics, media practitioners, policy makers and civil society representatives. The resource persons were drawn from the expertise of international and regional experts including from the Eastern and Southern Africa.

The conference discussed a range of issues including successes and shortcomings of the global reform initiatives underway and explored the policy options on the national, regional and global level. The discussions hinged on the two main topics of the World Bank strategy: the Poverty Reduction Strategy Paper (PRSP)- process and the role of the state. It debated the relationship and tensions between the concepts of the post Washington- consensus and the chance of an African consensus. The conference also assessed the scope for further regional integration and the possibilities for regional actors to support the reform and implementation process on the national level and how to strengthen the voice of the region on the global level.

It is hoped that the ideas generated in this report will help to stimulate further debate and clarity to achieve the goal of reducing poverty, improving equity and building socially inclusive societies in the developing world and further to enhance a holistic understanding of the development process

Lusaka, October 2003

PROBLEMS, ISSUES AND OPTIONS: A SNAPSHOT OF WORKSHOP DISCUSSIONS

a) There was deep concern with neo-liberal orientation of the African union through its adoption of NEPAD as the paradigm of Africa's development. This was because while the approach may have changed NEPAD still retains the elements of neo-liberalism- a thrust which failed to improve lives of people in sub-Saharan Africa under the SAPs. It was noted that NEPAD is theoretically bankrupt because already it is clear that even those spearheading it cannot for example control Mugabe of Zimbabwe in the wake of the country's deepening crisis. It was hence observed that there is need to re-orient NEPAD towards elements useful to Africans.

b) The premise for the Washington consensus that state led development strategies were the causes of failure of African small economies was contested. It was argued that it was an ideological strategy to fight communism and it came at the right time when sub Sahara African economies were fledgling and marred by bad governance. It was noted that there was need for individual countries to democratize first before economic integration. It was further noted that IFIs in certain instances worked with dictatorships such as in Uganda.

c) There was a call for a development process designed and controlled by the citizens of the small African economies of SSA based on their historical experiences. While PRSP was seen as participatory it was felt that it does not go far enough to involve the people in the content of the PRSP. Particularly implementation of PRSP was seen as a preserve of government technocrats and the IMIs behind closed doors. It was noted that PRSP does not address in particular issues of women who are the majority poor and that there is a weak linkage between national PRSP and the local levels.

d) The conference also noted that the external debt continues to undermine the development of Africa and is one of the biggest causes of poverty. Debt cancellation was reiterated as the way out. It was further noted that coupled with continued poor leadership in SSA in terms of democracy the situation could not facilitate for integration and a united voice in negotiating at global level. The question of the extent to which the regional bodies are Africa's own were raised since they are mostly bankrolled by external funders. There was infact no consensus on whether regional integration and unity would be the panacea for Africa's economic ills.

e) Another problem that was discussed was the shifting position of IMIs. It was noted that they played double standards and are in the tradition of changing “goal posts” so that African countries are not able to “score” and that there is need for a frame work of delinking IMF / WB(IMIs) to globalize because there is disproportionate share in favour of the rich countries. It was observed that there is need to address equity in the international financial markets

f) Concern was expressed on the need for a movement towards mobilization and use of own local resources because without this, those with the resources will always determine the agenda. In this connection there was a call for a return to national planning. The other concern was the position of countries like South Africa within the region. There was skepticism about whether benefits in a mutual arrangement involving the powerful such as South Africa would work. It was noted that the developed world including South Africa needed the small economies as much as the small economies needed the developed economies.

g) Debate ensued on the view that SAPs were responsible for Africa’s economic misfortunes. It was submitted that there is after all no proof of SAPs having led to economic failure because other small economies outside Africa had fared quite well and recorded economic growth using the SAPs. It was noted that there is need for further research on why African countries are not taking off economically. It was also suggested that there is need to formalize the informal sector.

h) It was noted that globalization has both negative and positive impacts on poverty among developing countries. Positive in that it spurs economic development through improved technology which can easily be applied. It is negative in the sense that lack by poor countries to market access in the developed world bring about market failure and hence discourage small farmers of small economies from participating in both productive and profitable farming. The collapse of the talks at WTO in Cancun underpins the issues above. While poor farmers from smaller economies are suffering from increasingly higher costs of farming and poor prices, their counterparts in the developed world are enjoying huge subsidies. The collapse of the Cancun talks was seen as a timely signal of the consequences of an inequitable global system.

i) At the end of it all it was agreed that globalization from below is possible, necessary and inescapable

INTRODUCTION AND BACKGROUND

Today virtually everyone is familiar with the word globalization. But although the term has been discussed in great detail, it has in many respects remained ambiguous and indistinct. However recently growing criticism of the relevant institutions and effects of global economic processes has led to a situation in which the debates are more transparent, the respective policies are more clearly outlined and alternative approaches are developed. Public awareness has risen especially as regards concrete issues like the World Trade Organisation (WTO) process, the global financial architecture, social standards and Global Governance. The result has been that wider segments of the public in the north and the south no longer regard globalization as an inescapable fate but see it as a process which can be changed, shaped and guided into alternative directions. What this calls for, though, is thorough reflection and political responses.

In the small economies of Eastern and Southern Africa there is a wide acceptance among the major stakeholders in the region that structural adjustment programmes and the attendant monetary and fiscal measures promoted by the Bretton Woods institutions over the past two decades have failed to generate the anticipated level of improvement in economic performance and social welfare. Austerity measures, combined with deregulation / liberalization of markets promoted by the IMF and World bank have been associated with economic contraction, high inflation (at least in the initial period) resulting from the removal of subsidies and price controls, unemployment, reduced access to health care and education from the introduction of cost recovery (user fees), increased income disparities and increased poverty (and its feminization). Overall the policies have exacerbated poverty. Where there has been positive impact on poverty, the impact has either been small or other factors account for the observed reduction in poverty

Even the most optimistic analysts from the World Bank are hard pressed to deny that reforms have done little to improve the poverty rates and the precarious welfare of most people.

Forced with growing criticism the World bank, the most influential purveyor of development theories and strategy, reinvented itself as a champion of the Worlds poor in the early 1990s and has moved from its austere and pure neo-liberalism of the 1980s to embrace a more pragmatic doctrine. The IMF followed suit after its bungling of the East Asian financial crisis in 1997/98. The reformulated development doctrine of the Bretton Woods institutions now claims to offer - on the basis of a comprehensive and integrated strategy – a more reliable guide to development that is sustained.

This new approach - “adjustment with a human face” or more sober – “pragmatic neo-liberalism” – now features a market based strategy that encompasses in addition to conventional macro economic dimensions also political and social aspects. Among these are poverty reduction, improving equity, transparency and capacity building.

CHALLENGES OF GLOBALISATION

Developmental challenges in many countries are so intractable and so complex as to defy any short-term or general solution. But we have always to bear in mind that as well as other political structures the current pattern of globalization and development are also constructed – mainly by means of negotiated intergovernmental agreements and by national policies. Therefore, in principle, it can be reconstructed to better suit human needs throughout the world.

Despite the severe problems we are facing some grounds for optimism are in order:

Since the early 90s a transnationally organized protest movement has gathered momentum through a variety of effective campaigns: the “50 years is enough “ campaign at the Bretton Wood institutions in the mid nineties, the coalition against the Multilateral Agreement on Investment in 1998, Jubilees 2000 programme on debt relief for the highly indebted poor countries, the protest in 1999 and 2000 against the WTO, the World Bank and IMF and the various environmental and health actions. Although this diverse group of organizations and protesters do not adhere to a unified agenda, they share a common antipathy to the sway of untrammelled global market forces.

And it was also something going on in the collapsed WTO talks in Cancun. The Cancun trade conference finally collapsed since the WTO failed to tackle the needs of developing countries. The European Union wanted all in the areas where the hostility among development countries was most vociferous: enlarging trade agreements into the four new areas of investment, competition, rules governing trade, and government procuring policies. And at the same time both Ministerial draft text would have allowed the rich countries to keep existing levels of subsidies.

However the most important lesson was that developing countries were much better organized than at any previous international summit. The collapse of the WTO talks was yet another indication of a consensus shift emerging in the debate over *what* policies ought to shape the global economy. The question is not whether trade is necessary but about how the institutions of the global economy should operate in ways that support and foster development, tackles poverty and promotes fair trade. In a nutshell: The question is, how the international institutions will become part of the solution and no longer be part of the problem.

No doubt, these are difficult questions and the national, regional and global responses will not be simple –because it will neither be the solution portrayed in the textbooks of Anglo-American economic orthodoxy nor will it be the nationalist temptation.

NEOLIBERAL ECONOMICS, STRUCTURAL ADJUSTMENT, AND THE EFFECTS ON AFRICAN ECONOMIES.

Africa has been linked to the rest of the world in a manner that reinforces its marginalisation and underdevelopment. Because the African economy is based on the production of raw materials, whose prices are determined in Northern markets, it has been facing deteriorating terms of trade. In this regard, a structural constraint imposes itself on the African continent and impinges on prospects for sustainable growth and development. Without addressing this structural bottleneck, as past development strategies did, it is impossible to achieve sustainable (human) development.

Globalisation is based on a neo-liberal agenda, which believes in the efficacy of unfettered market forces. However, while market forces may be useful in achieving efficiency, they are not effective at delivering equity. As UNDP rightly observed, "…today's globalisation is being driven by market expansion - opening national borders to trade, capital, information - outpacing governance of these markets and their repercussions for people. More progress has been made in norms, standards, policies and institutions for open global markets than for people and their rights," (1999: 2).

Narrow focus on markets results in inequitable distribution of the opportunities and gains to be had from globalisation. Globalisation has effectively concentrated power and wealth in the hands of a few countries, corporations and individuals, while marginalising the majority. As at 1997, the richest 20% accounted for 86%

of world GDP, while the middle 60% accounted for 13% and the 20% poorest for 1%.

There is also concern about the Weak Position of Developing Countries in Multilateral Settings A multilateral setting does offer potential benefits to participants. But these benefits can only be derived if developing countries have the financial and human capacity to be effective negotiators. Multilateral negotiations are complex and often take several years to conclude. Without adequate resources, developing countries lose out.

The reality is that global institutions such as the WTO, IMF, World Bank etc. are sites of complex tactical manoeuvres, alliances and political battles (Keet, 1996). Developed countries insist on providing market access to their MNCs, which are themselves not subjected to regulations (notice the emphasis is on their rights and not their responsibilities) (see Tandon, 1999).

When facing competitive pressures from developing country imports, these developed countries resort to unilateral action and non-trade barriers. Positions are often secured in exclusive clubs such as the G7, OECD in privacy. Meetings are held when in fact compromises would have already been made (back-room collusion). The lack of inclusive and transparent governance of key institutions such as the World Bank, IMF, WTO etc. reinforces the dominance and control of the agenda by a few developed countries, and especially the Quad of US, EU, Japan and Canada.

The current global system has emerged more out of 'horse trading' than from a 'rules-based' process. Inconsistencies and contradictions have characterised the global system, with the free market concept applied to developing countries, while the industrialised nations practiced strategic trade options.

Regarding free trade, history is presented (especially the Asian experience) as if the successful nations developed on the basis of unbridled markets. A uniform trade prescription is given to all developing countries. As Helleiner has recently pointed out: "On the basis of the evidence available, however, to suggest that there is already a universal optimal trade policy prescription that will generate improved economic performance for all who embrace it is to ignore too much recent experience," (1995:).

Kaul *et.al* suggests that to develop a human-centred global economy, one needs a multi-disciplinary approach, and not only rely on narrow 'economism.'

In order to waive the impact of globalisation there are number of possibilities that were suggested:

a) Upholding the principle of Special and Preferential Treatment

This principle, which recognises the different levels of development at which countries are at is under threat as developed countries demand reciprocity. In this context, it is necessary for Africa, together with other developing and progressive forces to fight for this principle. It is therefore necessary to ensure that the Lome Convention, which is currently under re-negotiation be retained, albeit with minor adjustments.

b) Creating A New International Financial Architecture

There is need to democratise international institutions (World Bank, IMF, WTO etc) in a manner that allows for multilateral governance. Proposals to reform the international financial system include creating a new World Central Bank, to serve as lender of last resort and prevent global recessions; an international supervisory institution to enforce international market reforms (eg. increased transparency, prudential regulation etc); Board of Overseers of major institutions and markets, World Financial Authority (see Eatwell and Taylor, 1999) to co-ordinate regulation internationally so as to manage systemic risk and ensure an environment conducive to growth. More fundamentally, a suggestion has been made for the creation of an International Sovereign Insolvency Mechanism whose objective is to ensure that financial crisis and sovereign debt obligations do not place undue burdens on countries. When sovereign debt threatens the welfare of people, the panel would restructure and or cancel debts. In line with this is the suggestion that debt reduction should not be conditioned on IMF and World Bank structural adjustment programmes

The Asian crisis has created an avenue for reforming the international financial architecture. The outcome is subject to intense negotiations and it is important that at regional level, positions are taken on these.

c) General Review of Neo-Liberalism, Free Trade and the WTO Process

Following the Asian crisis, even the proponents of neo-liberalism admit there is a limit to ‘free markets,” recommending adjustments. In this regard, there is need for a co-ordinated approach to deciding how far markets can go at the global and indeed national level. The Post Washington Consensus (especially Stiglitz) has already provided a basis for a comprehensive review of market concepts and their limits.

In the meantime, as suggested by the developing countries, there is need to resist the introduction of new issues: competition policy, investment policy, government procurement, the environment, trade facilitation, electronic commerce and industrial tariffs. Implied in this attempt to bring on board new issues is the desire by the big powers to accelerate the pace of globalisation and to widen the process.

The existing injustices and iniquities of the system must be addressed first. It is intolerable that the developed countries practice unfair trade by insisting on unilateral action on their part, while denying developing countries the opportunity to develop. For instance, while subsidies and other incentives provided for research, regional development and environmental adaptation by industrialised countries are non-actionable (are acceptable), those that are of interest to developing countries (such as developmental subsidies to encourage diversification or upgrading industry) are not actionable (not permitted).

d) Home grown, stakeholder-driven development strategies

From the experiences with Structural Adjustment Programmes, it is clear that 'one-size-fits-all' does not work. There is therefore a need for popular participation in decision-making, in line with the Arusha Declaration of 1990 on Popular Participation adopted by the African heads of State.

e) Mobilization for Global Justice

There are calls for a new form of globalisation from the bottom and civil society groups are mobilising at national, regional and international level to resist corporate-driven globalisation. Their rallying cry is "A better world is possible."

NEW STRATEGIES OF THE INTERNATIONAL FINANCIAL INSTITUTIONS AND THE POST-WASHINGTON CONSENSUS: MORE HOPE FOR DEVELOPMENT?

It is generally acknowledged that what John Williamson, one of the leading US economists and former World Bank Chief Economist, identified in 1989[i] as the Washington Consensus represents some economic orthodoxy that has characterised Washington-based financial institutions and think tanks. It is within the context of the policy advice flowing from this economic orthodoxy that African states in the 1980s and 1990s found themselves in the grip of Structural Adjustment Programmes (SAPs).

The Washington Consensus

It has almost become a world truism that there are certain ideas commonly held by Washington-based financial institutions (IMF and the World Bank, among others) on economic development issues. These ideas have been neatly summarized by John Williamson[ii] as follows:

- Fiscal discipline;
- A reduction of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure;
- Tax reform;
- Interest rate liberalisation;
- A competitive exchange rate;
- Trade liberalisation;
- Liberalisation of inflows of foreign direct investment;
- Privatisation;
- Deregulation (to abolish barriers to entry and exit); and

- Secure property rights.

It was believed in Washington that once a country experiencing serious balance of payment and other economic difficulties adopts this approach things would dramatically improve. The Washington Consensus was thus presented as a one-size-fits-all development policy.

Is there a post-Washington Consensus?

Given the incontrovertible failure of the Washington Consensus, particularly in the small economies of Africa and elsewhere, it is not surprising why most people expect a better consensus to emerge. .

While most African leaders blame the twin institutions of IMF and World Bank for lack of development in their countries, the institutions of late seem to be passing the buck back to where the blame originates. Recent World Bank development reports[iii] suggest that the failure of most developing countries to place their economies on the growth path is due, among other things, to corruption, lack of institutions for efficient economic activities, lack of respect for the rule of law, lack of transparency and good governance etc. It is against this backdrop that World Bank President James Wolfensohn[iv] in 1999 called for a development framework that:

> … highlights a more inclusive picture of development. We cannot adopt a system in which the macroeconomic and financial is considered apart from the structural, social and human aspects, and vice versa … What is new [in this proposal] is an attempt to view our efforts within a long-term, holistic and strategic approach where all the component parts are brought together … [through] a

participatory process, as transparent and as accountable as possible within the political climate prevailing in each country

From Wolfensohn's words, it would appear that there is a tacit acknowledgement that the international financial institutions have contributed to the underdevelopment of Africa by giving financial aid to undemocratic regimes in the past. Thus the World Bank attributes the failure of the Washington consensus to corrupt governments and weak institutions. This is clearly expressed in the central theme of the World Development Report of 2002: "**Building Institutions for Markets**". The new (or what appears to be new) development strategy appears to enjoy high profile support even at the UN. In 2000 the UN Secretary General, Kofi Annan, appointed a panel to recommend strategies for financing for development, specifically targeted at developing countries and economies in transition.

However, the market fundamentalism that characterized the Washington Consensus is still very much an integral part of the post-Washington consensus. An active role of the state in the economy remains strongly dissuaded in the so-called post-Washington Consensus. Privatisation remains the hallmark of the new strategy. The state is given the role of creating the necessary conditions for the markets to flourish. Analysed closely, it would appear that the Washington Consensus remains intact, as its fundamentals feature prominently in the new strategy.

Small states: Opportunities and Challenges

It is encouraging that there is an increasing emphasis by international financial institutions on the need for development strategies to take poverty and social problems into serious consideration. This clearly represents a departure from the economistic dogma of the Washington Consensus. For poverty alleviation to be given prominence it creates a sense of hope to small economies, especially in Africa where half of the population subsists on less than $1 per day.

The fact that the financial institutions are beginning to advocate democracy and transparency as preconditions for development is a step in the right direction. It generates new optimism for the people of the African continent, given the long history of despotic and kleptocratic rule. Therefore, a call for democracy will hopefully facilitate the opening up of political space for civil society to exert more influence on the politico-economic governance of African states.

These few opportunities notwithstanding, there are very difficult obstacles in the way of small economies. The problem perhaps is because international financial institutions are often reluctant to afford small states special attention. Development strategies are largely designed for developing states in general, without taking into consideration the peculiar situation of small economies. For example, like the Washington Consensus, the new strategy places huge emphasis on the role of markets and great faith in the private sector. While this approach may be good for bigger states, it is certainly unrealistic in most small African states where the private sector is very small and largely informal. In countries like Lesotho, Swaziland, Malawi and others, where it is difficult to attract big business due to population size, undiversified economies and other factors overemphasizing the role of the private sector in development might be a serious challenge.

The post-Washington Consensus postulates that once a good macroeconomic policy and all the other liberalisation requirements are in place, there will be a flood of investors into a country. Conversely, even bigger economies such as South Africa find it difficult to attract foreign direct investment in spite of their arduous efforts to put in place what are generally believed to be good conditions for investment. Therefore, there is no guarantee that if small economies democratise, liberalise, respect the rule of law and so on, there will be massive inflows of FDI. The reality is that the current global economic environment is highly competitive, offering very little opportunity for small economies to extract the benefits of globalisation.

While the responses of small states in Southern and Eastern Africa are different, it would appear that there is a general movement towards democracy in these states, although the degrees of democratisation vary. Liberalisation and privatisation are beginning to take root in Uganda, Lesotho, Malawi and other States in the two sub-regions. These trends are seen as a positive response to the post-Washington Consensus. Others even argue that this has a positive impact on these economies. In reality, however, the growth rate is very far from meeting the developmental challenges in these countries. Most of these economies remain highly uncompetitive and over donor-dependent, for example, Malawi, 80% of its budget; Uganda, 52% and so on.

Conclusion

Without being pessimistic, the post-Washington Consensus does not seem to hold much promise for small economies. The current global economic order appears to be more hostile than friendly to these economies. It would appear that the only hope for small states in Southern and Eastern Africa is in regional economic blocks.

Principles and problems of the poverty reduction strategy paper

In 1997, the World Bank and the IMF endorsed the preparation and implementation of Poverty Reduction Strategy Papers (PRSPs) by borrower countries seeking to benefit from the enhanced HIPC (Highly Indebted Poor Countries) Initiative. The PRSP framework entails governments working with their respective stakeholders to draw up Poverty Reduction Strategy Papers, which once approved by IMF and the Bank, provide the basis for negotiations and agreements among these stakeholders on the planning, implementation and management of poverty interventions in-country.

Almost all external development partners have expressed their strong support for the objectives and principles of the PRSP approach, their eagerness to work with governments in preparing strategies, and their intention to adjust their own programs to support the Poverty Reduction Strategies.

A core departure from previous approaches to pro-poor planning, and which forms the core pillar of the PRS approach, consists in its emphasis and focus on in-country processes, that is, that the PRS shall be designed and implemented through processes driven and controlled largely by national stakeholders. This *Process dimension* provides an important means of opening up discussion among national stakeholders about ways and means of addressing poverty reduction goals.

The greatest contention around the PRSP approach perhaps centers around the questions of (the extent to which it is promoting or has promoted) broad-based in-country participation, empowerment and ownership, its ***raison d'etre***. Have PRSPs effectively empowered poor countries or are they, as some have suggested, a mere *window dressing* which in reality empowers neither poor countries nor poor people, but rather enforces the powers of the international agencies by giving the appearance of ownership without reality?

DID OR WILL PRSP REDUCE POVERTY IN AFRICA? A PRELIMINARY EVALUATION

The PRSP is of relatively recent origin. And given that there will be time lags before poverty reduction strategies and programmes can register their impacts on the ground, and further lags in monitoring and recording data on those impacts, it is just too early to tell whether the PRSP per se has led to any notable poverty reduction in any country in which it is being implemented. We don't have the information yet.

One major risk that many African countries may face is the fact that the PRSP may not have/cease to have national endorsement. This is because while stakeholder participation has been emphasised by the IMF as an essential element in the PRSP process, such participation may not always be meaningful. A good example is the PRSP formulation process in Malawi that, according to its civil society, left a lot to be desired. The Malawi Economic Justice Network (2001) made a submission to the IMF explaining its dissatisfaction with the process. The following were the main points made:

- "Civil Society had minimal input into drawing up the process of PRSP formulation, including the decisions on the numbers and types of working groups, and the time frame. There was some brief discussion at the launch, where only a small number of CSOs were invited to attend at very short notice. Otherwise the working groups were drawn up by the Technical Committee.

- Those Civil Society groups chosen to be involved were a combination of those nominated by the Government without consultation and those hurriedly brainstormed by the Malawi Economic Justice Network without time for discussion of the choices made with Civil Society at large.

- The short time frame only allows for minimal consultation between those CSO's on the working groups and other CSO's in their sector. It also does not allow time for CSO's to discuss what is happening on the working groups with their constituencies. As such the representativeness of the CSO's involved and the views expressed can be questioned.

- Report backs from those involved in the working groups suggest that literature and background reading material is made available on the day of the meeting if at all.

- Equally invitations tend to arrive either on the day of the meeting or afterwards, if at all. Many CSO participants have only been involved after pro-actively finding out about meetings and turning up without invitations.

- Involvement in working groups by Civil Society has been very variable. A number of working groups has been going very well. Civil Society Groups almost all joined the process at the second or third meetings due to delays in their nomination and invitation. However, on a number of groups they have since then been treated equally by other group members and have made an active contribution to the discussions. Reports from these groups suggest that they feel that they are participating actively. This is by no means the case on all groups however. In some groups Government and Donors have held a number of meetings and even come up with draft strategies before involving Civil Society in a purely consultative or information sharing capacity.

- There is no current plan for involving Civil Society in the crucial task of drawing together all the Working Group submissions to form a final document.

It can therefore be seen that this process falls a long way short of what could be called meaningful participation."

Any PRSP drawn with the above kind of drawbacks will stand little chance of enjoying country ownership.

Furthermore, it is not enough for meaningful participation to be ensured only at the stage of PRSP preparation. The process of participation has to be sustained at the subsequent stages of implementation and monitoring and indeed at all levels of important decision-making that impinge on poverty reduction and development – budgetary processes, monitoring of debt relief funds, loan contractions, etc. If this is not done, there is the risk that the initial national endorsement of the PRSP may be lost eventually, making the PRSP resemble the erstwhile Government- and donor-run SAP. This is a big challenge even in countries like Zambia where the formulation of the PRSP was done through a largely satisfactory process of participation by civil society.

Indeed, successes have been recorded in a few cases where the participation of civil society has been sustained. For example, it has been noted that in Uganda and Mozambique, debt relief has been translated into effective poverty reduction.

National Experiences with poverty reduction strategy papers

In Uganda the PEAP was developed way before the IMF and World Bank called for PRSPs in developing countries and especially as a requirement for debt relief, the PEAP has been heavily panel beaten to conform to PRSP standards. The stakes the Breton Woods Institutions have had in the PEAP/PRSP process and especially in as far as it is relates to funding modalities has led many observers to conclude that the PEAP is still pretty much an outside agenda. There is no doubt that the two institutions still have enormous influence over these processes, and in most cases, he who has the resources determines what is done.

Under PRSPs, the IMF and World Bank have expressed concerns about striking the right balance between developing an effective regulatory apparatus and attracting foreign investment. Uganda is required to develop legislation to protect investor rights, enforcement of commercial contracts etc, but there is no mention of a second level of legislation like that to protect the environment, the rights of workers or requirements that investors keep their investments in place for a minimum period of time. There is no legislation that supports struggling local small businesses or that require foreign investors to include local partners or use local inputs. These ladders long used by the now-developed countries in their early industrialization, are viewed as not attractive to investors anymore!!

Tanzania is in its third year of implementing its Poverty Reduction Strategy Paper (PRSP). Poverty Reduction Strategy Paper (PRSP) now famously known as Poverty Reduction Strategy Process, is one of the new approaches of tackling poverty agreed upon by some Governments and The World Bank / IMF.
Tanzania's PRSP was arrived at after quite a long process of consultations among various stakeholders including parliamentarians and members of the civil society within the country and outside the country.
Poverty Reduction Strategy Paper in Africa and the rest of the developing world in general and Tanzania in particular is a new medium term funding mechanism for funding priority areas and sectors that have highest impact on poverty reduction.
Selection of these priority sectors and their funding is as agreed upon by the respective Government Cabinets, Civil Society, Parliaments, Representatives of ordinary citizens, The World Bank and IMF Boards.

In Zambia the Boards of the IMF and World Bank endorsed Zambia's Poverty Reduction Strategy Paper (PRSP) in May 2002. This followed the country's qualification to the decision point of the Highly Indebted poor Countries (HIPC) Initiative in 2000. Endorsed PRSPs stand as a condition for HIPCs to receive soft loans from the IMF's Poverty Reduction Growth Facility (PRGF) and outline how savings from debt service, which come with qualification to the decision point, would be spent on poverty reduction.

It is important to note that PRSPs are also expected to set out a country's comprehensive, long-term plan to reduce poverty. In the case of Zambia, the PRSP is an integral part of the Transition National Development Plan (TNDP) and is likely to be an integral part of future development plans.

The dismal performance of the PRSP in Zambia thus far is a result of a combination of factors.

Firstly, the institutional arrangement for PRSP implementation is weak. During the civil society for poverty reduction (CSPR) monitoring exercise, it was discovered that there are very low levels of understanding of the PRSP as the country's strategy for economic development and fighting poverty among government officers at the district level. For CSPR, this is a striking revelation because it raises questions as to who is facilitating PRSP implementation at the district. There is glaring lack of linkage between district development plans and the national PRSP. In other words, the PRSP is highly centralized and does not inform development plans at the district and local levels.

Secondly, while the development of the PRSP was participatory, the implementation phase does not appear to be so. CSPR, is not aware of which stakeholders are involved in the implementation of the PRSP in a coordinated fashion.

Additionally, implementation of the PRSP appears to be suffering from inadequate resources. Government does not seem to have enough resources to allocate and even disburse for that matter to poverty reduction programmes. This situation has been made worse by government's failure to prioritise the

PRSP as a genuine tool for poverty reduction. Between the time when implementation of the PRSP started in 2002 and now, government has failed to reorient its expenditure patterns towards poverty reduction. With the PRSP, CSPR expected government to evaluate all its expenditures in form of bye elections, trips, appointments, etc on the basis of the consequences these would have on the life or death of the over 80 per cent of the population living below the poverty line. This is also evident in the embarrassing abuse of HIPC resources in most provinces, including Lusaka the capital.

In Angola the poverty reduction strategy paper was initiated in 2000 through the influence of the IMF. The plan has its genesis in NEPAD, poverty plan for SADC as well as the Millennium Development Goals (MDGs).

Most of the programmes will involve repatriation and resettlement. There are close to 283 000 refugees in neighbouring countries and 161, 000 are demobilized. The target is to reduce 50% of the 68% living in poverty by 2050.

Angola has many challenges it currently faces. One of them is the 2 million landmines to be demined and land re-allocated. This is important because 80% of the population is dependent on agriculture.

In terms of the PRSP process, government had to go flat out to organize communities and organizations. At least three hours discussions were held in each community and communities provided their own proposals. A specific time frame was set up. To date government is still inviting NGOs to participate. It must be noted though that the civil society in Angola is still very weak. The women movement is helping to gather data through their own networks to contribute to the process.

The major criticism of the PRSP process in Angola is that it does not address or show how women will participate in the process. It was noted that PRSP is still in its initial stages.

In Mozambique, one of the recommendations from the components of the PRSP[7] is the involvement of the civil society in the process. What came out in the case of Mozambique is the contradiction related to the interpretation and meaning of it, would it mean participation or consultation? World Bank and IMF made the recommendation without a clear definition, but internally, the initiative of approaching the civil society is still the onus of the Government. According to Civil Society there was only consultation when the Government wanted, and not participation, the claim is participation, that is why the civil society has been pressing the Government to set a consolidated dialogue based on a commitment of both parts with a plan of actions defining duties and tasks for each part

The Role of the state

A rather negative view on state activities was always a cornerstone of the Washington Consensus. In the reformulated concept of the World Bank, this has changed and the rehabilitation of the state is underway. The question is no longer whether the state should be involved, but how it gets involved. Societies are seeking to strike a new balance between public and private enterprises and are struggling to reassert the common good as a benchmark of governance. However, the extent or the limits of the state activities remains disputed, especially in the field of macro economic policy and public goods. There are also some doubts whether even the more market friendly mandate of the new World Bank strategy is durable enough to intercept or to minimise the social costs of a renewed adjustment process. According to Stiglitz, this model "…accords the government a minimal role, essentially one of ensuring macroeconomic stability, with an emphasis on price stability, while getting out of the way to allow trade liberalization, privatization, and getting the prices right," (World Bank Policy and Research Bulletin, Vol.9.No.2, April-June 1998). He argues that while many of these policies are necessary for economic success, they are far from sufficient. He cited an example of China, that pursued selective policies, and especially trade liberalisation, without undertaking public enterprise reforms, and yet that country was the fastest growing economy in the past two decades. In conclusion, Stiglitz pointed out that systematic analyses consistent with empirical evidence, "…are in short supply," warning against confusing ideology with economic science.

The debate here is about the role of the state which itself is enmeshed in a legitimacy crisis situation and restrains it from its ability to play the envisaged role. But even with that understanding, there is a case for the state to play a role in the small economies. Here the discussion is about the areas which such a role of the state can be played.

The raison detre' for the state to have a significant role in the economy and associated subsystems can be viewed from several angles related to the problems associated with economic, social and political conditions of the presently existing economies in the region. These conditions, historical in nature, have presently been accentuated by the Structural Adjustment Programs which in our judgment has been an important vehicle of the larger process of globalization**.**

PRICIPLES AND REALITIES OF REGIONAL INTEGRATION

It was evident from the discussions that external and internal factors underlie the failure of SSA countries to reap the benefits of economic integration. There is need for a domestic policy environment in individual countries that is conducive to investment. This includes capacity and peace building initiatives to establish conditions of political stability and peace. This needs to be complemented by improved market access for SSA to world markets. Lasting solutions are needed to the continent's debt burden, which stands in the way of nation building and regional development efforts. Increasingly civil society in SSA are waking up to the call for debt cancellation as it has now dawned on them that prevailing global power relations present an immense obstacle to recovery efforts at national and regional levels.

NEPAD- A REGIONAL PERSPECTIVE

NEPAD fails to comprehensively address the debt issue but apologetically refers to debt relief. The vicious debt trap cycle is not adequately addressed in NEPAD and the truth is the borrower is slave to lender and as long as the issue of debt cancellation is not addressed NEPAD' s objective of poverty eradication will become a pipe dream if not a perpetual nightmare. The blueprint ambivalently and ambiguously refers to debt relief and studiously avoids the issue of cancellation of odious or illegitimate debts. NEPAD has no proposals about evading the debt trap besides endorsing the World Bank's Highly Indebted Poor Countries Initiative which it admits has had its shortcomings.

Debt is a tool of political control since the lender can dictate conditionalities, yet NEPAD envisages Africans taking charge of their destinies when in fact their chronic indebtedness surrenders their control over their future to boardrooms in Washington. Besides the issue of ownership NEPAD makes too many assumptions about global power relations and thus ignores the unequal and unfair nature of the international global political economy. It is premised on paternalistic one-size-fits-all principles that assume that what worked in one country will work elsewhere. Moreover NEPAD presents an unparalled ideological challenge to Africans to fill the current ideological vacuum that has been filled by neo liberalism. Providing alternatives is admittedly more difficult than interrogating ideologies and programmes-NEPAD therefore provides an opportunity to civil society to start debating on viable alternatives to the current, predominant neo liberal ideology. For social activists there remains little prospect in sight that outflows from Africa will reduce or cease without an unconditional debt cancellation initiated by countries in debt.

Conclusion

The emergence of the concept of global civil society advocating alternative viewpoints at international fora and to international institutions, is an important development that can monitor and help shape the globalization process. This remains a significant hope for the promotion of sustainable development and poverty elimination.

Inequities and limitations of the globalization model based on free-market interests are clearly evident. This has led to criticisms of the paradigm in political, business, media and academic circles. Now than ever before, the need to reform the globalization and liberalization process has become relevant. With the collapse of the trade talks in cancun , it would appear that time is ripe for a paradigm shift away from a model based on competitiveness, greed and market expansion without due consideration to development premised on cooperation and international partnership which respects the rights of the people and balances economic activities with poverty reduction goals