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Civil Society, NGOs and Global Governance

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**CIVIL SOCIETY,
NGOS AND GLOBAL GOVERNANCE**

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Introduction

Bob Deacon

Globalisation has complicated the analysis of social policy because many new actors enter the picture. In the new complex multi-lateralism it is not only the national state, the national market, and national civil society who contribute to the shaping of social policy in any particular country. It is now necessary to include intergovernmental organisations, international markets and international civil society in the analytical framework. This is why the Globalism and Social Policy Programme (GASPP) has been researching the role of such organisations and trying to understand their impact on the making of both national and supranational social policy.

In December 1999 GASPP held the third in its series of seminars which are focussing on different aspects of global social policy analysis in turn. The theme of this third seminar was International Non-Governmental Organisations, Consulting Companies and Global Social Policy: Subcontracting Governance? The seminar agenda posed the topic for discussion in the following way.

While International NGOs and Consulting Companies are actively involved in lobbying for global social policy changes they have also increasingly been used in the past decade as subcontractors of global and supranational agencies such as the UNDP, the World Bank, and the EU as well as by a range of bilateral donors. They have become major players in the delivery of aid and technical assistance in the field of social policy (by which we mean health, education, social protection and so on). This practice has raised a number of questions about the implications for accountable policy making and for governance at the national and supranational levels. Some of these questions are:

1. Global Social Governance: What role do and should INGOs and Consulting Companies play in global social governance in terms of their relationship with the UN system and global financial institutions? How does this differ from the role of other parts of what might be termed global civil society? Have they a role as regulatory agencies ensuring adherence to social codes and rights? How are INGOs and Consulting Companies themselves governed? What kinds of regulatory mechanisms would promote best practice by INGOs and Consulting Companies? Can INGOs both lobby and be subcontractors?
2. Global Social Policy: What are the dominant themes in the policy advice which INGOs and Consulting Companies provide? How far is advice on global and national social policy shaped by humanitarian values and a concern with social rights, or the interests of the INGOs and Companies as potential service providers and regulators, or the views of the agencies for whom they are subcontractors? Is there an emerging common view among INGOs about global social policy? Does this reflect a northern perspective only?
3. Global Social Provision: What is the role of INGOs and Consulting Companies in the provision of and advice about social and health services in developing and transition societies? What implications are there for governmental responsibility for universal social protection and social provision? What impacts do INGOs and International

Consulting Companies have on local NGO, consulting company and civil society capacity?

In this GASPP Occasional Paper we have selected four of the papers presented at the seminar to illustrate the ways in which some of these questions were approached and answered.

Julian Disney uses the term civil society organisation (CSO) precisely because the term NGO has come to mean very different things. The focus here is on organisations of civil society which are not governmental, commercial or military. The role of such CSOs in influencing the outcomes and the follow up from the Copenhagen Summit is analysed. The paper addresses the concern that some international civil society organisations fall short of any reasonable requirement of actually representing those they claim to represent. The tendency for such organisations to be northern biased is not helped by an increasing engagement of such organisations with the UN system which institutionally is located in New York and Geneva. A steer towards a constructive regionalism is suggested especially if regions such as MERCUSOR and ASEAN are to be a part of any reformed structures of international governance. On the other hand the paper makes a strong plea for global civil society organisations to engage much more in the painstaking details of slow institutional reform around the UN system and especially ECOSOC if real and durable change is to be achieved.

Paul Stubbs examines another aspect of the question by focussing on the relationships developed in practice between international organisations including international NGOs who are in the business of providing services in emergency situations and national and local NGOs. It is a paper based on the case study of Bosnia-Herzegovina. He is critical of the colonial style relationship that has often arisen between the northern international actors and the local NGOs within which considerable distortions of the civil society process take place. Not least among such negative and unintended consequences is the distortion of the local economy and the job market for potential government employees who are seduced into working for aid agencies. This further weakens formal governmental capacity. The tendency to projectitis is also seen to distract from long term local and national capacity building. There are a number of concrete ways in which some of the negative aspects of the existing colonial relationship could be overcome. All depend on giving far greater power, authority and resources to national (and local) NGOs and governments.

Janine Wedel's paper deals with an even more extreme case of the negative aspects of external non-governmental intervention. In this case it is the story of the role of the Harvard Institute for International Development and the Russian Privatisation Centre. This Centre which played a prominent role in the privatisation of aspects of the Russian Economy was formally a non-profit Non Governmental Organisation. The point of Janine's paper is however to analyse the "flex organisation" reality of this organisation which was sometimes private, sometimes state sometimes Russian, sometimes, American. It was created out of a set of "transactorship" relationships involving key individuals who adopted "transidentities" playing different roles at different times. Such practices are shown in the paper to undermine democracy and to create opportunities for transactors to maximise their own opportunities. While not explicitly a social policy story similar murky self serving transactorship relationships between consulting companies and recipient agencies no doubt exist in this field also.

The question of NGO accountability raised by Julian Disney, the concern about northern NGO colonialism and the worries about opaque transactorship relationships operating in the international aid business all come together in the paper by Angela Wood who reviews the opportunities and problems created by the approach of the Bank and IMF to poverty alleviation in the context of debt relief. The new working relationship between the Bank and the IMF in this field is meant to be facilitated by the adoption in each recipient country of a Poverty Reduction Strategy Paper. The conditionality to be imposed by the lenders is related to the process whereby such a strategy paper is evolved and in particular how inclusive are the governments consultations with civil society. Angela sees the need for INGOs to alert NGOs to the need to ensure governments consult them in this process. While such developments could, as Angela implies, strengthen representative civil society organisations, enhance the democracy of national social policy decision making and contribute to the Bretton Woods Organisations being more accountable to those to whom they lend money there is equally a danger that in the rush to cancel the debts of the most favoured countries quick fixes involving opaque transactions between governments, the INGO sector, specific national NGOs and the Bank will take place.

In sum these four papers reflect the complexity of the current international governance of social policy and uncertainty about how to improve on this. On the one hand there are considered calls for slow institutional global reform involving the work of accountable civil society organisations focussed on UN agencies and national and regional governmental structures operating within a value framework which is concerned to increase global justice. On the other hand there exists a reality of opaque transactions taking place between self serving INGOs and flexi-consulting organisations all operating to rushed project timetables. These aspects of the current realities of international relations in the aid business detract from the considered calls for systematic value based global reform.

Civil Society, the Copenhagen Summit and International Governance

Julian Disney

Introduction

This paper consists of two main parts. The first part seeks to describe aspects of the role of civil society organisations (CSOs) before, during and after the World Summit for Social Development which was held in Copenhagen in 1995. The second makes some broader observations on the role of CSOs at international levels, especially in relation to social policy. The observations are drawn from practical experience and occasional reflection rather than extensive research and analysis.

The term CSO is used here to include any organisation except those which are governmental, commercial or military. It is preferred to the term non-governmental organisation (NGO) partly because it is more positive but mainly because the term NGO has acquired so many confused and confusing meanings in international usage.

The Copenhagen Summit: Processes

The Copenhagen Summit was concerned with three core issues, namely poverty, unemployment and social exclusion. It was initiated within the United Nations itself rather than in response to specific proposals from civil society. The first of four preparatory meetings began in New York early in 1994 and the Summit itself was held in March 1995. It was attended by heads of state or government of more than 110 countries and almost every other country was also represented.

CSO involvement

Several thousand CSOs were involved in some way or another in the preparations for the Summit or during the Summit itself. A reasonable estimate might be that about one hundred organisations had a close and sustained involvement. Many organisations which attended the preparatory meetings in New York did not seek, or were unable to achieve, any significant engagement with the intergovernmental discussions. Most organisations which attended in Copenhagen during the Summit itself had not attended or played a substantial role at any of the preparatory meetings. By the time of their arrival in Copenhagen, any likelihood of significant CSO influence on the content of the agreements was effectively exhausted. Instead, most CSOs attended a wide assortment of forums, workshops and entertainments at a separate venue from the Summit and one group circulated an Alternative Declaration for endorsement.

Of those organisations which were most closely involved, the majority were in the related fields of social welfare and development. The women's movement was also substantially involved, although its principal focus at the time was on the Cairo population conference and then preparations for the Beijing women's conference. The labour movement was more active behind the scenes than in general CSO activities, while other sectors such as the environmental, consumer and human rights movements continued to focus principally on other international processes.

During the preparatory stages, three groupings of CSOs emerged as perhaps the most active and closely engaged with the intergovernmental negotiations. One was a long-established global organisation, the International Council on Social Welfare (ICSW), which represents tens of thousands of organisations in about 80 countries around the world. The other two groupings – calling themselves respectively the Women's Caucus and the Development Caucus – existed at and for the purpose of the Summit process and some other UN meetings rather than as ongoing organisations. Their meetings, like those of ICSW, attracted participants from a wide range of countries but in each grouping the key work was probably undertaken by a core of 10–20 people.

An initial attempt was made by the Conference of NGOs accredited to the UN's Economic and Social Council (CONGO) to establish an overall coordinating committee for CSOs involved in Summit preparations. It foundered for a number of reasons, including a perceived lack of prior consultation, and the three principal CSO groupings which emerged came to believe that no such overarching process was necessary or perhaps even desirable. A degree of consultation and cooperation developed between them, and with other active CSOs, which facilitated interaction with sympathetic leaders in the intergovernmental process.

Access

It was relatively straightforward for CSOs to become accredited to the Summit process, requiring little more than provision of some basic information about their organisation and an expression of interest in being accredited. In itself, however, accreditation merely gave a right to enter the United Nations building and the plenary intergovernmental sessions. CSOs were not usually allowed to attend the informal sessions, often involving only 10–20 governments, at which most of the detailed and crucial negotiations occurred. Most CSOs could not get timely access to key draft documents or have a discussion with the major negotiators. Many CSOs were permitted to address the plenary sessions but this usually occurred when the key governmental representatives were engaged in closed negotiations elsewhere or after the relevant issues had been considered by the governments.

After considerable pressure, a few special segments for selective CSO input to plenary intergovernmental sessions were provided at times when their views were more likely to be heard by a reasonably large audience. The UN secretariat initially insisted that all speakers in these segments must represent a grouping entitled "caucus" which, apparently, was thought in itself to guarantee breadth and representativity. Yet some individual organisations which were very actively involved in the process had memberships that were very much larger and more geographically extensive than was the participation in most of the caucuses.

Indeed, some caucuses, including the self-styled and short-lived “caucus of caucuses”, had no convincing claim to represent more than a few individuals.

Without any formal process for selection, the CSOs which eventually were allowed to speak usually included the three principal groupings and a few others who had special personal influence with leaders in the bureau or the secretariat or were especially assertive and persistent in their requests. Some confusion and unfairness occurred but it is not clear that a better allocation would have been achieved by a more structured process.

The three principal CSO groupings, together with a few individuals, had somewhat better access to documentation and negotiations due largely to the personal support of the Chair of the Preparatory Committee (Ambassador Juan Somavia of Chile). Even they, however, had limited opportunities for detailed discussion on key issues with the leading government representatives and it is not clear whether, despite some assertions, their written submissions attracted detailed consideration by many governments. In general, there seemed to be greater CSO access to governments of industrial countries, partly because the size and cumbersome processes of the negotiating group of developing countries (G77 and China) gave its leaders very little time for any other discussion. Even where access did occur, however, it was often unpredictable and fleeting.

Some of the best opportunities for input were through the few CSO representatives who were members of their government’s delegation, especially where the delegation in question was active in a key negotiating group. These representatives were useful sources of information as well as occasionally being able to influence their delegation’s position. One such CSO representative was eventually recruited to help re-write much of the proposed draft agreement after the governments had repeatedly refused to commence negotiating it.

Meetings and publications

Poor meeting room facilities in or near the UN building in New York were a major impediment to cohesive and effective work by CSOs. The acute shortage of appropriate rooms, and of means by which meetings could be publicised, was aggravated by a seriously inadequate booking system which often gave preference to meetings convened by organisations that had little or no involvement in the preparatory process. Nevertheless, a number of informative seminars were held, often by UN bodies such as the United Nations Development Programme rather than by CSOs. Most of the seminars appeared, however, to have little influence on the course of intergovernmental negotiations.

The International Council on Social Welfare organised several global and regional forums on Summit issues, both in New York and elsewhere, as did some UN bodies. These forums outside the formal preparatory processes often provided better opportunities for hearing key governmental representatives and expressing views to them. Many CSOs organised preparatory meetings in their own countries for their members or compatriots but large international gatherings seem to have been rarer than for some other UN conferences.

A wide range of information and policy papers were distributed by CSOs at the preparatory meetings and the Summit itself. The arrangements in the UN building in New York, however, were not conducive to effective distribution, especially to government representatives. Moreover, many of the papers were on issues of only peripheral relevance

to the negotiations. Nevertheless, the three principal groupings and some other CSOs prepared detailed and substantial contributions. A quarterly newsletter was prepared on behalf of a consortium of CSOs but it was relatively brief and general, rather than being a focal point for CSO preparations.

The preparatory meetings attracted very little interest from mainstream media. In Copenhagen, the media focused more on the activities of CSOs in the separate conference than of those CSOs lobbying around the governmental negotiations. In general, there appears to have been substantially less coordination, focus and impact in the media work of CSOs before and during the Summit than in some other major UN conference processes of the last decade.

The Copenhagen Summit: Policies

CSO priorities

During the preparation process, the policy positions of the three principal CSO groupings became increasingly convergent. This did not require any significant abandonment or modification of policies as there had never been major conflicts between them. Moreover, it was more a matter of gradually adding items from each other's submissions than of a concerted effort to achieve uniformity. Although some governments and CSOs demanded a single CSO position, the principal groupings believed that the convergence and complementarity of their views made pursuit of complete uniformity unnecessary and indeed likely to cause undesirable delay, tension and dilution of their views through negotiating a comprehensive consensus document.

There were some differences, however, in the priorities which the principal groupings emphasised. The Women's Caucus concentrated mainly on questions of gender equity and empowerment, especially in relation to education, reproductive health, employment, personal security and access to political and corporate power. During the course of Summit preparations, it gave increasing attention to aspects of macro-economic policy which were being raised by some other CSOs. It also developed more detailed proposals in relation to the informal sector of the labour market, anti-discrimination laws, and the operation of the United Nations system on social issues.

The Development Caucus focused especially on increasing the level of official development assistance (ODA) and achieving broader, deeper and faster debt relief. It also supported adoption of the so-called "20/20 principle" to achieve greater allocation of donor and recipient funds for basic social needs. It strongly criticised the basic policies and practices of the World Bank and International Monetary Fund, especially through structural adjustment programmes and conditionalities, as being harmful to many people in developing countries. Over time, it also gave increasing emphasis to aspects of taxation, human rights and the conduct of transnational corporations.

The priorities of the International Council on Social Welfare related to achieving political, economic and legal environments, especially at the international level, which promote social development. For example, ICSW called for tighter regulation of the international financial system and for international cooperation in development of

progressive tax systems which raise sufficient revenue for social investment. It also called for strengthening the UN's role on economic and social policy, especially through the Economic and Social Council, and improving implementation of the International Covenant on Economic, Social and Cultural Rights. Target dates for achieving specific anti-poverty outcomes became of increasing importance in its advocacy during the latter stage of negotiations.

Many CSOs in the social welfare and social development sectors focused on a particular area such as health, education or housing or on a particular group of people such as older people, refugees or people with disabilities. The breadth of the Summit agenda, however, meant that there was little prospect of any such issues being the subject of detailed, well-informed and sustained negotiation. Some CSOs from other sectors contributed to the preparatory process without most of them becoming involved intensively or at length. This applies, for example, to CSOs in the environmental, consumer and human rights fields.

A substantial proportion of the CSOs expressed their concerns and views at a very general level. For example, they emphasised the gravity of problems such as poverty and unemployment and they proposed general directions for addressing them such as people-centred development, more participation for civil society and more resources for poor people and developing countries. Unlike the principal groupings, especially ICSW and the Women's Caucus, most CSOs did not propose detailed textual amendments to the draft agreements.

The Summit agreements

The Copenhagen agreements run to more than 100 pages and cover a vast array of topics. While most governments and CSOs seemed unworried by this prolixity, a few fought hard but unsuccessfully for a much briefer and more specific document. Throughout the negotiation process, most governments and CSOs concentrated on questions of rhetoric and general philosophy rather than specific questions of practical implementation. This applies especially to the almost complete lack of attention to the final two draft commitments which related to resources, structures and processes for achieving the lofty goals described in the earlier commitments. One cause of this neglect was that each round of negotiations began at the first commitment and ran very short of time before reaching the later commitments.

Pressure from CSOs contributed to a number of significant improvements in the draft agreements. They include addition of the commitment dealing principally with health and education, greater emphasis on gender equity, recognition of the importance of civil society, and a focus on the rights of indigenous people. The passages relating to the international financial system, taxation and regulation of business conduct arose solely from initiatives by a handful of CSOs. A few CSOs were also crucial to achieving the emphasis on economic, social and cultural rights despite strong opposition from some governments.

Lobbying by one or two CSOs also contributed substantially to the passages on strengthening the Economic and Social Council and on regular regional reviews of implementation of the Summit agreements. While the passages in the agreements on official development assistance, the 20/20 principle, debt relief and structural adjustment were

ultimately very limited, they would have been even weaker without strong CSO pressure. The same is true of the limited success in obtaining agreement on specific anti-poverty target dates and references to the importance of full employment, small and medium enterprises, and microcredit.

A striking feature of the Summit itself in Copenhagen was that many speeches by heads of government displayed a livelier awareness of the gravity of social problems, and of the need for substantial adjustment of economic and other policies, than had been evident in their representatives' contributions during the earlier negotiations. This partly reflected the dominance of finance ministry policies in the views which were expressed by many of those representatives. Very few of the senior representatives were experts in social policy rather than in economics or foreign affairs and most were bureaucrats rather than elected politicians.

During the negotiations, most CSOs were deeply disappointed with progress. At the end, however, there was a much more positive response from many of those who had been closely involved. Both the earlier negativity and the subsequent enthusiasm were somewhat excessive. The final document was stronger on rhetoric than action and, while many passages were welcome to most CSOs, other passages endorsed economic policies which were much less acceptable. Indeed, almost any point of view could find support somewhere in the voluminous agreement.

After the Summit

The early period

In the first two years or so after the Copenhagen Summit, the agreements made at it did not have a very high profile. They did contribute, however, to some policy changes. For example, some improvements were made in debt relief and in the administration of structural adjustment programmes. The industrialised countries of the Organisation of Economic Cooperation and Development (OECD) adopted seven International Development Targets for achievement by 2015 of a number of anti-poverty goals, including halving the proportion of people living in abject poverty. This was an approach which some CSOs had urged should be included in the Summit agreements themselves.

Some governments adopted specific anti-poverty targets and strategies in response to the Summit. A few of them established committees to oversee implementation, sometimes with CSO representation, but generally speaking the committees did not develop major roles. A few governments expressed support for some kind of tax on financial transactions such as the "Tobin tax" which achieved considerable attention during the Summit preparations.

The United Nations made some administrative changes to improve its development and implementation of anti-poverty policies, especially at the national level and through the United Nations Development Programme (UNDP). Key responsibility for coordinating the UN's response was vested in the Economic and Social Council (ECOSOC) and the Commission for Social Development (CSocD). They strengthened their effectiveness in some respects but, in general, did not manage to mobilise vigorous implementation.

ECOSOC's regional commissions in the Asia and Pacific and Latin America and Caribbean regions held the first of the biennial meetings to review implementation which were proposed by the Summit. The meetings did not, however, reveal or initiate major progress.

Three principal CSO initiatives were developed to monitor and pursue implementation of the Copenhagen agreements. The Third World Institute in Uruguay commenced publication of an annual report entitled *Social Watch* which contains statistical analyses of progress and articles by CSOs and academics about developments in their own countries. The International Council on Social Welfare began publishing a quarterly magazine, *Social Development Review*, to exchange information and policy proposals about Summit implementation. It also began an extensive series of global and regional forums about implementation which involved more than a thousand CSOs around the world.

It must be said, however, that most CSOs did little follow-up action after their attendance in Copenhagen and most non-participants continued to know little or nothing about the agreements. This partly reflected the breadth and generality of the Summit agreement, which left many national and local CSOs wondering about its direct relevance to their concerns.

After the "Asian crisis"

The situation changed substantially after the so-called "Asian financial crisis" in mid-1997 and the subsequent difficulties in Russia, Brazil and elsewhere. These events highlighted weaknesses in the international economic system which had been pointed out by some CSOs during the Summit preparations and had been acknowledged to some extent in the final agreements but were subsequently ignored by the leading governments and financial institutions.

After the crisis, many CSOs which had previously given little attention to these issues, especially the impact of international financial speculation, began to recognise their crucial impact on poverty and other forms of hardship. Governments of developing countries began to be more willing to reconsider their acquiescence in the prevailing economic orthodoxy or to express concerns which they had previously suppressed. Newly-elected governments in countries such as the United Kingdom and Germany were more inclined to focus on international poverty and to modify the dominant economic orthodoxy. References to the Copenhagen agreements in intergovernmental meetings, and by major international leaders, became much more frequent and supportive. The financial markets and the IMF began to suffer severe criticism for their roles in creating the crisis and aggravating its aftermath.

These developments contributed to a number of changes in direction which had been agreed at Copenhagen but not effectively implemented. This included, for example, adoption of a more extensive package of debt relief and also increases in official development assistance by some countries. International regulation of financial speculation was tightened a little and the orthodox opposition by the IMF and others to aspects of national regulation of financial markets was moderated to some extent. The commitment to change appears now to have weakened considerably, however, as the major countries have become confident that their economies will not be gravely affected by the crisis.

One important response to the financial crisis was the proposal by Gordon Brown, the UK finance minister, that principles of social policy be agreed internationally in order to ensure that interventions in countries by the international financial institutions do not create undue social harm. The proposal has been endorsed by those institutions and referred to the Economic and Social Council to develop the principles. It remains to be seen how speedily and vigorously this task will be addressed.

The five-year review

During 1999, governmental and non-governmental interest in Copenhagen implementation began to quicken somewhat as preparations began for the five-year review of implementation to be conducted by the UN General Assembly in Geneva in 2000. The UN's regional commissions in the Africa and Asia and the Pacific regions conducted meetings to review implementation, although they were rather low-level processes. ICSW conducted a further extensive series of regional civil society forums which spread knowledge of the Copenhagen commitments to many CSOs and engendered greater interest in them. The *Social Watch* report continued to refine and expand its analyses of progress.

The UN's initial preparatory meetings for the review were conducted by most governments at a low level and without much sign of commitment. On the CSO side, several substantial policy papers were presented and showed a considerable degree of common ground, largely because of the wider recognition of the need for reform of the international financial system and for internationally coordinated taxation reform. Key papers included those produced by the International Confederation of Free Trade Unions, ICSW, Eurostep (a coalition of European-based overseas aid organisations) the Social Watch network and the World Council of Churches.

To date, these groupings have been following the same approach as before the Copenhagen Summit of seeking convergence and complementarity rather than complete uniformity amongst CSOs. Others, however, have insisted that CSOs should agree on a joint paper if they want to be taken seriously by governments. In general, these latter organisations tend to have an interest in a particular aspect of the Copenhagen agreements rather than the more comprehensive concerns of the other groupings.

The key issues being pursued by the principal groupings are very similar to those upon which they concentrated during preparations for Copenhagen. They include greater regulation of international finance and business conduct, greater coordination of taxation reform, improved debt relief and official development assistance, better enforcement of core labour standards and human rights, and strengthening of the ECOSOC system including its influence over the World Bank and IMF. They also include greater emphasis on full employment, adequate working conditions and anti-poverty programmes. Although the groupings place differing emphases on these various priorities, their overall agendas are similar and there appears to be little or no clear disagreement.

An important new initiative which emerged from the regional forums organised by ICSW was the development of a proposed Anti-Poverty Pact. The Pact was conceived as a politically binding agreement between all governments and key international financial institutions. It involves commitment to the seven international anti-poverty targets which were adopted by donor countries shortly after the Copenhagen Summit. These targets,

which relate to matters such as income, health and education, are expressed in specific statistical terms and for achievement by 2015. The proposed Pact would match these targets with equally specific, time-bound commitments to mobilise the necessary resources at the international and national levels in order to enable the targets to be achieved. These commitments would relate to matters such as official development assistance, debt relief, currency transaction taxes, anti-corruption measures, military expenditure reductions.

It remains to be seen whether, at the last minute, the five-year Copenhagen review process will gather substantial momentum at the intergovernmental level. The interest amongst CSOs, however, has built considerably from the low base which existed for much of the initial period after the Summit. It appears also that the gathering in Geneva may become a focus for the continuing campaign against extreme market economics which has received a substantial fillip from the Asian crisis and the widespread unpopularity of the IMF and World Trade Organisation.

Governance and Interaction in Civil Society

Experience during preparations for the Copenhagen Summit and the subsequent follow-up casts useful light on a number of important aspects of the way in which CSOs are structured, operate internally and engage with each other in international activity. The following comments address several internal issues before looking at aspects of interaction.

CSO membership and governance

A common criticism made of CSOs during the Copenhagen process was that they are not sufficiently transparent and accountable, and that they do not represent many people. It was sometimes made as a general criticism of CSOs by governmental, business and union sources and it was often made of particular CSOs, sometimes by other CSOs. There is no compelling reason why all CSOs should have a broad-based membership to which they are fully accountable. Some may consist of little more than one person and rely on the power of their information and ideas rather than on broad membership or financial power. Others may be established very quickly for a short-term purpose under circumstances which make it impractical and unreasonable to expect formalities of membership and substantial accountability.

It is very important, however, that CSOs in general as well as particular CSOs do not make extravagant claims of representativity. Unfortunately, experience in the Copenhagen process suggest that such claims are not uncommon, either by adoption of misleading organisational names or, for example, by claiming as members a number of organisations with which they have merely had some fleeting contact. These claims are not only unfair to other CSOs who may be directly affected but also damaging to the general credibility of those CSOs which do have a legitimate claim to representativity. A related problem is that some groupings which claim to be broad-based membership organisations have no clear governing structure and process for election of their leaders by the membership. Others have membership structures and elections but make no serious attempt to strike a fair

balance between, for example, the voting power of those members which themselves represent a very large of their own members and those which have no more than a handful of their own members.

During the Copenhagen process, these problems were aggravated by some people in governmental and intergovernmental organisations who understandably and desirably wanted to encourage CSOs from developing countries but tended to overlook basic checks of representativity and bona fides which they would regard as essential measures of the credibility of CSOs from industrialised countries. This is not to argue that unreasonably rigorous criteria should be imposed, especially in relation to countries where civil society operates under severe difficulties. But the long-term strength and effectiveness of civil society is retarded if outside influences appear to discount the value of developing CSO leaders of high calibre and lasting credibility.

A particular difficulty facing international CSOs is to develop a membership which fairly represents the organisation's purported constituency, especially where it is global. This should go beyond merely ensuring, for example, that a substantial proportion of members comes from developing countries. It needs to include ensuring that people from those countries have realistic opportunities to be senior officers or staff members of the organisation, and that the organisation's offices and activities are not disproportionately based in industrialised countries. The record in these respects of most of the longest-established global CSOs is not impressive. The balance is made harder to achieve, of course, when so many major intergovernmental meetings and other activities are held in the relatively small part of the globe occupied by North America and Western Europe.

Interaction between CSOs

As internationalisation has become increasingly intense, detailed and rapid in its impact on national and local circumstances, so the need for close international interaction between CSOs has increased. Technological developments, especially email and the Internet, have undoubtedly facilitated that interaction, including with many CSOs in developing countries for which post, telephone and fax is often too slow, unreliable or expensive. The effectiveness of a number of recent CSO campaigns in areas such as trade and the environment has benefited greatly from these new ways of gathering and exchanging information, ideas and plans. This is especially so where speedy and intense campaigns have been essential.

Another development which has stimulated and facilitated international interaction has been the series of major United Nations conferences such as the Copenhagen Summit during the 1990s. This has greatly increased the number of national and even local CSOs which have an active interest in international dimensions of the problems with which they are concerned. It has also provided opportunities for them to attend international preparatory meetings, the global conferences themselves and subsequent gatherings at the UN or elsewhere. Previously, CSO involvement with the UN had been principally through long-established global organisations that had been subjected to lengthy accreditation procedures and had substantial records of involvement across a number of countries.

During the last decade or so, it appears that many organisations and individuals at the national and local level have become directly involved in international activities rather

than doing so through becoming active members of global organisations which have fully fledged and broadly based membership structures. Often, of course, they have become involved with a loosely structured campaign, network or coalition with CSOs in some or many other countries. In general, however, the last decade does not appear to be characterised by substantial growth in the numbers or strength of global organisations which have formal, transparent and ongoing structures of membership and governance.

This tendency has reflected to a considerable extent, perhaps, weaknesses amongst the long-established global CSOs. Many of those organisations have tended to be heavily, if sometimes unconsciously, dominated by members from the industrialised countries and to have focused on concerns and activities of special interest to those countries. They have been slow to adjust to the decline of colonialism and to improved communications options. Many have also been, or have become, rather conservative in their substance, style or both. These factors have tended to reinforce a tendency in some quarters to characterise global CSOs generically as “northern” CSOs even though some have a majority of members from the “south”.

Another factor, however, may be a reluctance by some prominent CSO activists to devote themselves to the lengthy, painstaking and often unexciting task of building or reforming an international organisation in such a way that it is strong, ongoing, fully accountable and broadly based. This task commonly requires a willingness to accommodate differing views and styles, and to accept delays and formalities, which some of the most vigorous and talented activists find personally uncongenial or believe is incompatible with the single-mindedness and sense of urgency that a particular campaign may seem to require.

A balance needs to be struck between these two approaches within the overall ambit of civil society. Excessive reliance on large, structured and democratic organisations can unduly blunt initiative, speed, vigour and effectiveness in individual campaigns. On the other hand, excessive reliance on ad hoc, often unrepresentative or unaccountable networks can weaken the quality and credibility of campaign decision-making. Efficient access to and use of resources may be enhanced by a mixture of both ad hoc networks which are purpose-built for a particular campaign and established organisations which have existing resources, structures and processes that can enable them to “hit the ground running”.

Further development of CSO cooperation at the regional level may help to strike this balance. There appears recently to have been some increase in the number of regional CSOs. Many of them, however, consist solely or overwhelmingly of CSOs from only one or two countries in the region, and others have not yet developed any significant level of activity or impact. Some global CSOs, such as ICSW, have always had a regional structure and are now substantially strengthening their activities at that level. Operating within a global organisation can help regions to draw on experience and resources from other regions and to combine in effective advocacy on issues which require action at the global level.

CSOs and Intergovernmental Organisations

Aspects of interaction

The balance between different kinds of CSOs has been affected substantially during the last decade by the United Nations' relaxation of its rules and practices in relation to accreditation of CSOs. A large number of national and local CSOs have, in practice, acquired similar rights in the Copenhagen process and other UN meetings to those previously afforded principally to formally structured and long-established international CSOs. Moreover, as mentioned earlier, ad hoc "caucuses" without formal and transparent structures, and representing relatively few substantial organisations, have sometimes been regarded as meriting greater access than global CSOs each representing thousands or even tens of thousands of organisations across the world.

This new approach has been justified by some people as improving access for CSOs from developing countries. Certainly, many of the longer-established global CSOs have signally failed to live up to their claims and responsibilities in that regard, although there are signs of improvement in some quarters. On the other hand, the extent to which the approach benefits CSOs from developing countries is often over-stated. While key UN personnel and processes continue to be located so overwhelmingly in New York and Geneva, North American and European CSOs will continue to have huge advantages. Indeed, these advantages have been increased to some extent by the new approach, since so many of the newer CSO representatives in attendance at the UN on a regular basis are from nearby, industrialised countries. In these circumstances, many "northern" CSOs can and do acquire a disproportionate influence.

It may be somewhat paradoxical that some of the strongest advocates of the new, relatively "all-in" approach to UN accreditation are also frequent advocates of developing a single joint statement for all CSOs at a particular meeting. On some occasions such a statement may be feasible and desirable. On others, however, it may cause so much delay, tension, equivocation or prolixity that the ultimate statement is largely ineffectual and energies are diverted from more fruitful strategies. Moreover, the impact of a single joint CSO statement can be overstated by comparison with a number of convergent statements which have differing but complementary priorities and are expressed from a variety of backgrounds.

Some people go further by urging development of an over-arching representative organisation for the whole of civil society. This may be appropriate and practical in relation to an organisation with the role of promoting political, legal, financial and other conditions which enable a strong civil society to develop. But very different considerations apply in relation to representation on issues of substantive policy, where development of a single representative organisation could detract severely from the very essence and strength of civil society, namely its diversity of interests, perspectives and circumstances. The policy statements of a sole representative organisation for the whole of civil society might often have to be either too unrepresentative to retain credibility or too unfocused and equivocal to be effective.

“Constructive regionalism”

There is much to be said for promoting a concept of international governance which might be called “constructive regionalism”. It would be “constructive” in the sense of encouraging regions to be positive in their engagement with other parts of the world rather than merely defensive and exclusive. It would also be constructive in the sense of developing strong regional structures which help to construct a global framework for cooperation that more adequately reflects the interests of all countries and people, rather than mainly of the richest, and that strikes an appropriate balance between global uniformity and localised autonomy. By these and other means, constructive regionalism can help to maximise the benefits of internationalisation in economic and other fields and to minimise the dangers.

It is certainly important for governments and civil society to interact much more closely at the regional level. This applies not only to large, continentally defined regions but also to smaller, neighbourly groupings which more adequately reflect similarities in circumstances, cultures and interests. Examples include the regions of the European Union, Association of South East Asian Nations, Mercosur, Southern African Development Community and other such intergovernmental groupings which have become more common and influential in recent years. The UN’s effectiveness could improve substantially if these groupings were more closely involved in its work and, for example, formed the principal basis of blocs for election and negotiation within ECOSOC. This would help to ensure that the growing incidence of “bi-regional” and sometimes “multi-regional” interaction develops within an appropriate global framework.

CSOs within the European Union have increasingly combined into regional organisations in recent years in order to engage more effectively with the EU. A similar approach in other regions would require CSOs to urge the relevant intergovernmental groupings to give greater attention to social issues and perspectives and to become much more open to active engagement with CSOs. This approach was strongly supported at the ICSW series of regional forums on Copenhagen implementation. A further step, which could be of great benefit to developing countries in their efforts to negotiate effectively at the global level, would be to develop much closer interaction between the regional groupings of the “south”. This approach was proposed in the Bali Declaration and Plan of Action that was adopted in 1998 by the Group of 77.

ECOSOC and the General Assembly

A crucial issue for CSOs with international interests is to assess whether ECOSOC should be urged and assisted to play the overarching role on international economic and social policy that is provided for it in the UN Charter. The need for some organisation to play this role has been emphasised recently by the debates about interaction between trade rules of the WTO, labour standards of the ILO, multilateral environmental agreements, and human rights treaties. It also arises in relation to the reference to ECOSOC of the proposal that the World Bank, IMF and others should ensure that their interventions in countries are consistent with an internationally agreed set of standards for social policy.

Very few CSOs take an active interest in ECOSOC, apparently having come to the understandable but perhaps short-sighted conclusion that it is too ineffective to merit their

attention. There may, however, be considerable scope for improving its performance, especially if its operative meetings are more frequent and make greater use of small sub-groups to achieve greater vigour, expertise and momentum. If this approach is rejected or fails, it will be essential to pursue some other approach for developing a body which is sufficiently broadly-based to balance the interests, for example, of developed and developing countries, of economic, social and environmental concerns, and of governments and civil society.

One response to frustration with ECOSOC, and the UN generally, has been to urge establishment of some kind of People's Assembly as an advisory or even co-determinative addition to the General Assembly. This may have some merit but it is not clear whether such a body could be convened in a sufficiently representative way to justify a co-determinative role, except perhaps with very limited powers. It would be very dangerous to pursue strategies for UN reform which, albeit unwittingly, might reduce the pressure and incentive for governments to be popularly elected and to represent all their people at the international level.

On the other hand, there is much to be said for enabling greater CSO interaction with the General Assembly, not only through an appropriate accreditation system for attending meetings but especially through inviting CSO leaders to serve on expert committees and panels and through improving timely access to key documents under negotiation. The Security Council has taken some interesting moves in some of these directions in recent times. There is also much to be said for developing a closer interaction between the UN and cross-party parliamentary committees or other structures which include a fuller range of popularly elected representatives rather than only those of the governing party.

Conclusion

CSOs can make a major contribution to development of better structures and processes for international governance. In order to do so, they will need to get their own houses in somewhat better order and to concentrate on practicalities and details in their proposals and strategies rather than principally on rhetoric and symbolism. Many of the most important opportunities lie at the regional level, especially if seen also as part of a global framework. A number of useful directions for action were included in the Copenhagen agreements, although they did not receive much attention from governments and CSOs at the time. They should now be made a high priority in the process for implementation of those agreements, including the Special Session of the UN General Assembly in Geneva next June.

Partnership or Colonisation?: The Relationship Between International Agencies and Local Non Governmental Organisations in Bosnia-Herzegovina

Paul Stubbs

Introduction

This text is an attempt to examine aspects of the relationship between international agencies and local non-governmental organisations (henceforth NGOs) in contemporary Bosnia-Herzegovina. It is written by an outsider who is involved in a number of research activities in Bosnia-Herzegovina and other post-Yugoslav countries, and who has collaborated with both international agencies and local NGOs. It is not, at all, a systematic analysis of all aspects of this complex relationship. Rather, it seeks to provide a framework, and a number of examples, which can be debated and taken further by scholars and activists within Bosnia-Herzegovina itself.

The central thesis of the paper is that the interventions of international agencies have tended to reproduce particular forms of colonisation rather than partnership, in terms of their relationships with a range of local actors and agencies. This is rather an extreme position to take and, therefore, needs to be accompanied by a number of caveats. Most importantly, it is vital to disaggregate the two central categories, that of 'international agencies' and of 'local NGOs'. Both categories cover a very wide range of organisations, in terms of size, objectives, principles, and practices. Within this wide range, there are examples of good practice which can be seen as closer to 'partnership' models. Nevertheless, overall, a more pessimistic picture remains. In addition, it is important to recognise that structures of colonisation are, usually, far from the intention of international agencies but are, rather, reproduced through a failure to recognise, or when recognised, to adequately compensate for, dominant structures of power.

Moreover, the effect is cumulative, and a product of the vast number of agencies all seeking 'partnerships' so that, overall, notwithstanding the strategies of individual agencies, the element of competition in the system further reinforces this colonisation. This should not, however, be seen as a kind of pessimistic determinism; there are steps which could be taken, many of which have been recommended in recent studies, which would help to correct the unfavourable picture which is the current reality. At the end of each section in this text, I attempt to develop certain principles which could form the basis for a new partnership¹.

Colonisation

For the purposes of this essay, ‘colonisation’ may be defined as ‘an asymmetry based on an unequal distribution of symbolic and financial power between two categories of actors’², in this case between international agencies and local NGOs. This asymmetry, then, leads to outcomes which reinforce the dominance of international actors, their frameworks, assumptions, meanings and practices. As such, these outcomes may be inappropriate to the specific socio-political and socio-cultural context of a particular society, and implicitly or explicitly, patronising, demeaning and even insulting to local actors.

Partnership

In contrast, ‘partnership’ can be seen as ‘an exchange among equals working towards a mutual goal’³. This definition, perhaps, should be seen as more ideal than real, in the context of fundamental power imbalances, both financial and symbolic, and the fact that ‘inequality never built capacity’⁴. It may be better to see partnership in terms of aspiring to more equal relationships, the outcome of which is the development of local NGOs which are sustainable, diverse, and based on local agendas and priorities. ‘Local’ is also a complex construction, of course, given that societies, and their NGOs, are themselves marked by different kinds of inequalities and contain individuals within them who are themselves engaged in a range of international discourses.

International Agencies in Bosnia-Herzegovina

Who Are The International Agencies?

As already stated, the term ‘international agencies’ covers a very wide range of organisations including, for our purposes here:

1. **Supranational Agencies** which operate on a global level including the UN agencies (UNHCR, UNDP, UNICEF, and so on), the World Bank and the International Monetary Fund, and which have a presence in Bosnia-Herzegovina and which work with a range of counterparts in developing and funding programmes according to their specific mandates.
2. **Regional Agencies** such as the Council of Europe and the European Community, which are increasingly involved in humanitarian relief and development assistance on a global level, and operate a wide range of programmes in Bosnia-Herzegovina.
3. **Bilateral Agencies** such as USAID, SIDA (Swedish Development Assistance), DFID, and so on, which are governmental agencies which offer assistance directly in Bosnia-Herzegovina in addition to contributing funding to supranational and regional bodies.
4. **International Foundations and Trusts** such as the Open Society Foundation which are, essentially, private initiatives, from the large-scale to the small-scale, which also channel funds, according to particular criteria, to organisations and groups in Bosnia-Herzegovina.

5. **Larger International NGOs** such as CARE International, Oxfam, and the International Rescue Committee which work in Bosnia-Herzegovina, and in other post-conflict and/or developing societies, on a range of projects and which may also distribute grants to local organisations.
6. **Smaller, more Solidaristic International Organisations** such as Quaker Peace and Service which are much more oriented to long-term support to local organisations based on shared visions and principles but which also may offer funding possibilities.

In addition, recent work on global social policy has also noted the impact of:

7. **International Consultancy Companies and Private Consultants** which may range from large companies whose main focus is not on social development, to ‘one-person shows’, who, equipped with laptop computer, home working advantages, and other flexible working practices, are increasingly involved in the development business. Indeed, the absence of regulation of such consultants, and their flexible and multi-identity status, makes them difficult to pin down and render accountable.

Intermediaries and the ‘Multi-mandated’ INGO

In reality, the situation is very much more confusing, with no clear division between ‘donor agencies’ and ‘implementing agencies’ but, rather, all agencies operating as both donors and implementers and, in reality, a large number of agencies acting as ‘intermediaries’ between the original source of money, and a local organisation which ultimately receives part of it. There are increasing ‘chains’ of intermediaries which might be inefficient and, certainly, raises complex questions of power, accountability and control⁵. Whilst not typical, a situation where a large bilateral agency provides money, through a UN agency as administrator, to an International NGO as prime grant holder, who then finds, or creates, a large ‘partner’ local NGO which disburses funds to smaller local NGOs, appears increasingly common and challenges many theoretical and practical assumptions about aid and development. Indeed, the role of NATO-led peace-keeping troops, in this case SFOR, in social development-like tasks under the aegis of ‘civil-military co-operation’, in which different donors may prefer to channel funds to army personnel rather than to civilians, is another area which questions taken-for-granted development approaches.

Many of the larger International NGOs have become ‘multi-mandated’⁶, using their comparative advantage from the emergency relief phase, when they provided immediate and short-term survival assistance to the victims of violent conflict, to engage in a range of development tasks including ‘support for local NGOs’. This seems, in many ways, to be less of a principled commitment than a concern to maximise income in the midst of changing realities and donor priorities. Few such agencies have really studied the complex issues of how to support local NGOs nor of whether their assumptions are appropriate to the Bosnia-Herzegovinan context, and seem much more oriented to competing for large development contracts than in articulating a coherent and explicit social vision.

In terms of theory and practice, then, the above section suggests two important issues which need to be addressed in Bosnia-Herzegovina:

1. *It is important to go beyond merely listing different international agencies involved in providing assistance to local NGOs and, instead, to study the realities of chains of*

- funding. Wherever possible, these chains should be simplified and shortened to maximise benefits for the local NGO sector,*
- 2. There is a need for International NGOs involved in providing assistance to local NGOs to articulate clearly the reason for their involvement in this work, and to promote a critical scrutiny of whether, indeed, they are the best agencies to offer such support.*

‘Mass International Community’ Presence: some unintended consequences

What is apparent instantly to anyone living or working in one of the major cities in Bosnia-Herzegovina is the way in which the physical and social fabric, changed so much by the conflict, is also changed by the presence of large numbers of international agencies, reflected in the large numbers of white Jeeps, and proliferation of signs in the English language outside the offices of these agencies and on signs in particular locations announcing a particular reconstruction project. Usually, this ‘invasion’ is discussed anecdotally or seen as a diversion from real issues in development assistance. However in a number of ways, just by existing in such large numbers, international agencies and their staff produce a number of unintended consequences which need to have serious attention paid to them.

A massive foreign presence can lead to major sectoral price increases, particularly in rental prices for office and private accommodation, and to a distortion in the economy towards an urban-based service sector, in which particular kinds of retail outlets, restaurants, and so on, grow up to cater for the influx of international agencies. In Sarajevo, the fact that renting a city centre apartment to a member of staff of such an agency can easily provide an income two or three times an average salary, has produced a new displaced population and the phenomenon of several generations living together in cramped conditions on the outskirts of the city.

In fact, a real decline in living standards for local people, a product of war which needs a long time-scale to be corrected, is therefore, compounded by the price inflation, and the symbolic effects, caused by large numbers of international staff whose salaries are extraordinarily high by local standards and even in the context of normal Western salaries. It is not uncommon for a worker in a middle management position with a larger supranational agency to be earning in excess of 6 000 USD per month, to which is often added a number of daily allowances reflecting the ‘hardship’ of living in Bosnia-Herzegovina.

The need for international staff in such large numbers is, itself, of course, a contentious issue. Whilst it may well be true that, in the phase of emergency relief, and in the immediate post-war context marked by ‘neither war nor peace’ in Bosnia-Herzegovina, there is a need for international staff if only in terms of safety and freedom of movement, this need should have declined over time. However, in fact, in the context of the Dayton peace agreement and the strong monitoring role to be played by relatively new international actors such as the Office of the High Representative (OHR) and the Organisation for Security and Co-operation in Europe (OSCE), ever more international staff are being recruited, often relatively inexperienced outside of voluntary work with a range of agencies in the region. Beyond a small circle of expert staff, it is debatable whether such high salaries, representing resources which could be diverted to the local NGO sector or to other priorities, are efficient or necessary.

In addition, international agencies contribute to distortions in the local labour market through their need to recruit local people to work at different levels of the organisation, thereby diverting scarce domestic skills from the public sector, the private sector, and from an emerging non governmental sector. Indeed, as drivers and interpreters can earn over 700 USD per month working with some of the bigger International agencies, Bosnia's reputation of 'having some of the best qualified drivers and interpreters in the world' continues to grow. As we shall examine below in terms of the pattern of grants, the fact that international agencies tend to be in the major urban centres tends to distort linkages between larger and smaller urban centres and between urban and rural centres.

From this section, therefore, we can derive a further principle:

3. *The salary structures of both international and local staff working in international agencies in Bosnia-Herzegovina should be scrutinised in terms of rationality, efficiency, and economic and social implications. International agencies, wherever possible, should agree to pay their staff according to local rates, with adjustments only where it is necessary to recruit people with particular definable skills and talents. International staff should only be recruited where it is demonstrable that local staff could not perform such work.*

Promoting Civil Society: Who are the Local NGOs?

The concept of local NGOs in contemporary Bosnia-Herzegovina needs to address five different types of organisations which can be seen to have different origins, visions, and to be involved in very different practices.

1. **'Old System' NGOs** are those associations whose origins lie in the socialist self-management system which encouraged associations of interest to form, including women's organisations, youth associations, pensioners associations, and so on. Many of these organisations continue to be important and, indeed, have to a greater or lesser extent, transformed their ideals to reflect new realities. Indeed, the need to address the complexities of 'civil society under socialism' given the complex differences between the Yugoslav system and other regimes in Central and eastern Europe, is an under-researched area, and has not been addressed by international agencies, even though the 'cultural templates' of many contemporary actors in 'civil society' derive from their participation in socialist women's groups, youth groups, leisure associations, and even associations of second world war veterans.
2. **'Service Delivery' NGOs** were founded during or in the aftermath of the war to deliver a range of services to vulnerable groups which would otherwise not have been provided or, in more 'normal' times, may have been provided by the public sector. These organisations can be quite large and may work on a wide range of activities but, usually, they are concentrated in one area of the country. Moreover, they are most usually founded by, and have as leading members, members of the urban professional middle class. Some were directly formed by International NGOs, or as a result of obtaining a large 'subcontract' from an agency such as UNHCR, although some have articulated a wider vision and had an important social impact.
3. **Civil-Political NGOs** articulate forms of alternative politics not enfranchised in the formal political sphere. Some of these organisations have key members who were

active in civil initiatives during the 1980s, but all were formed to respond to challenge the assumptions upon which the main nationalist oriented parties operated during and after the war and, in particular, to challenge the assumption of the dominance of the 'national-ethnic' principle as enshrined within the Dayton constitution.

4. **Ethnicised NGOs**, in contrast, have close links, either formally or in terms of ideology, with exclusionary projects at the formal political level. Again, these have mostly been formed during the war and represent the interests of one group in the conflict. Not all NGOs whose membership is restricted to one ethnic group should, however, be included in this category – some cultural associations are important in providing a source of self-esteem for one ethnic-national group but also promote tolerance and non-exclusionary interactions.
5. **Local Associations** may have a history pre-dating the socialist period, and reflect a wide range of concerns at the local level, including sport and leisure concerns. Often termed CBOs (Community-based organisations), collectively such associations are a crucial source of 'social capital' and of the reconstruction of the social fabric⁷.

Civil Society and Trust

'Civil society', that much abused concept which, here, I refer to as a set of social relations distinct from both the formal political sector and the private enterprise or for profit sector, can be seen as composed of all five types of associations and organisations in Bosnia-Herzegovina. However, in seeking to 'promote' or 'build' civil society, international agencies have rarely understood the very different interests of these different categories nor have they had any kind of sophisticated understanding of the impact of their interventions on relationships within civil society or within society as a whole. As often as not, funding from international agencies has contributed to mistrust within the sector, and in wider society. Moreover, different initiatives have different objectives which, rather than complement each other, tend to be in competition. Support has become an end in itself and the number of organisations supported has become an index of the strength of civil society regardless of the sustainability of these organisations or their wider impact.

Consequently, in many ways, rather than challenging dominant assumptions at the level of formal politics, civil society in Bosnia-Herzegovina has tended to mirror mini-state thinking, with the creation of a meso-level NGO sector, heavily reliant on international support, too large to be a source of grassroots innovation, and too small to influence national or entity level public policy⁸. Many international support programmes for local NGOs, beginning with the USAID-funded, IRC-administered Umbrella Grant, tended to promote a Western, primarily US-centred, model of service-oriented NGOs, without any reference to whether this was desirable or sustainable in the Bosnia-Herzegovina context. In addition, UNHCR's promotion of local NGOs as 'implementing partners' has been seen as a means of securing inexpensive and essentially servile service delivery and to have, also, had little or no wider value in promoting a viable 'welfare mix'⁹. Other international agencies have been seen as reckless in their attempt to leave behind a local NGO created in their image, a kind of 'FrankeNGO'¹⁰, again with no attention to long term sustainability. All of these initiatives seem to be more colonisation than partnerships, and to reflect an imposition of external assumptions, not backed up by real feasibility studies, on a Bosnian reality. There

has been little publicly-available scrutiny of these initiatives nor a rigorous debate about how donor inputs could be more effectively utilised.

A number of principles and recommendations, therefore, can be derived from this section:

4. *International agency support for local organisations within civil society should more clearly articulate the objectives of intervention and the kinds of organisations which it is intended to support.*
5. *An evaluation, or comparative study, of some of the larger international support interventions should be conducted, utilising Bosnian experts, and the findings be open to public scrutiny.*

The Co-Ordination Frenzy

In the midst of the mistrust and confusion produced by international agencies' support for local NGOs, a general consensus has emerged around the need for greater co-ordination within the NGO sector. However, this has led to a proliferation of agencies offering support, advice, information, and training, or acting as an umbrella or a co-ordinating agency. The co-ordinating sector has, in fact, become part of the problem rather than part of the solution. A case in point is the Danish NGO 'Dialogue Development' which won a large EU/PHARE contract to promote local NGO development but which has, in many ways, further contributed to mistrust within the sector.

The setting up of a Bosnia NGO Foundation, along the lines outlined, on the basis of experience in other countries, by Ian Smillie in his influential report based on a quick assessment of the NGO scene in 1996¹¹, does at least have the merit of establishing a longer-term trust fund from NGO development, and is seeking to transform itself from an externally-led agenda, to a Bosnian one. Similarly, the establishing of regional and national NGO Forums, based on the experience of the LEA-Link project which had the backing of powerful personalities in key international agencies, may also have a wider merit. Even so, co-ordination as such seems much more likely to be successful if it grows organically from a need to develop networks and promote links, rather than be imposed as a panacea. In some ways, a technical concern with 'capacity building' has replaced the need for a wider political debate about whether we can talk about 'an NGO sector' as such, in a society marked by competing national-state projects.

Indeed, there are clear parallels to be drawn between work in Bosnia-Herzegovina and Steven Sampson's pioneering anthropological dissection of 'civil society building' in Albania where he is precisely concerned with the effects of discourses like 'civil society' being turned into 'projects', with one conception becoming dominant¹². Indeed, his concern that international actors 'gravitate to those NGOs with the younger, anglophone activists'¹³ also applies to Bosnia-Herzegovina.

In terms of principles, then:

6. *The value of co-ordination between local NGOs should be demonstrated rather than assumed, and an evaluation of different forms of co-ordination should be undertaken to explore the relative merit of more organic forms of networking.*

Challenging Projectisation?

Notwithstanding the diverse forms of international agency assistance to local NGOs, most schemes have reinforced an obsession with 'the project' at the expense, either, of the development of an organisation or of key individuals. In a sense, the dominant mode of assistance has reinforced 'projectisation' at all levels in which longer-term visions, wider objectives, much less any kind of coherent articulation of need, are subsumed within discrete 'project proposals' which identify particular, narrow, objectives.

The effects of this have been disastrous, turning social movements and special interest groups alike into mini-bureaucracies, and denying the space for key civic figures, and relatively strong organisations, to really develop longer term thinking outside of the need for yet another grant. No one involved in a local Bosnian NGO has any kind of job security, or a reasonable salary beyond a maximum of a twelve month period, and mostly the time scale is less than this. Widening the kinds of support available to, at one end, support an NGO elite and, at the other, to promote grassroots activity, may be preferable to a 'flattening' of the pyramid such as occurs at the moment.

As a principle then:

7. *Agencies should explore the possibility of longer term support for individual NGO activists, combined with less of an emphasis on fulfilling of particular rational project-specific criteria regardless of the purpose of the grant.*

Conclusion

This text has attempted to cover some of the issues in international agencies' relationships with local NGOs. It has, in many ways, only scratched the surface and much more work, led by Bosnian scholars and activists, is clearly needed. The importance of channelling international support more efficiently has been noted elsewhere, by Marko Papić and others, in the context of work on social policy¹⁴. This principle needs to be extended to wider issues of social development, and goes alongside the need to examine more closely financing possibilities within Bosnia-Herzegovina from different levels of government, from the private sector, and from individual philanthropy. Above all, the need for action research on local NGOs to be developed consistently by organisations within Bosnia-Herzegovina, and for donors to utilise this expertise far more than they have thus far, is a key lesson to be learned from some seven years of experience in the war and post-war context.

Two more principles, then, could be as follows:

8. *Channelling international aid more efficiently should co-exist with an increasing attempt to explore Bosnian sources of financing for local NGOs.*
9. *There is a need to establish action research centres, based on local rather than externally-imposed agendas, which can act as a resource for further work on the development of local NGOs in Bosnia-Herzegovina.*

Note

This text is a revised version of a paper commissioned by the Independent Bureau for Humanitarian Issues (IBHI) in Sarajevo, as part of their project 'The Local NGO Sector in BiH – problems

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- 13 Ibid, p. 136.
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U.S. Economic Aid to Russia: A Case Study in Subcontracting Governance?

Janine R. Wedel

When Russia came into being at the end of 1991, the West, particularly the United States, saw an unparalleled opportunity: the chance to remake Russia in its own image. It was a watershed event. After decades of acrimony during the Cold War, exacerbated by barriers of language, culture, information and semi-closed borders, a golden opportunity for reconciliation appeared to have arrived: Friendly, bilateral relations could be built, and Western aid could help Russia construct a democratic, free-market state. The United States offered Russia assistance and a diplomatic partnership as part of the promise of a new relationship.

Theoretically, aid from the United States to Russia was to help nurture the bilateral relationship after the United States had befriended its arch-enemy. Aid was to serve as a “bridge” built by both sides, with the donor and recipient representatives carrying out the agendas of their respective sides. But, instead, aid is now being blamed for helping to blow up the bridge and contributing to Russia’s economic decline. There is a backlash against the United States, since the “reforms” of this decade have left many Russians worse off. Many blame Western aid and advice, according to a U.S. Information Agency survey,¹ and some believe that the United States deliberately set out to destroy their economy.

How could this be? Aid policies and goals, like any policies and goals, do not exist in a vacuum. They are only as successful as their design and implementation, which involves people and institutions – people and institutions with their own interests and agendas. As an anthropologist, I have paid close attention to how societies are organized, particularly the role of networks and relationships.

In U.S. aid to Russia, I found that the *relationships* formed between the donor and the recipient representatives played a pivotal role in aid outcomes. Just which players and groups served as the bridge builders between sides – and the relationships they formed among themselves – fundamentally affected aid results. My research suggests that the way in which the United States and Russia intersected with each other through their aid representatives shaped outcomes in ways that were contrary to the stated goals of the U.S. aid program: to foster economic development and democratization and to nurture a friendly relationship.

What I call the “transactorship” model of organizing relations between sides evolved. What you have here is a small, informal group of individuals – whom I call “transactors” – who came from either the United States or Russia. Transactors may share the stated goals of the sides they supposedly represent. But they have *additional* goals. Unfortunately, their other goals may, advertently or inadvertently, subvert the goals of the sides they are meant to represent.

Please note: The theory of transactorship is detailed in my articles: “Tainted Transaction: Harvard, the Chubais Clan and Russia’s Ruin” in *The National Interest*, no. 59, spring 2000, pp. 23–34; and “Rigging the US – Russia Relationship: Harvard, Chubais, and the Transidentity Game” in *Demokratizatsiya: The Journal of Post-Soviet Democratization*, vol. 7, no. 4, fall 1999, pp. 469–500. See also *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe*, (New York, NY: St. Martin’s Press, 1998), and updated paperback forthcoming, St. Martin’s Press, 2001.

As we shall see, transactorship involves individuals, institutions, and groups whose status is illusive. Nearly everything about it is ambiguous and difficult to pin down: Its sphere of activity is neither state nor private, neither political nor business; its activities neither open nor conspiratorial; and its transactors neither of this side nor that. This illusiveness affords transactors enormous flexibility, which enhances their influence on all sides. The illusiveness is the key to the power of transactorship.

How did the transactors from Russia and the United States get together and come to be designated as the bridge builders from their respective sides? Beginning in late 1991, as the vast Soviet state was collapsing, Harvard professors Jeffrey Sachs, Andrei Shleifer, and others participated in meetings at a *dacha* outside Moscow. There young would-be “reformers” were laying a blueprint for economic and political change. Boris Yeltsin, then president of Russia within the Soviet Union (and undermining Mikhail Gorbachev, president of the Soviet Union, which would break up by year’s end), was building his team of advisers. A long-standing group of associates from St. Petersburg around Anatoly Chubais was to figure prominently in that team. Chubais was to become the main architect of economic reform and an indispensable aide to Yeltsin throughout the 1990s.

Russia was experiencing what historian Karl Wittfogel has called an “open historical situation” – a period of immense political and economic flux.² Such a period encourages the restructuring of relationships and resources. There can even be a free-for-all, in which the players grab for power and wealth. In the case of Russia, this is perhaps more accurately described as a “free-for-a-few”.

On the American side, there was no comparable “open historical situation”. But the end of the Cold War held the promise of a “New World Order”, in which a fresh relationship with Russia was pivotal. Major political-social upheaval attracts social engineers and visionaries, carpetbaggers, and middlemen. Already there was a cadre of well-heeled West-East middlemen who had been working the Central and Eastern Europe circuit. When the Soviet Union broke up in 1991, they readily took up the challenge.

In this context, at the *dacha*, Sachs and other Westerners offered their services to the Russians and access to Western money. The key Russians present were the economist Yegor Gaidar, who would become the first “architect” of economic reform, and Chubais, who was part of Gaidar’s team and who later would take Gaidar’s place as chief economic policymaker.

Supporting the team (though not present at the *dacha* meetings) was Lawrence Summers. He had deep-rooted ties to the Harvard men and would play a pivotal role in designing U.S. and international economic policies at the U.S. Treasury. At the time (in 1991) Summers was chief economist at the World Bank, but he would become undersecretary, deputy secretary, and finally secretary of the Treasury.

And so, the Harvard representatives and the Chubais group got together. Seizing the opening of economic and political flux, they saw to it that *they* became the designated representatives from their respective sides.

From the U.S. side, representatives from the Harvard Institute for International Development (or HIID) got to be the bridge builders. They were to supply the bricks and mortar to construct the economic relationship with Russia. They secured aid contracts from the U.S. Agency for International Development (USAID) to do so. Russian economic reform was so important, and the “window of opportunity” to effect change so narrow, it was asserted, that U.S. policymakers granted the Harvard Institute special treatment. Citing

“foreign policy” considerations, Harvard-connected officials in the Clinton administration largely bypassed the usual public bidding for foreign aid contracts.³ The waivers to competition were backed by friends of the Harvard Institute group, especially in the U.S. Treasury.

The U.S. government’s arrangement with the Harvard Institute was highly unusual: The government delegated its economic aid portfolio for *management* to the Harvard Institute – more than \$350 million. Harvard was given the authority to manage other contractors. This put Harvard in the unique position of recommending U.S. aid policies, while being a chief recipient of the aid, as well as overseeing other aid contractors, some of whom were its competitors.

In 1996, the U.S. General Accounting Office (GAO) found that the Harvard Institute had “substantial control of the U.S. assistance program”.⁴ Delegating so much aid to a private entity was unprecedented, to hear U.S. aid procurement officers tell it. And this was much more than foreign aid: it was foreign policy in the crucial area of Russian economic reform.

In Russia, the Harvard representatives worked exclusively with Anatoly Chubais and the circle around him, what has come to be known as the “Chubais Clan”. The Chubais Clan came to be the bridge builder from the Russian side.

We can not separate the interests of the Harvard Institute group from those of the Chubais Clan: they largely became one in the same. They – what I call the “Chubais-Harvard transactors” – formed an informal and extremely influential partnership that would shape the direction and ultimate results of much Western policy and economic aid to Russia. They became known for their loyalty to each other and for the unified front that their group projected to the outside.

The Chubais Clan and the Harvard group were each other’s entree: The Clan was Harvard’s avenue to Russia and to its ability to claim clout and contacts with the Russian government. In turn, Harvard was the Clan’s entree to the ears and eyes of U.S. policymakers and aid dollars.

In the West, a myth was created of the so-called “Young Reformers” – that is, the Chubais Clan. The media helped to promote the mystique of the “The Reformers” and overlooked other reform-minded groups and crucial players on the Russian scene. Westward and forward-looking, the Chubais people were portrayed as enlightened and uniquely qualified to carry Russia down the bright road to capitalism and prosperity, and to represent Russia. Larry Summers called them a “dream team”.⁵

But in Russia, the Chubais Clan’s primary source of clout was *not* ideology or even reform strategy, but its standing in and resources from the West. Its position was unique. As Russian sociologist Olga Kryshstanovskaya explained it, “Chubais has what no other elite group has, which is the support of the top political quarters in the West above all the USA, the World Bank and the IMF [International Monetary Fund], and consequently, control over the money flow from the West to Russia. In this way, a small group of young educated reformers led by Anatoly Chubais turned into the most powerful elite clan of Russia in the past five years”.⁶

The Clan promoted itself as *the* legitimate representative of Russia and U.S. support to the Clan was decisive. The administration’s “dream team” seal of approval bolstered the Clan’s standing as the chief brokers with the West and the international financial

institutions and helped the Chubais-Harvard transactors to leverage hundreds of millions of dollars in Western aid and loans.

Transactors are limited in what they can achieve through open processes, and therefore often spurn them. They often bypass legitimate institutions, including parliament, judiciary bodies, and government bureaucracy, which might encumber or resist their activities. The Chubais-Harvard transactors set up their own informal parallel executive structure.

Features of the Transactorship Mode of Organizing Relations

There are three features of the U.S.-Russia transactorship case which helped to undermine the aid community's stated goals, and which raise questions about the efficacy of the transactorship form of organization.

One, presidential decree. The transactors operated through top-down presidential decree, and U.S. officials explicitly encouraged this, viewing it as an efficient means of achieving market reform. As USAID's Walter Coles, a key American official in the privatization program, told me, "If we needed a decree, Chubais didn't have to go through the bureaucracy".⁷ The Harvard Institute's Russia director Jonathan Hay and his associates even drafted some of the decrees. Rule by decree allowed the transactors to circumvent the Duma, the elected Russian parliament, and other parties.

Two, what I call "flex organizations". There was a similar anti-democratic quality to the network of organizations created by foreign aid. With Western funding, the Chubais-Harvard transactors set up and ran a network of aid-funded, aid-created "private" organizations – supposedly to conduct economic reforms – but which they often used to promote their own private agendas. These "private" organizations supplanted state institutions. They often carried out functions that ought to have been the province of government and bureaucracy. They also bypassed the Duma and other relevant parties. Further, these organizations served as the transactors' political and financial resource and facilitated their ability to take advantage of legal, political, and economic opportunities for their own private ends and also to work in the communist tradition, through patronage networks like those that had virtually run the Soviet Union.

The Russian Privatization Center was the donors' flagship organization and was closely tied to Harvard University in many ways. For example, its founding documents state that Harvard University is both a "founder" and "Full Member of the [Russian Privatization] Center".⁸ It received money from all major – and some minor Western donors – the United States, the World Bank, the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD), the European Union (EU), Germany, and Japan.⁹ The Center's CEO, a Russian from the Chubais Clan, has written that he managed some \$4 billion while head of the Center – all from the West.¹⁰

The Chamber of Accounts, Russia's rough equivalent of the U.S. General Accounting Office, attempted to investigate how some of that money was spent. An auditor from the Chamber concluded: the "money was not spent as designated. Donors paid...for something you can't determine".¹¹ And, when I interviewed aid-paid consultants working at the Center, I was told that it often was used for political purposes.

The Center exemplified a "flex organization" in action. Formally and legally, it was nonprofit and non-governmental. But it was established by Russian presidential decree

and received aid because it was run by Chubais people, who played key roles in the Russian government. On the other hand, the Center played the role of a government agency: It negotiated loans with the international financial institutions on behalf of the Russian state and received loans from those institutions – which typically give loans to governments, not private entities.

A model “flex organization”, the Center could, and did, switch its status and identity situationally. It was sometimes private, sometimes state; sometimes bureaucratic, sometimes market; sometimes Russian, sometimes American.

The Center was a pivotal part of the Chubais-Harvard transactor run executive. It had more control than the Russian government agency responsible for privatization – the GKI – over some secret privatization documents and directives, according to documents from Russia’s Chamber of Accounts.¹² Two Center officials were authorized to sign privatization decisions: its CEO from the Chubais Clan and Harvard’s representative in Moscow – on behalf of the Russian state. Thus, a Russian and an American – both representing a *private* entity – were signing off on major decisions on behalf of the Russian state.

Three, what I call “transidentity capabilities”. Not only could organizations switch their status, depending on the situation. So could individuals. This is the ability of a transactor to change his identity at will, regardless of which side originally designated him as a representative.¹³ Key Chubais-Harvard players could switch their national identity back and forth as convenient. They were quintessential chameleons. The *same* individual could represent the United States in one meeting and Russia in another, regardless of which side he came from, as called for by circumstance.

A significant example is that of the Harvard Institute’s Russia director Jonathan Hay, who interchangeably acted as an American and a Russian. Hay’s transidentity was institutionalized by policies and procedures on both the U.S. and the Russian sides. As a representative of the United States, Hay acted as Harvard’s chief representative in Russia and also had formal management authority over other U.S. contractors. Hay was also appointed by members of the Chubais Clan to be a Russian. As a Russian, he was empowered to sign off on pivotal high level privatization decisions of the Russian government. According to a U.S. official investigating Harvard’s activities, Hay “played more Russian than American”.

The realm of financial activity yields many more examples of transidentities, in which, for example, Chubais Clan members appointed Americans to be Russians.

It was also difficult to pin down prominent consultants on the international circuit – in terms of whom they represented, whom they were working for, who paid them, and where their ambitions lay. Harvard economist Jeffrey Sachs was a case in point. According to journalist John Helmer, Sachs and his associates (including David Lipton, who later went to Treasury with Larry Summers) played both the Russian and the IMF sides. During negotiations in 1992 between the IMF and the Russian government, Sachs and associates appeared as advisors to the Russian side. However, as Helmer writes, “they played both sides, writing secret memoranda advising the IMF negotiators as well”.¹⁴

Adding to the ambiguity was the question of whether Sachs was an official adviser to the Russian government. Although he maintains that he was,¹⁵ key Russian economists as well as international officials wondered about his role.¹⁶ Jean Foglizzio, the IMF’s first Moscow resident representative, was taken aback by Sachs’s practice of introducing himself as an adviser to the Russian government. As Foglizzio put it, “[When] the prime minister

[Viktor Chernomyrdin], who is the head of government, says ‘I never requested Mr. Sachs to advise me’ – it triggers an unpleasant feeling, meaning, who is he?’¹⁷

An associate of Sachs’s and another ubiquitous transactor was Anders Aslund. Aslund was a former Swedish envoy to Russia who later worked with Sachs and Gaidar and was attitiated with Washington think tanks. Aslund appeared to represent and to speak on behalf of American, Russian, and Swedish governments and authorities. For example, he was seen by some Russian officials in Washington as Chubais’s personal envoy. Although a “private” citizen (of Sweden), he participated in high-level closed meetings shaping U.S. and IMF policies toward Russia in the Departments of Treasury and State.¹⁸ And he was known to have played a role in Swedish aid and policy toward Russia.¹⁹

Aslund was also involved in brokering business activities and had “significant” business investments in Russia, according to the Russian Interior Ministry’s Department of Organized Crime.²⁰ In addition to (or possibly as part of) his work for governments and the Chubais Clan and business, Aslund was paid to do public relations. His assignment in Ukraine, where he also was active and funded by George Soros, explicitly included public relations on behalf of Ukraine, according to other Soros-funded consultants who worked with Aslund.²¹ His effectiveness in this role no doubt was enhanced by his affiliation with Washington think tanks, frequent contributions to publications such as the *Washington Post* and the London *Financial Times*, and the fact that he was presented as an objective analyst despite the promotional roles he played.

As we can see, transactors have multiple roles and identities at their disposal. The most effective and influential transactors are extremely adept at working them and skilled at exploiting the opportunities of the “open historical situation”.

The same latitude inherent in transidentity for individuals was also present at the group level. One side’s transactors could be interchangeable with those of the other side. The Harvard Institute group, though formally representing the United States, could represent the Chubais group. Jonathan Hay and Andrei Shleifer often spoke for Maxim Boycko, Dmitry Vasiliev, and other Chubais Clan principals.

Implications of the Transactorship Mode of Organizing Relations

What was wrong with all this? Isn’t this the most effective way to carry out market reform – through a committed group with intimate access and many activities on both sides? There are five problems with the transactorship mode of organizing relations that I’ve noted in the U.S.-Russia case.

The first problem is that it served to undermine democratic processes and the development of transparent, accountable institutions.

Operating by decree was clearly anti-democratic and contrary to the aid community’s stated goal of building democracy. It also sent the message to the Russians that the United States doesn’t stand for democracy.

Further, the aid-created “flex organizations”, which supplanted the state and often carried out functions that ought to have been the province of government and bureaucracy, constituted an unauthorized parallel executive structure. The flex organizations may have further encouraged what I’ve called the “clan-state”.²²

Under the “clan-state”, individual clans, each controlling property and resources, are so closely identified with particular ministries or institutional segments of government that the agendas and activities of the state and the clan sometimes seem identical. Whereas the Chubais Clan was closely identified with segments of government concerned with privatization and the economy, competing clans had equivalent ties with other government organizations such as the “power ministries” of defense and internal affairs, and the security services.

The flex organizations may have encouraged the clan-state by setting up a parallel executive structure. And, by systematically bypassing the democratically elected Duma, U.S. aid flouted a crucial feature of Western governance: parliamentarianism.

The second problem with the transactorship mode of organizing relations is that it often frustrated true market reform.

Decrees, without public support or understanding, are a weak basis for building a market economy. Some reforms, such as lifting price controls, could be achieved by decree. But many others depended on changes in law, public administration, or mindsets, and required working with the full spectrum of legislative and market participants, not just one clan.²³

Without support from parties to the reform process, reforms were likely to be ignored or even subverted in the process of implementation. Transactors may block reform initiatives when they originate outside their own group or when the initiatives are perceived as conflicting with their agendas. When the Chubais-Harvard transactors did not receive the additional USAID funds they had expected, they interfered with legal reform activities concerning title registration and mortgages that were launched by agencies of the Russian government. This interference [with the record of property] put the transactors at cross purposes with their own stated goal of fostering markets.

Lack of transparency was blatantly evident in the way in which the transactors conducted economic reforms. Secrecy shrouded the privatization process, significant parts of which were funded by USAID, and which has had many unfortunate consequences for the Russian people. Privatization was supposed to spread the fruits of the free market. Instead, it helped to create a system of “tycoon capitalism” run for the benefit of a half dozen corrupt oligarchs. The reforms were more about wealth confiscation than wealth creation; and the incentive system encouraged looting, asset stripping, and capital flight.

The third problem with the transactorship mode of organizing relations is that the latitude of the transactorship relationship – with its flex organizations, transidentities, and interchangeability of one side’s transactors with the other – encourages transactors to maximize their opportunities in many areas. The prestige and access that the Chubais-Harvard transactors had by virtue of aid facilitated their involvement in other areas (such as the Russian securities market and the Gore-Chernomyrdin Commission), both in Russia and internationally, and allegedly also helped them get rich.

Giving a small clique of powerbrokers a blank check encouraged corruption, precisely when the international community should have demanded safeguards – such as the development of a legal and regulatory framework, property rights, and the sanctity of contracts. Over the years there were many substantiated reports of corruption among Chubais and other Russian “reformers”. Now they are among those under investigation for alleged involvement in the laundering billions of dollars through the Bank of New York and other banks.²⁴

The Harvard Institute group also had its troubles. In 1996, the GAO found that USAID's management over Harvard was "lax".²⁵ In 1997, the government cancelled most of the last \$14 million earmarked for the Institute, citing evidence that the project's two managers had used their positions and inside knowledge as advisers to profit from investments in the Russian securities markets and other private enterprises.²⁶ These men remain under criminal and/or civil investigation by the U.S. Department of Justice.

The fourth problem with the transactorship mode of organizing relations is lack of accountability and what I call "institutionalized deniability". The transactorship relationship not only encourages corruption, but also the ability to deny it. Transactorship affords maximum flexibility and influence to the transactors, and minimal accountability to the sides they are supposed to represent. If the Harvard Institute's manager in Russia was asked by U.S. authorities to account for privatization decisions and monies, he could say he made those decisions as a Russian, not as an American. If USAID came under fire for funding the Russian state, it could say, well, it was funding private organizations.

And, now that the issue of Russian corruption has hit the headlines, Treasury Secretary Summers has been insisting that the Russian government clean up its act. "This has been a U.S. demand for years", he claims, as if he hadn't addressed letters to "Dear Anatoly" and met with his friend Chubais as recently as this past summer. And this was months after Chubais admitted that he had "conned" from the IMF a \$4.8-billion installment in July 1998,²⁷ the details of the deal having been worked out with Summers in Summer's home.²⁸

*The fifth problem with the transactorship mode of organizing relations is that it is eerily reminiscent of some features of communism that the international community should have taken care **not** to reinforce.* Political aid disguised as economic aid feels familiar to Russians raised in the communist practice of political control over economic decisions – the quintessence of the (discredited) communist system. Aid funnelled through the Chubais Clan was political aid thinly disguised as economic aid. As Harvard project director Andrei Shleifer acknowledged with his co-authors in a 1995 book funded by Harvard: "Aid helps reform not because it directly helps the economy – it is simply too small for that – but because it helps the reformers in their political battles".²⁹

U.S. officials stood by this approach. In a 1997 interview, the U.S. aid coordinator to the former Soviet Union said: "When you're talking about a few hundred million dollars, you're not going to change the country, but you can provide targeted assistance to help Chubais."³⁰ U.S. assistance to Chubais continued even after he was dismissed by Yeltsin as First Deputy Prime Minister in January 1996. Chubais was placed on the Harvard payroll, a show of loyalty that U.S. officials supported.

Transactorship took communism as its model in still other ways. The flex organizations that were set up and funded by foreign aid appear to mimic the dual system under communism, in which state organizations had counterpart Communist Party organizations that wielded the prevailing influence. And the informal, but influential, parallel executive set up by the Chubais-Harvard transactors recalls the powerful patronage networks that virtually ran the Soviet Union.

Challenges

In sum, in the U.S.-Russia case, the transactorship mode of organizing relations:

- Undermined democracy;
- Helped to frustrate true market reform;
- Encouraged transactors to maximize their personal opportunities in many areas;
- Was characterized by “institutionalized deniability;” and
- Followed in communism’s footsteps and may have helped to reinforce some of its legacies.

In conclusion, the transactorship mode of organizing relations raises public policy questions in a world of increasing “globalization” and of decreasing importance of national identity and coziness among global elites who often have more in common with each other than with their fellow citizens. Wherein lies the accountability? What about representation?

The U.S.-Russia case of transactorship provides some cautionary lessons for nations.

In particular, it is crucial to:

- Anticipate and take into account the effects of policies on the long-term politics, economic processes, and public opinion of the other side;
- Scrutinize the track records, interests, and roles of those who step forth as brokers on *both* sides; and
- *Not* lock into one group of brokers as the sole source of information, contacts, and implementation of policies.

With regard to Russia, the current challenge for the United States – and this is a considerable one – is to foster good relations with a wide cross-section of Russian society, after having facilitated bad policies.

One measure that might help to create goodwill might be to launch a high-level drive to try to track down and recover monies from aid organizations and international financial institutions that have ended up in private unregulated bank accounts outside of Russia. This would show concern for the Russian people, who otherwise would be held responsible for paying back loans from which they did not benefit. It also would demonstrate U.S. commitment to the rule of law, a demonstration that is especially called for, given the record of U.S.-Russia relations.

If my book, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe*, and my forthcoming work on transactorship accomplishes anything, I hope it will urge an examination of how we do foreign policy and of the crucial importance of implementation and relationships to the outcomes that are produced.

Endnotes

1. "Is Economic Reform in Russia Dead?" *Opinion Analysis*, USIA: Office of Research and Media Reaction, March 15, 1999, pp. 3–4.
2. Karl A. Wittfogel, *Oriental Despotism: A Comparative Study of Total Power*, New York, NY: Vintage Books, 1981, pp. 8, 15ff, 437, 447f.
3. Approving such a large sum of money (nearly \$58 million) as a noncompetitive "amendment to a much smaller award (the Harvard Institute's original award was \$2.1 million) was highly unusual, according to U.S. officials (U.S. government procurement officers and U.S. General Accounting Office officials, including Louis H. Zanardi, who spearheaded GAO's investigation of HIID activities in Russia and Ukraine).
4. U.S. General Accounting Office, *Foreign Assistance: Harvard Institute for International Development's Work in Russia and Ukraine*, Washington, DC: U.S. General Accounting Office, November 1996, p. 3.
5. Lawrence Summers's speech in *Russia Business Watch* vol. 5, no. 2, Spring 1997, p. 19.
6. Olga Kryshnanovskaya, "The Real Masters of Russia," *Argumenty i Fakty*, no. 21, May 1997, reprinted in Johnson's Russia List.
7. Interview with Walter Coles, June 6, 1996.
8. U.S. General Accounting Office, *Foreign Assistance: Harvard Institute for International Development's Work in Russia and Ukraine*, Washington, DC: U.S. General Accounting Office, November 1996, p. 60.
9. Sources include the *Russian Privatization Center 1994 Annual Report*, pp. 5 and 24.
10. Documents and information provided by Veniamin Sokolov, auditor at the Chamber of Accounts of the Russian Federation (interview of May 31, 1998).
11. Documents and information provided by Veniamin Sokolov, auditor at the Chamber of Accounts of the Russian Federation (interview of May 31, 1998 and talk at American University of June 2, 1998). In 1994 both the Duma and the head of the GKI requested a detailed accounting from the RPC. They got nothing. (Sergei Zavorotnyi, "The Traces of 'Privatization' Go Overseas", *Komsomolskaya Pravda*, April 8, 1997.)
12. Documents and information provided by Veniamin Sokolov, auditor at the Chamber of Accounts of the Russian Federation (interview of May 31, 1998).
13. The concept of "transidentities" draws on anthropologist Fredrik Barth's work exploring "repertoires" of identities and how actors employ different identities depending on the situation. (See Fredrik Barth, ed., *Ethnic Groups and Boundaries: The Social Organization of Culture Difference*, Boston: Massachusetts, Little, Brown, 1969.)
14. It was unclear who paid for Sachs and his team. For details, see John Helmer, "Russia and the IMF: Who Pays the Piper Calls the Tune," *Johnson's Russia List* no. 3057, February 17, 1999.
15. While providing no documentation for his role, Sachs writes: "I was an official advisor of the Russian Government from December 1991 to January 1994. Together with Anders Aslund I directed the Macroeconomics and Finance Unit (MFU) of the Russian Ministry of Finance, housed within Government offices." Sachs further writes that his work in Russia with Aslund "was supported mainly by the Ford Foundation and the Swedish Government. I was not paid by the Russian Government." (Letter to Janine Wedel, March 12, 1998.)
16. Gaidar Institute deputy head Alexei Ulyukaev told journalist Anne Williamson that "Sachs was never an official adviser to the government, that's his own illusion." Gaidar, too, described Sachs and Aslund as "insignificant figures." Williamson reports that "Even Gaidar's archrival, [Grigory] Yavlinsky, insisted, "What we did was not based on even 10 percent of their [Sachs' and Aslunds'] advice. Gaidar was using those people as loudspeakers for the West, but, in fact, Gaidar did as he wished." (Anne Williamson, *Contagion: The Betrayal of Liberty: Russia and the United States in the 1990s*, Chapter 7: "Foreign Manners.")

17. Anne Williamson interview with Jean Foglizzio, February 1, 1994. For further detail, see Anne Williamson, *Contagion: The Betrayal of Liberty: Russia and the United States in the 1990s*, Chapter 7: "Foreign Manners".
18. Interviews with U.S. officials in the Departments of Treasury and State.
19. Sources include Dan Josefsson, "The Art of Ruining a Country With Some professional Help from Sweden", *ETC* English Edition, no. 1, 1999.
20. Interview with Vyacheslav Razinkin by author Anne Williamson, February 23, 1995, cited in Anne Williamson, *Contagion: The Betrayal of Liberty: Russia and the United States in the 1990s*, Chapter 14: "Greater Fools".
21. Sources include (but are not limited to) Marek Dabrowski, conversations of May 9, 1995 and November 27, 1997. For details of Aslund's Ukraine activities, see Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998*, New York, NY: St. Martin's Press, 1998, pp.158-161.
22. See Janine R. Wedel, "Informal Relations and Institutional Change: How Eastern European Cliques and States Mutually Respond", Presented at the World Bank: Social Development Group, Washington, DC, April 20, 1998, and at the Annual Meeting of the American Anthropological Association, Philadelphia, December 4, 1998.
23. A case in point was USAID's showcase efforts to reform Russia's tax system and to set up clearing and settlement organizations (CSOs) – an essential ingredient in a sophisticated financial system. The efforts failed largely because they were put solely into the hands of one group, which declined to work with other market participants. In Moscow, for example, despite millions of USAID dollars, many of the Russian brokers were excluded from the process and declined to use the Moscow CSO. Thus, since 1994, when consultants working under USAID contracts totalling \$13.9 million, set out to design and implement CSOs in five Russian cities, very little evidence of progress has emerged. After an investigation into HIID activities in Russia, the GAO issued a report calling the CSO effort "disappointing". For additional explanation on this subject, see Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998*, New York, NY: St. Martin's Press, 1998, pp. 134-137 and p. 145.
24. In August and September 1999, newspapers reported that billions of dollars had been channeled through the Bank of New York in a major money laundering operation. (See, for example, Raymond Bonner with Timothy L. O'Brien, "Activity at Bank Raises Suspicions of Russian Mob Tie", *New York Times*, August 19, 1999; and Timothy L. O'Brien with Raymond Bonner, "Bank in Laundering Inquiry Courted Russians Zealously," *New York Times*, August 20, 1999.) Anatoly Chubais and other current and former members of Yeltsin's government are alleged to have been involved in money laundering. (See Jack Kelly, "Russian Fraud Case at \$15B," *USA Today*, August 26, 1999, p. A1.)
25. U.S. General Accounting Office, *Foreign Assistance: Harvard Institute for International Development's Work in Russia and Ukraine*, Washington, DC: U.S. General Accounting Office, November 1996, p. 43.
26. Letter from USAID to HIID director Jeffrey Sachs, May 20, 1997. See also "USAID Suspends Two Harvard Agreements in Russia," USAID Press Release, Washington, D.C.: USAID Press Office, May 20, 1997.
27. *Kommersant Daily*, September 8, 1998, and *Los Angeles Times*, September 9, 1998.
28. Michael R. Gordon and David E. Sanger, Rescuing Russia: A Special Report: The Bailout of the Kremlin: How U.S. Pressed the I.M.F.", *New York Times*, July 17, 1998.
29. Maxim Boycko, Andrei Shleifer, and Robert Vishny, *Privatizing Russia*, Cambridge, Massachusetts: The MIT Press, 1995, p. 142.
30. Interview with Ambassador Richard L. Morningstar, U.S. Aid Coordinator to the former Soviet Union, February 11, 1997.

What Role for the Multilateral Institutions, Donors, and NGOs in the New Framework for Poverty Eradication?

Angela Wood

Introduction

One of the highlights of the 1999 annual meetings of the World Bank and IMF was watching Mr Camdessus, Managing Director of the IMF, producing from his top pocket a small, grey card on which was printed the poverty reduction and social goals which comprise the International Development Targets. Watching this spectacle, you could be forgiven for thinking you had accidentally fallen down a rabbit hole into Wonderland. Indeed, at this point some NGOs are considering packing up their bags and moving on to new territory - possibly the WTO.

This is just one indication that the IMF is signalling that it is prepared to take poverty reduction and social policy seriously. The IMF has also renamed the Enhanced Structural Adjustment Facility as the Poverty Reduction and Growth Facility and has announced the replacement of the Policy Framework Paper with the Poverty Reduction Strategy Paper (PRSP). At this stage it is only possible to guess at what changes this will bring in practice. However, NGOs are concerned that it should not lead the Fund deeper into prescribing social policies, instead the IMF should limit the negative social implications of its macroeconomic agenda.

Similarly, the World Bank, in the context of the severe social crisis caused by the financial crash in East Asia, has launched the Comprehensive Development Framework and the Social Principles. Both initiatives reflect greater recognition of the links between economic, structural and social policies for achieving long-term reductions in poverty and improvements in peoples' lives, and the need to put poverty reduction at the "front and centre" of the agenda.

"We cannot adopt a system in which the macroeconomic and financial is considered apart from the structural, social and human aspects, and vice versa. Integration of each of these subjects is imperative at the national level and among the global players." James Wolfensohn, 1999.

"Strong social policies that address poverty at its roots lay the foundation for sustained economic growth." Michel Camdessus, 1999.

"Sustainable macroeconomic conditions are absolutely necessary to achieve progress in poverty reduction and improvement in social conditions. At the same time, good social policy will foster and sustain economic growth. Thus, there should be explicit assessment of any trade-offs affecting the poor in the design of all macroeconomic and financial policy reforms - particularly in times of crisis." Report to the Development

Committee on an Approach to Developing Principles and Good Practices in Social Policy, April 1999.

“Ownership matters. Countries and their governments must be in the driver’s seat, and, in our experience, the people must be consulted.” James Wolfensohn 1998.

These initiatives are important because they are the product of many years campaigning by NGOs and others who have been concerned with both the content of IMF and Bank programmes and their impacts on the poor, and how the IMF and World Bank have helped to undermine democratic processes in developing countries. In particular, the demise of the Enhanced Structural Adjustment Facility and the new poverty focus of the IMF can be clearly linked to the significant efforts of the global Jubilee 2000 debt campaign.

By putting countries “in the driving seat” they signal a potential for more flexibility at the Bank and the Fund and, in particular, an opportunity for greater involvement of other specialists in the development arena in advising governments and civil society.

The first part of this paper briefly looks at the linkages between social policy and these new initiatives. Part 2 focuses on the PRSP as a mechanism for operationalising the CDF and taking forward the original aims of the Social Principles. I propose to take the process of developing PRSPS as a framework for discussing how relations between international non-governmental organisations (INGOs), national non-governmental organisations (NGOs), bilateral donors and multilateral institutions are likely to change in the light of new processes and the implications for the role each plays, particularly in terms of the policy dialogue.

PART 1: LINKING MACROECONOMIC WITH STRUCTURAL AND SOCIAL OBJECTIVES

The Comprehensive Development Framework

The Comprehensive Development Framework has 3 key features, it is based on:

- coherence between economic, social and structural policies with the understanding that their success and impact are inter-related;
- encouraging government leadership of the agenda setting and development process, which should also involve civil society, the private sector and parliaments;
- coordination of development partners.

The framework offers important steps forward. The CDF is the Bank’s answer to the problem that conditionality can not effectively induce sustainable policy reforms and that adjustment programmes have not led to poverty eradication because economic tools have taken precedent over social objectives. The CDF aims to redress the balance between macroeconomic and structural and social policies by establishing a framework for understanding the linkages between them.

“What is key is that the two parts, namely macroeconomic aspects on the one side and the social, structural and human on the other, must be considered together.” Wolfensohn, 1999 p5.

The CDF also responds to the need to ensure donors are better coordinated to make the best use of limited aid resources and that recipient governments are not overburdened with reporting and monitoring requirements.

Putting the CDF into practice will take considerable effort:

- **donors** will be expected to loosen control of the policy agenda and become more cooperative in their relations with governments and each other. This will be particularly important for the Bank and the IMF;
- **governments** will be required to be more inclusive, accountable and transparent in their policy setting – drawing on the input of the wider government, civil society and the private sector;
- **civil society groups** will have to strengthen themselves to demonstrate accountability and ensure that they are able to adequately represent wide-ranging views and needs and deliver effective inputs into policy making and monitoring processes. This will require considerable capacity building and network strengthening.

The CDF approach is now being tested in 13 countries: Bolivia, Cote d’Ivoire, Dominican Republic, Ethiopia, Eritrea, Ghana, Jordan, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam, West Bank and Gaza.

The Social Principles

The Social Principles are a response from the international community to the social crisis triggered by the financial collapse in South East Asia. Like the codes on monetary policy and fiscal transparency the Social Principles are intended to establish guidelines for good social policy which all countries should be required to implement. They are important because they acknowledge that:

- economic growth by itself is not sufficient to ensure sustainable livelihoods; and
- IMF policies to address the financial crisis had significant, negative social impacts which will be longer lasting than the economic impacts.

The Bank was given the task of drawing up the principles but this task has now been handed over to the UN and is being taken forward through the Copenhagen +5 process. The Bank is working on establishing best practices for implementing them.

Initially the principles offered hope that:

- they would establish certain social policy guidelines (ie conditions) that the Bank and Fund would have to comply with when designing adjustment programmes; and
- that governments (in both developed and developing countries) would be encouraged to develop good social systems to protect vulnerable people in both normal periods and times of crisis.

The principles could have been a useful mechanism for ensuring that the impacts of macroeconomic prescriptions were fully considered and consistent with social objectives, as such they could have been helpful in operationalising the CDF; and possibly a useful resource for governments designing poverty reduction strategies. However, the process of developing the principles has stalled, largely because some governments do not necessarily agree with certain principles, such as core labour standards, and they are wary that the end result could be more conditionality in Bank and Fund programmes. Moreover, the Bank's contribution has narrowed to a focus on best practice for social policy in times of crisis.

At the moment the future of this initiative is uncertain. In terms of the World Bank, it seems likely that this exercise will simply lead to a statement of policy to guide it when addressing social issues in crisis situations. This severely limits the scope of the principles to prioritise social policy in macroeconomic decision making. It is not clear that the IMF will be required to adhere to the principles.

How the Social Principles will be taken forward at the Copenhagen +5 Social Summit is also unclear. One concrete measure which could be taken is to enforce the eighth commitment of the Copenhagen platform established at the 1995 Copenhagen Summit for Social Development. This is a commitment to ensuring that social development goals are included in structural adjustment programmes. Also, even if a "new" set of principles is not established, the summit could be an opportunity for binding the IMF and World Bank to respect already established UN conventions and platforms.

Linking Debt Reduction to Poverty Eradication: the Case for the PRSP

International and national NGOs have been instrumental in linking debt relief to poverty reduction goals. In particular, they argued that debt relief was essential to provide governments with more resources for the social sectors. Secondly, they called for debt relief to be delinked from the IMF's structural adjustment programmes (a country must undertake several years of uninterrupted adjustment in order to qualify for HIPC debt reduction); arguing that the IMF's ESAF programmes were inappropriate for tackling poverty and probably made matters worse for many vulnerable groups. ESAF programmes are unable to address poverty issues because:

- their objectives are growth and balance of payments stability and they are not required to address distributional or social impacts;
- social policies cannot simply be grafted on to economic programmes, social and macro policies need to be fully integrated and coherent but the IMF does not have the expertise to do this.

INGOs and NGOs have argued that the conditions attached to debt reduction should be poverty focused and mechanisms must be established to ensure debt relief resources are used appropriately. Several mechanisms have been proposed, for example:

- Oxfam has called for a "human development window" through which resources from debt relief could be channelled into poverty oriented programmes. Governments which commit to poverty reduction programmes should be eligible for deeper, quicker debt

reduction; the resources freed from debt reduction should then be channelled into a fund for implementing the programme. Uganda is an example of how this can work in practice. The Ugandan government developed the Poverty Eradication Action Plan and established the Poverty Action Fund to finance it. (Oxfam International 1998)

- CAFOD has advocated that debt relief should be based on a “human development approach”. This approach starts from the assumption that priority should be given to meeting basic human needs (ie health and education services). Debt service obligations should be calculated after money has been set aside for these needs. Governments and civil society should be involved in allocating debt reduction savings to these areas. (CAFOD 1998)
- Christian Aid has proposed that eligibility for debt reduction should be based upon a few key economic indicators; whether or not a country respects the freedoms of speech and association (which are necessary if a programme is to be owned by civil society and not just the government); and a poverty reduction plan developed through a national, consultative process. (Christian Aid 1999a)
- Southern NGOs in the “Lusaka Declaration” have called for conditions to be defined by southern civil society not by those outside the country. They also insist that debt relief resources must be monitored by NGOs and civil society, possibly in collaboration with parliaments.

The case for linking debt relief and poverty reduction objectives was accepted by donors at the G8 Koln summit. The modalities for putting this into practice were established at the Annual Meetings of the Bank and IMF with the creation of the Poverty Reduction Strategy Paper.

The Poverty Reduction Strategy Paper

The Poverty Reduction Strategy Paper (PRSP) will be an important mechanism for operationalising the CDF in the poorest countries. The PRSP will also be important for coordinating the efforts of the Bank and the Fund (and presumably other donors). It replaces the Policy Framework Paper which was supposed to be a joint IMF-WB paper but in effect never was.

Governments must produce a PRSP in consultation with civil society, the private sector, local government, the IMF and World Bank, bilateral donors and other expertise it wishes to call on. The PRSP must be endorsed by the Boards of the Bank and Fund before it forms the basis for Bank and Fund lending programmes. While the IMF will remain focused on macroeconomic concerns it will be required to consider the distributional consequences of its policy advice and advocate stabilisation and growth strategies that at least do not harm the poorest. The World Bank is expected to assist this process by analysing the anticipated social impacts of the macroeconomic strategy and the trade-offs between various macroeconomic formulations before the strategy is applied. The two institutions will be required to collaborate more closely to ensure coherence between macroeconomic, social and structural reforms.

We are still waiting to see which will be the first countries to develop PRSPs, likely candidates are Uganda, Tanzania, Bolivia, Mali, Guyana and the Gambia amongst others.

At this stage it is not possible to gauge how the process will actually work in practice but it is possible to examine how we think it should work and how different stakeholders will participate in it, and therefore the implications for their roles and responsibilities. This is the focus for part 2 of this paper.

PART 2: ROLES AND RESPONSIBILITIES IN DESIGNING AND IMPLEMENTING PRSPS

Ownership is Desirable But Leadership is Realistic

Firstly it is worth considering to what extent we can really talk about ownership. Whilst we would like to think that ownership is possible – governments should have complete freedom to define their strategies in consultation with civil society – the reality is that the poorest developing countries are desperately in need of finance and do not have the luxury to forsake external funding if donors do not like their home-grown programmes. This means that governments are constrained by their need to satisfy donors ie they must produce programmes which donors are willing to fund. At best then the government can really only have a *leadership* role in the process.

Also, since the objectives for these programmes are poverty reduction and these have been defined by bilateral donors as the International Development Targets (IDTs), governments also do not have ownership of the programme's aims. We may not disagree with these objectives, but we must admit that many governments and many parts of civil society may not see them as priorities.

Whilst ownership is in effect unrealistic, governments will be able to take the lead in several areas:

- choosing with whom they want to consult - the IFIs, donors, academics, NGOs, civil society;
- choosing what areas they want to seek advice on in order to develop the strategy;
- defining the targets for poverty reduction on a medium- and long-term basis and criteria for monitoring progress.

Furthermore, Southern governments have not been involved in current discussions on how the PRSP process should be implemented. Discussions so far have been Washington-based and have focused on the internal dynamics at the Bank and the Fund and collaboration between the two. Even work underway to fashion guidelines for good participatory processes is Washington-based and no effort has yet been made to involve southern governments and civil society in defining what elements comprise an acceptable process. A precondition for government ownership must be that they are involved right from the beginning in discussing the process and defining parameters of involvement in the PRSP process.

Involvement from first principles is crucial if governments are to really take ownership of the poverty reduction agenda. For example, many African governments have plans and funds for poverty reduction, however, these are often produced and implemented by small, less important ministries and they tend not be given priority by the more powerful ministries and so they remain marginalised within the government. An exception to this is Uganda,

where the responsibility for implementing the poverty reduction strategy lies with the ministry of finance and consequently the commitment to poverty reduction is a government wide priority.

Governments and NGOs Need to Build Capacity for Effective Consultation

It is important that the PRSP is intended to be a country-owned strategy not a government-owned strategy and therefore consultation with civil society will be an imperative. Indeed, we have been told that the decision of the IMF and Bank boards to endorse a strategy will depend partly on the adequacy of the consultation process.

Consulting with civil society is not easy. It often is not clear who represents civil society or how to reach them. Moreover, civil society does not have just one point of view. It will be necessary for civil society organisations to consider what mechanisms can be used to help to settle differences. However, in many cases a unified civil society position will not be achieved. In these cases it will be essential for governments to be able to clearly establish why they have taken a particular decision and that in doing so they have made a balanced consideration of the various points of view.

Consultation will be a difficult and costly task for governments, especially if they are to reach out to the local level which they must do if they are to develop an effective strategy that can respond to a range of needs. Donors will have to provide considerable resources for governments to enable them to do so. This may not imply additional resources, instead money spent on costly consultant fees could be diverted for this purpose. This could result in a more cost effective use of resources as well as building government capacity. Moreover, resources are available for development of participatory approaches which should also aim to develop government capacity.

NGOs will be an important point of contact for their governments and a bridge to the grass roots community. However, their capacity is in many cases limited and INGOs will need to provide resources and share experience with NGOs to assist them in building broad-based networks to communicate the experience of grass roots organisations to the centre.

Whilst governments should be responsible for reaching out to civil society it cannot be assumed that they are either willing or capable of doing so well. Therefore, INGOs will need to alert NGOs to the consultation process; informing their partners that these processes are underway and ensuring that those who want to engage in the process are able to do so.

In the case of Bolivia, which is a CDF pilot country, NGOs were not effectively consulted during the development of the National Dialogue, the country's poverty strategy, and the government failed to engage with them after it was completed. INGOs were able to raise these problems with their governments who put pressure on the Bolivian government and the Bank to engage the Bolivian NGOs more fully in the CDF process. In other CDF countries, such as Ethiopia, it appears that government leadership has focused on coordinating donors whilst consulting with national stakeholders is not a priority or even an objective.

Assessing the Extent and Causes of Poverty

The first step will be to establish the extent and causes of poverty. At the moment there is typically a lack of good poverty data. Where good data is lacking a participatory poverty assessment (PPA) will be needed. To fund them, southern governments should be persuaded to divert resources away from expensive, under-used surveys and into cheaper, grass roots focused PPAs. Donors – the UNDP and some bilateral donors have been important funders of recent PPAs – should continue to provide resources to fund PPAs which should include building government capacity to systematically collect data on an ongoing basis, for example, as the Uganda PPA has done. It may also be necessary to assist neutral third-parties to systematically monitor government efforts to address the causes of poverty, particularly at the level of local government. Whilst donor resources are essential, the success of the Ugandan PPA demonstrates the importance that PPAs are owned and managed by the government.

PPAs have demonstrated how partial and incomplete the perception of poverty from the top has been and they have been important for broadening understanding of what defines poverty for those who are poor. For example, the need to address governance and institutional aspects is a priority for many poor people. Whilst some donors, including the World Bank, have accepted a broader concept of poverty they are yet to appreciate what the implications are for programme design and funding. Donors must address this.

PPAs can be useful for building relations between civil society and local and national government, and for strengthening links between civil society, particularly in rural areas, and NGOs, which are often urban-based. Thus these processes can potentially add to “social capital”. Such processes should be encouraged. Where possible, programmes should not simply address social development through better social and economic policies but should also look to enhance social capital (Harper, 1999).

Whilst there has been some work by the Bank and academics to draw together experiences with developing PPAs to help identify best practice guidelines it would be useful if INGOs could undertake to synthesise NGO experience with participating in and managing PPAs, although more experience might be needed first. Communications between national-based NGOs involved in PPAs and their counterparts at the international level need to be enhanced to encourage better sharing of experiences but also to use PPA information more strategically to counterbalance other sources of information.

Access and Input Into Background Analysis and Other Key Documents

In addition to the poverty assessment the Bank and Fund both undertake extensive background analysis and research which informs programme design. This economic and sector work will presumably be important for informing the design of the PRSP.

At the moment this work tends not to be made public nor is it poverty focused. INGOs should ensure this is rectified. Access to this type of information, including information from the government, will be essential for NGOs if they are going to have useful engagement with their governments on policy design. However, there is also an issue concerning the

relevance of much of this work. Often processes are led by the Bank with little involvement from governments or civil society which lessens their applicability. The responsibility for carrying out this background work should be the government's with the Bank and other donors providing advice and financial support. Input from civil society should also be sought. For example, a recent evaluation by the Bank's Operations Evaluation Department of Public Expenditure Reviews concluded that, "if the Bank can adopt a more flexible, client oriented, institutional, interdisciplinary, consultative and results oriented approach to designing and producing realistic PERs, the prospects for improved implementation and impacts would be greatly enhanced." (OED, 1998 p26)

Designing Programme Content Should Involve Many Stakeholders

In designing its poverty reduction strategy, the government will be responsible for consulting with national stakeholders and soliciting their input into the design process. To what extent civil society will be involved in programme design needs to be spelled out up front. There is a wide gulf between participating in the design of a poverty reduction strategy compared with being consulted on a proposed strategy. The level of engagement civil society can expect needs to be clarified early on so that civil society representatives can choose whether or not to be involved.

Clearly both national and international NGOs have considerable experience with addressing poverty needs and they could have very useful input into programme design and should not simply be regarded as service providers. This is most obviously the case in the social sectors but there is also a case for civil society involvement in macroeconomic policy decisions, for example budget setting.

Past experience with involving NGOs in national processes, particularly input into the Bank's Country Assistance strategy, has tended to limit their input to a consultation role although there has been some involvement in the policy-formulation process. It will be useful if INGOs can draw together these experiences to facilitate better advocacy work and engagement.

National NGOs and particularly NGO networks could be very important for organising widespread input into the policy discussions. INGOs can help NGOs input into the policy process by helping to build advocacy and networking capacity especially the capacity to analyse and translate very specific, grass-roots experience into the wider development debate and process.

Governments are also likely to draw on the advice of the IFIs and other donors early on in the process. This is both practical from a capacity point of view and for ensuring that donors have buy-in to the programme from an early stage. However, there should also be considerable scope for governments to call on a wide variety of expertise to assist them in programme design, for example, universities, independent consultants, UN bodies and policy advisors of INGOs operational in the country.

It is envisaged that there will be an iterative process between donors and the government to agree the content of the programme especially in terms of the trade-off between aspects of the macroeconomic framework and actions for poverty reduction. INGOs will have a

role in monitoring the Bank and Fund to ensure they do not limit the policy options for governments.

The World Bank already has detailed guidelines as to what it regards as a good economic strategy (World Bank, 1999). These guidelines determine how much IDA resources will be allocated to each country. The IMF is currently drawing up similar guidelines for its staff and Board focusing on good macroeconomics and good governance. These guidelines are important because they will determine which programmes the IFIs will support. Therefore, it will be important for INGOs to monitor how these guidelines are being drawn-up and to ensure that they are not too prescriptive and are poverty focused.

Whilst the Bank argues that the twenty criteria it uses are all poverty focused, in fact a significant number of them are macroeconomic targets which are not directly poverty focused. Some governance criteria are used but these are largely focused on protecting private property rights rather than stemming corruption or improving citizens' rights. These criteria will be open for review when the negotiations for replenishing IDA start in 2001. Until then INGOs will have to pay careful attention to ensure that good PRSPs are not underfinanced on the basis that they do not comply with the Bank's criteria.

Monitoring the IFIs

A fundamental concern for many INGOs is whether the IMF and World Bank are able to change their working practices and allow governments the space to define their own strategies. Flexibility on the part of the IMF will be particularly important, yet initial discussions with staff suggest that it is doubtful they are yet ready to concede ground in this area.

INGOs have been quick to raise these concerns with donors who have been keen to reassure that monitoring the implementation of this new approach will be a priority for them. However, donors do not have good capacity for doing so and they will need to rely heavily upon INGOs who in turn must be in touch with their partners in each country. This will require INGOs to work together to ensure they are not duplicating efforts or overlooking countries. Whilst INGOs have significant experience of sharing information this is still tricky given their own resource and capacity constraints. It will also be important for donors to share information amongst themselves in order to facilitate the monitoring process.

Layers and Layers of Conditionality

The new approach has in effect brought in another layer of conditionality: process conditionality. This is probably not a problem where the government has the capacity, willingness and political strength to develop its own programmes. However, for weak governments, who lack the political might to stand up to the Bank and Fund, the new process is likely to mean the usual policy conditionality with the added headache of having to go through a process which it may rather avoid.

Whilst many international and national NGOs would probably be happy with process conditionality (obviously depending on what type of process is required), we must

acknowledge that once again something is being imposed from outside which could be said to undermine the democratic process.

Also, the IMF intends to prioritise governance in its programmes thus we can expect to see additional layers of governance conditionality. Whilst many of us might support rights-based governance conditions which could be very significant from a vulnerability/empowerment perspective, the IMF's approach to governance will be restricted to the rights of private property owners which could be harmful to the poor, for example, if common property resources are allocated to private owners. The IMF's involvement in governance issues is very doubtful as it has no expertise. INGOs should be doing more to stem the IMF's mission creep into deeper structural areas which it has no legitimacy to involve itself in.

Another important concern for INGOs and NGOs is whether the IMF and World Bank are able to judge what is a good consultation process as this will be a factor in the decision whether or not the IFIs should fund a programme. The IMF and Bank are currently drawing up best practice guidelines on consultation and participation. It is not clear who is being consulted about this process. INGOs are taking steps to improve their own participatory processes and these experiences could be usefully shared with the IMF and Bank. They could also seek guidance from groups working in national and international arenas to improve accountability and democracy such as Amnesty International and Article 19.

In many cases judgement of the consultation/participation process will be subjective. It is not clear how a decision will be taken if a government comes up with a programme donors want to fund but it did not apply a good process or conversely a good process produced a poor strategy (in the eyes of donors). This is a question which both the Fund and Bank are trying to grapple with. In the end it is likely to come down to donor preferences, political considerations and long-term relationships, thus it will be important that INGOs, with their capacity to have an overview of the processes in each country, ensure that there is comparability of treatment and to highlight cases of bias.

From the Bretton Woods Project's perspective, the better the process the better the outcome is likely to be, therefore, there should be considerable emphasis placed on insisting that governments encourage as much participation and comment on the programme as possible and that this is reflected in a meaningful way to donors. For example, donors could ask to see what range of people the government has included in the policy framing process, how extensively it has solicited comments, how it has addressed those comments, why it has or has not changed its strategy in the light of them, whether there has been media debate on the strategy etc. Such a process is necessary because donors are not in a position to make objective judgements or specify indicators which can tell them what a "good" poverty strategy is in each case. This can really only be judged by those in the country, this is why enabling a wide range of civil society perspectives to influence the process is important.

In terms of the policy conditionality the new framework suggests that this is an opportunity for governments to frame their own conditionality. IMF staff have suggested that if a government is able to tightly define its strategy with monitorable targets and a clear timetable then it will be difficult for either the IFIs or other donors not to use them in their own programmes. On the other hand, if a government produces a rather vague programme then it leaves the door open for the IFIs to define targets themselves. Thus, to what extent the government can take control of the process will depend on its capacity and

political strength to stand up to the IFIs and argue its case. It can be envisaged that a government that a) has strong domestic support for a programme; and b) good planning and budgeting processes will be better able to stand up to the Bank and Fund. Where there are gaps in capacity and process there may be opportunities for NGOs or donors to assist.

Beauty Contests and Effective Solutions

An important role for INGOs will be to ensure that the competition for resources does not become simply a beauty contest amongst rival PRSPs and that detailed technical fixes are not given greater priority than more limited but effective and possible solutions. It will be a positive step forward if donors select among countries according to the poverty-content of their strategies – at the moment they do not – but given that each national strategy should be different, how to judge between them will be difficult. This suggests that basing judgements on the process is the most useful way forward.

Monitoring Implementation

In terms of implementation, the government should be primarily responsible and accountable to the parliament and people, not donors. This suggests that an inclusive process for setting and monitoring targets would be useful. Joint indicator development will help to clarify the different expectations of various stakeholders and can help build ownership of the outcomes. Capacity building will be necessary to enable stakeholders to develop and monitor indicators.

It will also be important to ensure access to information. For example, it will be important to disseminate the PRSP widely and to ensure that government procedures, particularly budgeting and expenditure procedures, are transparent. Whilst NGOs have been involved in consultation exercises with the World Bank in the past, the secrecy of the final Country Assistance Strategy document has limited any further effective engagement by civil society in monitoring its implementation.

Obviously monitoring is not effective if there are not effective channels to communicate results to policy makers and managers. NGOs should help to establish permanent channels of communication with government departments to ensure that where problems arise these are quickly and effectively communicated to ministers.

Some monitoring mechanisms are already being applied. In Brazil, NGOs have been effective in ensuring that economic programmes are discussed in parliament as the constitution stipulates. And in Uganda all loans contracted or guaranteed by the Uganda Government must be authorised by Parliament, this gives opportunities for NGOs to alert parliamentarians to potential problems with them.

Timing

A good process cannot be rushed, particularly a participative process. Whilst some countries already have the initial building blocks in place and will not need as much time as others, there is great concern that the process of drawing up poverty strategies will be rushed to ensure countries secure debt relief as soon as possible (implementing a PRSP is a condition for HIPC debt relief).

A rush to complete the PRSP is likely to limit the ability of NGOs and the communities they represent from participating in the policy process, and limit the opportunity for governments to consult with other experts outside the Bank and Fund. However, with some countries reaching decision point in the HIPC Debt Process as early as January 2000 and with a total of 19 countries expected to reach decision point in 2000 the potential for pushing the process too far too fast is very real.

An important function for INGOs will be to ensure that the financial and political pressures to give debt relief does not limit the scope for effective processes.

Beyond this immediate pressure, it will be important for donors, both multilateral and bilateral, to ensure that countries are not hurried to finalise programmes in order to fit with lending cycles. Operational changes such as flexible accounting and loan disbursement procedures and revising staff incentives will be important for ensuring that these pressures are reduced.

Financing Poverty Reduction Strategies

For the first time it will be possible to identify social programmes and have them fully costed. In the past, financing has been constrained by donor supply, the new approach offers the possibility of looking at the demand side of the poverty reduction equation, shifting the pressure towards donors to come up with the finance necessary to bridge fiscal deficits.

It can be envisaged that governments will prepare strategies according to a number of scenarios. The base-line scenario will be a strategy based on resources available under existing commitments laid out in the medium-term expenditure framework (although still not many of these exist yet).

However, given that the targets have been set in terms of the IDTs, the government could then set out a “high-case” scenario which would detail what actions and resources are necessary to set the country on track to achieve the targets. This would be a challenge to donors to come up with more funding in order to allow the country to achieve the targets they themselves have set for it. It would also be practical for the country to develop a medium-case scenario which would anticipate more resources than it currently expects to receive but would be less than what is necessary to achieve the targets.

INGOs could take the lead in pushing donors to make more resources available. A focus for these efforts could be donor meetings such as Consultative Groups. Christian Aid has made the case for INGO and NGO participation in aid coordination meetings (Richmond and McGee, 1999). A particularly useful role for NGOs in these meetings

could be to report on the process of designing the strategy and progress with implementing it (Petesch, 1996).

Aid coordination will be necessary for ensuring appropriate resources to fund the strategies and to harmonise monitoring and reporting arrangements to free-up government resources. The Medium Term Expenditure Frame should be a focus for cooperation or possibly the Public Expenditure Review (PER). Although the quality of PERs, which tend to be Bank-owned, has been very poor they could be improved by involving the government and civil society. (OED 1998)

Bilateral and Multilateral Coordination and Cooperation

Donor coordination and cooperation will be essential if governments are to effectively manage and control their development processes. Coordination will be important not just in terms of providing resources (and being more selective about which countries receive them), but also for monitoring participation, design and implementation of programmes and for monitoring how effective the Bank and Fund are in reforming their work methods and policy prescriptions. Coordination will also be important for sharing knowledge of best practices in donor organisation and working methods.

The PRSP can also be seen as an attempt by donors to force the World Bank and IMF to work together. This is necessary if macroeconomic programmes are to be poverty focused, simply because the IMF does not have the expertise to understand the micro impacts of macro reforms. However, it should not be assumed that the World Bank is good at addressing poverty issues. A recent internal review of adjustment lending found that “the majority of loans do not address poverty directly, the likely economic impact of proposed operations on the poor, or ways to mitigate negative effects of reform. ... The connection to poverty is left at the abstract level (e.g. the poor benefit from lower inflation and efficiency gains).” (World Bank, 1999b). Donors, INGOs and NGOs must continue to put pressure on the Bank to put its stated commitment to poverty eradication into practice. In this regard, it will be important for the Bank to draw together the many different poverty-related initiatives that are under the control of an increasingly large number of vice presidents.

Nor is it clear that the Bank has the experience of analysing the linkages between macroeconomic reforms and poverty outcomes. However, other organisations such as the UNDP and UNCTAD have done some work on these linkages. Focusing on coordination between the IMF and the World Bank could, therefore, limit the involvement of other institutions.

Whilst the Bank and IMF have effectively marginalised UN institutions, especially in terms of the social policy debate, the greater openness of the PRSP process, which allows governments the opportunity and time to consult widely with experts outside the Bank and Fund, provides an opportunity for the UN to steal some ground from them. Particularly since the UN has already established itself as an advisor to governments as opposed to the Bank which tends to prescribe to governments.

Disseminating Lessons Learned

At all levels of the process it is important that information and lessons learned are shared between NGOs in different countries involved in similar processes. NGOs need to build networks across countries to do this. They can draw on the experience of their INGO colleagues to do so. It is also important for NGOs to share information directly with INGOs who are able to disseminate this widely.

At the moment there are some efforts by INGOs to monitor how the CDF is being implemented in the pilot countries but this task is limited by the lack of capacity of NGOs to respond to information requests from INGOs and by their limited engagement in the CDF process.

Increasingly southern NGOs are organising themselves to share information and to develop “southern” advocacy strategies. INGOs should support such initiatives, particularly in disseminating “southern” positions to their colleagues in the north.

Democratising the IFIs

The PRSP provides a key opportunity for democratising decision making processes with regard to how economic programmes are developed and who is involved, and in whose interest they are applied. It emphasises national control and local involvement. This is very welcome.

However, whilst processes will hopefully improve at the national level, the World Bank and IMF remain extremely undemocratic. The US holds veto power over key decisions and the G7 countries dictate the focus of policy and research, and dominate the Executive Boards, the Development Committee and the International Monetary and Finance Committee (previously known as the Interim Committee). This concentration of power ensures that the Bank and Fund prioritise the interests of the G7. Democratising these institutions should be a key concern for both INGOs and NGOs. Until this is achieved, improving processes at the national level will be limited.

Conclusion

With the emphasis on national ownership of the development process, it can be expected that the roles of various stakeholders are likely to change over the coming months and years. Firstly, the government must be encouraged to take the lead in developing its programme and in organising donors and other stakeholders to help operationalise it. This means a more hands-off role for the Bank and the Fund which should become advisors to the government rather than leaders of the process.

The focus on poverty reduction implies that the IMF will have to collaborate much more closely with the World Bank when advising governments about possible macroeconomic reforms. It should also look to other institutions such as the UNDP and UNCTAD for advice on the distributional implications of various macroeconomic strategies.

Whether the IMF and Bank will be able to make this shift will depend to a considerable extent on how they can reform themselves internally to improve operational procedures and provide the correct incentives to staff. It will be important for donors and NGOs to monitor this process.

Bilateral donors will need to be more coordinated and cooperative both in terms of ensuring their programmes support the national strategy and that sufficient resources are committed and provided on time to implement it effectively. In some cases it can be expected that bilateral donors will have a greater role in the programme formulation process, where they are invited to do so by governments.

Reform of internal processes will be as important for bilateral donor's as it will be for the Bank and Fund. At the moment not all donors have accepted the need for better coordination or are willing to change their procedures. NGOs must put pressure on their governments to ensure they take these steps and that they commit more money to poverty eradication strategies. The Bank is also making the case for greater coordination with donors to operationalise the CDF. Coordination will be encouraged, and the importance of the IMF's seal of approval will be lessened, if governments involve key donors in the process of developing the poverty reduction strategy.

International NGOs are likely to see their roles change to reflect a greater emphasis on monitoring and as a channel of information between national NGOs and donors and the international financial institutions. They will also have a greater role to play in building the capacity of national NGOs to do their own advocacy work and to engage with policy makers to translate grass roots experience into policy.

National NGOs will have to build capacity to improve their networking with each other and their communication with civil society, particularly in rural areas. More emphasis will have to be placed on engaging in the policy process and drawing out lessons learned from their programme work. They will also need to develop capacity to monitor implementation of programmes at the local and national level.

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