

The Social Impacts of Poverty Reduction Strategies in Latin America

This research project is concerned with the recent transformations in development policy at the multilateral donor level. It will assess the extent to which these transformations have engendered the promotion of pro-poor policies and, in turn, have translated into a sustained reduction in the levels of poverty in the Latin American region. This will be achieved through an impact analysis of poverty reduction strategies in two Latin American countries, Nicaragua and Honduras.

The introduction of the Poverty Reduction Strategy (PRS) paradigm is the most recent attempt by the international financial institutions (IFIs), specifically the World Bank Group and the International Monetary Fund (IMF), to address the persistently high levels of poverty in the developing world. The emergence of the PRS approach is linked to the dissatisfaction with and growing resistance to previous structural adjustment policies (SAPs) that have been promoted by these IFIs since the early 1980s. The failure of structural adjustment to translate into sustained economic growth and attendant poverty reduction has led to a policy rethinking process within the World Bank and the emergence of a stronger emphasis on pro-poor policies. In this context, the World Bank introduced a novel policy tool, the Poverty Reduction Strategy Paper (PRSP), which every developing country is required to elaborate in order to be eligible for concessional finance from the international donor community. The PRSP sets out a comprehensive national poverty reduction plan and stipulates how to channel donor funding into programs and projects that will guarantee a sustained reduction in poverty levels. Further, the PRSP is expected to be used by all bilateral donors in coordination of their aid efforts.

While a great deal of attention, including my own, has been given to the procedural and substantive differences between SAPs and PRSPs (*e.g.* UNCTAD 2002; Gottschalk 2005; Ruckert 2006), in particular the role of civil society in the elaboration of PRSPs (Fraser 2005; Dijkstra 2005; Ruckert 2007), little research has yet been conducted to assess the actual impacts of poverty reduction strategies on poor people on the ground, in particular in the Latin American region. Preliminary research on Africa's experience with the PRSP process indicates that many obstacles have prevented PRSPs from delivering on their promise of significant poverty reduction (Cheru 2006). Moreover, many contradictions and limitations inherent to the PRSP process have raised questions about the effectiveness of the PRSP approach (Mouelhi and Ruckert 2007). Given these early signs of failure, it is important to evaluate the extent to which PRSPs in Nicaragua and Honduras, two of the most poverty-stricken countries in Latin America, have been successful in reducing poverty levels, and to identify the main obstacles to poverty reduction so as to strengthen the PRSP process in anticipation of the implementation of second-generation PRSPs.

To realize this project, I will combine quantitative and qualitative research methodologies in an innovative manner. Quantitative data will be collected through the construction of public expenditure tracking surveys (PETS) and the analysis of official government statistics on poverty. PETS track the flow of resources through various strata of government in order to determine how much of the originally allocated public resources reach the designated level. However, recent research on poverty highlights its multi-dimensional nature, and as such it is important also to incorporate qualitative research methods. This will include semi-structured interviews with beneficiaries of conditional cash transfers that are a key component of poverty

reduction strategies in both Nicaragua and Honduras to comprehensively ascertain the impacts of these transfers. Theoretically, the research will draw on critical political economy perspectives that highlight the importance of the IFIs in the governance and representation of global poverty (Cox 2002; Robinson 2004). The research will attempt to make a theoretical contribution to this field, by conceptualizing the IFIs as transnational governance institutions (TGIs) that, through recent institutional transformations, including the subsequent focus on poverty reduction and the promotion of inclusive-neoliberal development policies, are attempting to re-establish their legitimacy in the international political arena (Craig and Porter 2003; Best 2007).

In my doctoral thesis, 'Transnational Governance through Inclusive Neoliberalism: The Poverty Reduction Strategies of Nicaragua and Honduras', I analyzed the role of civil society in the elaboration of the PRSPs of both countries, and evaluated the extent to which the macroeconomic framework of these PRSPs differs from previous structural adjustment policies. The current project will expand this analysis by evaluating in more detail the social impacts of PRSPs on the poor. Since I conducted extensive field research for my thesis, I have already established many contacts with scholars and non-governmental organizations in the region. In addition, I speak Spanish, which will allow me to interview key policy-makers and stakeholders in Nicaragua and Honduras.

As a result of the project, I intend to publish two articles in high-caliber scholarly journals, such as *Third World Quarterly* and *Latin American Research Review*, and an edited volume on 'A Decade of Poverty Reduction Strategies'. The edited collection will take stock of the PRSP process a decade into its implementation, and will bring together leading scholars in the field to interrogate the PRSP approach and evaluate its impacts. I have already contacted potential contributors and am currently discussing the volume with a potential co-editor, Professor Manfred Bienefeld at Carleton University. The first journal article will communicate my findings on the impacts of poverty reduction strategies in Nicaragua and Honduras, while the second journal article will address the question of how PRSPs could be made more effective. The research findings of the second article will be of particular concern to policy-makers in bilateral and multilateral donor agencies, including the Canadian International Development Agency (CIDA), which has recently participated in important international discussions on how to improve the PRSP process and address obstacles to aid effectiveness and poverty reduction through the implementation of second-generation PRSPs.

The University of Ottawa offers an excellent institutional environment to pursue this research project as the research of numerous tenured professors revolves around closely related issues. I will have the opportunity to collaborate with Jacqueline Best, and outstanding scholar in the field of international political economy who has published a number of journal articles on the role of the IFIs in global financial governance. As Professor Best is well-acquainted with recent transformations in development policy at the World Bank, she will be an ideal supervisor for my post-doctoral research. I have also approached Professor Marie-Josée Massicotte who has an on-going research interest in the role of the World Bank and poverty policy in Latin America, and she has agreed to meet regularly with me to discuss my research. Moreover, being located in Ottawa will allow me to closely collaborate with CIDA and to share my knowledge with key Canadian development policy-makers.

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