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# GOVERNANCE THROUGH DEVELOPMENT

Poverty Reduction Strategies, International  
Law and the Disciplining of Third World States

CELINE TAN

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# Governance through Development

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and the Disciplining of Third World States

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# Governance through Development

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*Governance through Development* locates the Poverty Reduction Strategy Paper (PRSP) framework within the broader context of international law and global governance, exploring its impact on third world state engagement with the global political economy and the international regulatory norms and institutions which support it. The PRSP framework has replaced the controversial structural adjustment programmes as the primary mechanism through which official development financing is channelled to low-income developing countries. It has changed the regulatory landscape of international development financing, signalling a wider paradigmatic shift in the cartography of aid and, consequently, in the nature of north–south relations. *Governance through Development* documents and analyses this change within the legacy of postcolonial economic relations, revealing the wider legal, economic and geo-political significance of the PRSP framework. Celine Tan argues that the PRSP framework establishes a new regulatory regime that builds upon the disciplinary project of structural adjustment by embedding neoliberal economic conditionalities within a regime of domestic governance and public policy reform.

The book will be of interest to scholars, researchers and students of law, political science and international relations, sociology and development studies.

**Celine Tan** is Lecturer in Law at the University of Birmingham. Her research explores aspects of international economic law and regulation, focusing on the intersections between law, policy and governance, and the development impacts of global economic governance. She is co-editor with Julio Faundez of *International Law, Economic Globalization and Developing Countries*.

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**For my parents, Helen and Philip, my husband, Paul, and my son, Isaac.**

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Finally, this project was not just an intellectual and academic exercise. It was driven by a desire to study the instruments of power, deceit and iniquity in today's global economy, motivated by a need to make the wrongs right. The work would have been unnecessary without the suffering of those of whom the unequal international economic order has marginalised and failed. This book owes a debt – bigger than intellectual thirst – to those whom the institutions of global power have failed and for whom academic discourse and theory are indifferent and irrelevant to the impoverishment of their daily lives.

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# A note on terminology

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## **1 PRSP, PRS and PRSP framework**

In this book, the term ‘Poverty Reduction Strategy Paper’ (PRSP) will be used to refer to the document which is the outcome of the ‘Poverty Reduction Strategy’ (PRS) process. The terms ‘PRSP framework’, ‘PRSP project’ or ‘PRSP initiative’ will be used to refer to the PRSP operational framework as a whole, including the PRS process, the PRSP evaluation, PRSP-related financing instruments, etc.

## **2 World Bank and IDA**

The term ‘World Bank’ is commonly used to refer collectively to both the International Bank for Reconstruction and Development (IBRD), the original ‘World Bank’ set up in 1944 at the Bretton Woods conference in New Hampshire, as well as the International Development Association (IDA), the World Bank’s concessional financing arm, established in 1960. Unless otherwise stated, the term will be similarly utilised here.

The World Bank Group consists of the IBRD, the IDA, the International Finance Corporation (IFC) (established in 1956), the Multilateral Investment Guarantee Agency (MIGA) (established in 1985) and the International Centre for the Settlement of Investment Disputes (ICSID) (set up in 1966).

## **3 Development financing and aid, donors and recipients**

The term ‘development financing’ is generally used to refer to all forms of financing for economic development purposes, commercial or otherwise, and undertaken both by the private and the public sectors. This book uses the term ‘development financing’ to refer to what is commonly known as ‘development aid’ or formally classified as ‘official development assistance’ (ODA).

The OECD Development Assistance Committee (DAC) classifies ODA as transfers from donor countries to recipient countries or multilateral institutions, such as the World Bank or regional development banks or UN agencies. In

order for transfers – financial or in the form of ‘technical assistance’ – to be classified as ODA, they must:

- be undertaken by the official sector;
- have economic development and welfare as their main objectives;
- be provided on a concessional basis, through outright grants, debt relief or loans with a 25 per cent grant element.

Sometimes, for the sake of brevity or in reference to an external source, the term ‘aid’ will be used instead of ‘development financing’, but I recognise the anachronism of the term and its connotations. It will normally be used to denote the asymmetrical nature of the financing relationship between the disbursers of aid (‘donors’ or ‘financiers’) and the parties in receipt of it (‘recipients’ or ‘clients’).

#### **4 Third world, developing countries, north and south**

While the term ‘third world’ has been characterised in various quarters as anachronistic in today’s global context, and has been discarded in favour of the geographically attributed ‘north/south’ terminology, many scholars and activists from the developing countries have retained its usage as a continuing form of resistance to hegemonic attempts to disperse the collective voice and organising unity of third world states and third world peoples. As Chimni has argued, ‘once the common history of subjection to colonialism, and/or the continuing under-development and marginalization of countries in Asia, Africa and Latin America is attached sufficient significance the category “third world” assumes life’ (Chimni, 2003: 49).

The term has particular resonance for third world legal scholars for whom the uniformity in application of international law has had the effect of aggregating the structural iniquities which continue to characterise the developing world’s engagement with the international legal order (see discussion in Chapter 2). Again, as argued by Chimni, the category of the ‘third world’ is ‘crucial to organizing and offering collective resistance to hegemonic policies’ and ‘reflects a level of unity imagined and constituted in ways which would enable resistance to a range of practices which systematically disadvantage and subordinate an otherwise diverse group of people’ (ibid.).

In this book, the term ‘third world’ will be used interchangeably with the term ‘developing countries’ and with the occasional reference to the terms ‘north’ and ‘south’, but again recognising some negative associations of the use of such terms.

#### **5 Low-income countries**

Low-income countries are defined as countries with a per capita income of less than US\$1,135 a year (as of 2010). These are the countries eligible to borrow

from the IDA, the concessional lending arm of the World Bank. The term is used in this book technically rather than normatively.

## **6 Policy-based versus project financing**

Policy-based lending is discussed in detail in Chapter 4, but, generally, policy-based or programmatic lending differs from ‘investment lending’ – financing for a specific project – in that it provides balance of payments support to countries in exchange for a programme of economic reform, either at the national or sectoral level.

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## List of abbreviations

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AAA	Accra Agenda for Action
ADB	African Development Bank; Asian Development Bank
ADF	African Development Fund
Afrodad	African Forum and Network on Debt and Development
AML	anti-money laundering
APR	annual progress report (PRSP)
ARPP	Annual Report on Portfolio Performance
BWI	Bretton Woods institution
CAS	Country Assistance Strategy
CAS PR	Country Assistance Strategy Progress Report
CCJP	Catholic Commission for Justice and Peace
CDD	community-driven development
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CFT	countering the financing of terrorism
CG	Consultative Group
CNES	Citizens Network on Essential Services
CPA	Country Procurement Assessment
CPIA	Country Policy and Institutional Assessment
CSO	civil society organisation
DAC	Development Assistance Committee (OECD)
DBS	donor budget support
DFID	Department for International Development (UK)
DPL	Development Policy Loan
DSA	debt sustainability assessment
EBRP	Estrategia Boliviana de Reducción de la Pobreza (Bolivian PRSP)
EC	European Commission
ECF	Extended Credit Facility
ECOSOC	Economic and Social Council
EFF	Extended Fund Facility
ESAF	Enhanced Structural Adjustment Facility

ESF	Exogenous Shocks Facility
ESW	economic and sector work
EU	European Union
Eurodad	European Network on Debt and Development
FAO	Food and Agriculture Organisation
FCL	Flexible Credit Line
FDI	foreign direct investment
FFD	Financing for Development (UN)
FSAP	Financial Sector Assessment Programme
G7	Group of 7
G8	Group of 8
GAB	General Arrangements to Borrow
GAO	General Accounting Office (US)
GATS	General Agreement on Trade in Services
GPRS	Ghanaian Poverty Reduction Strategy
GRA	General Resources Account
GRC	governance-related conditionality
HIPC	Heavily Indebted Poor Countries Initiative
IBRD	International Bank for Reconstruction and Development
ICJ	International Court of Justice
ICSID	International Centre for the Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IDS	Institute of Development Studies
IEG	Independent Evaluation Group (World Bank)
IEO	Independent Evaluation Office (IMF)
IFC	International Finance Corporation
IFI	international financial institution
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INGO	international non-governmental organisation
I-PRSP	Interim Poverty Reduction Strategy Paper
ISN	Interim Strategy Note
JFA	Joint Financing Arrangement
JSA	Joint Staff Assessment
JSAN	Joint Staff Advisory Note
LDC	least-developed country
LDP	Letter of Development Policy
LICUS	low-income country under stress
LOI	Letter of Intent
MAI	Multilateral Agreement on Investment
MDB	multilateral development banks
MDBS	Multi-Donor Budget Support programme (Ghana)
MDG	Millennium Development Goal

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MDRI	Multilateral Debt Relief Initiative
MEFP	Memorandum of Economic and Financial Policy
MEJN	Malawi Economic Justice Network
MIGA	Multilateral Investment Guarantee Agency
MOU	Memorandum of Understanding
MPRS	Malawian Poverty Reduction Strategy
MTEF	Medium-Term Expenditure Framework
NAB	New Arrangements to Borrow
NAFTA	North American Free Trade Agreement
NDPC	National Development Planning Commission (Ghana)
NGO	non-governmental organisation
NIEO	New International Economic Order
NSC	National Steering Committee
OBA	Output-based aid
ODA	official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department (World Bank)
PAF	Performance Assessment Framework
PAP	Participation Action Plans
PBA	performance-based allocation
PDR	People's Democratic Republic; Policy Review and Development (World Bank)
PEAP	Poverty Eradication Action Plan
PEM	public expenditure management
PER	public expenditure review
PF	Partnership Framework
PFM	public financial management
PFP	Policy Framework Paper
PNoWB	Parliamentary Network on the World Bank
PPA	Participatory Poverty Assessment
PREM	Bank's Poverty Reduction and Economic Management (World Bank)
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Strategy Credit
PRSP	Poverty Reduction Strategy Paper
PRSTF	Poverty Reduction Strategy Trust Fund
PSAC	programmatic structural adjustment credit
PSAL	programmatic structural adjustment loan
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Assessment
PTF	Poverty Task Force

RCF	Rapid Credit Facility
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SAPRI	Structural Adjustment Participatory Review Initiative
SAPRIN	Structural Adjustment Participatory Review International Network
SBA	Stand-By Arrangement
SCF	Standby Credit Facility
SDR	Special Drawing Rights
SECAC	sectoral adjustment credit
SECAL	Sectoral Adjustment Loan
SEDP	Socio-Economic Development Program (Cambodia)
SIDA	Swedish International Development Cooperation Agency
SRF	Supplemental Reserve Facility
SSA	sub-Saharan Africa/African
TORs	terms of reference
TRM	Transitional Results Matrix
UMDF	Ugandan Multilateral Debt Fund
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Fund for Children
UNDP	United Nations Development Programme
UK	United Kingdom
US	United States
<i>WDR</i>	<i>World Development Report</i> (World Bank)
WHO	World Health Organisation
WTO	World Trade Organisation

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# Contents

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<i>List of illustrations</i>	xī
<i>Acknowledgements</i>	xīī
<i>A note on terminology</i>	xīv
<i>List of abbreviations</i>	xvīī
<b>1 Introduction</b>	<b>1</b>
<i>1.1 Crisis and change in international economic lawmaking</i>	<i>1</i>
<i>1.2 A new ‘social contract’</i>	<i>3</i>
<i>1.3 Scope of inquiry</i>	<i>5</i>
<i>1.4 Framework of analysis</i>	<i>9</i>
1.4.1 Analysing the relationship between actors, principles and mechanisms of globalisation	9
1.4.2 Locating regulatory patterns within a wider analysis of power	12
1.4.3 Representational power and the discipline of discourse	14
1.4.4 Legal pluralism and the constitutive power of law	16
<i>1.5 A note on methods</i>	<i>18</i>
<i>1.6 Cartography of the book</i>	<i>18</i>
<b>2 PRSPs in postcolonial international law and global governance</b>	<b>23</b>
<i>2.1 PRSPs in the international order: asymmetrical sovereignty and circumscription of state autonomy</i>	<i>24</i>
2.1.1 Locating the PRSP project in the ‘postcoloniality’ of international law	25
2.1.2 Reproducing colonial asymmetries through postcolonial law	27
<i>2.2 Institutions of postcolonial governance: the Bretton Woods system</i>	<i>31</i>
2.2.1 Legacies of the colonial encounter	31
2.2.2 Aggravating asymmetry	33
2.2.3 Monopolising the forum	35

- 2.3 *Managing the third world: the Bank and Fund in postcolonial governance* 36
  - 2.3.1 Bridging the dynamic of difference 37
  - 2.3.2 Managing the terms of engagement 41
- 2.4 *Continuities and consolidation of postcolonial law* 50

### **3 PRSPs and the crisis of legitimacy in the international order**

60

- 3.1 *PRSPs as a response to the limitations of structural adjustment* 61
  - 3.1.1 The disciplinary rationale of adjustment lending 62
  - 3.1.2 The failure to discipline 63
- 3.2 *Postscripting the Washington Consensus* 64
  - 3.2.1 From adjustment to poverty reduction 65
  - 3.2.2 Securing legitimacy through participation 66
  - 3.2.3 Universal framework for disbursement 66
- 3.3 *Competing agendas for change* 68
  - 3.3.1 The role of the epistemic coalition 69
  - 3.3.2 The institutional response to the conceptual framework 72
  - 3.3.3 Geo-strategic interests and the role of the NGO lobby 75
- 3.4 *Missing pieces in the jigsaw: the absent south* 80
- 3.5 *PRSPs and the legacy of state fragmentation* 82
  - 3.5.1 Internationalisation of decision-making 82
  - 3.5.2 The retreat of the state 84
- 3.6 *Crisis and containment* 86

### **4 'Ownership' as conditionality: PRSPs and the evolution of conditional financing**

94

- 4.1 *Deconstructing conditionality* 95
  - 4.1.1 Conditionality versus conditions for financing 96
  - 4.1.2 IMF conditionality 98
  - 4.1.3 World Bank conditionality 100
  - 4.1.4 Policy regulation 101
- 4.2 *Conditionality as a default regulatory instrument* 102
  - 4.2.1 Evolution of IMF conditionality 103
  - 4.2.2 Conditionality and the Bank's new role 106
- 4.3 *Conditionality as a mechanism for economic governance* 110
  - 4.3.1 Fund conditionality enshrined 110
  - 4.3.2 Governance through resource dependency 113
- 4.4 *A new jurisprudence* 115
  - 4.4.1 Discretionary control 116
  - 4.4.2 Mission creep 117
  - 4.4.3 Absence of external oversight 118