

ICA Asia Pacific Conference on Poverty Alleviation Through Cooperatives: Hanoi, Vietnam: 22-24 March 2006

Preface:

The formulation and implementation of Poverty Reduction Strategy Paper (PRSP) is among the enabling strategies for the achievement of the millennium development goals.

The definition of poverty has been adopted as under by the UN:

- a) **Lack of assets and opportunities** - whether households or individuals have enough resources or abilities / opportunities to meet their needs, making those who have income of USD 1 per day or less fall within the global poverty threshold;
- b) **Lack of security and protection** – deprivation of basic needs other than food such as clean water, basic education, decent shelter, sufficient clothing and proper sanitation;
- c) **Lack of rights** – denial of such rights as economic, social, cultural, civil and political rights prevents people from fully participating in civil society.

The ICA Regional Office for Asia and the Pacific (ICA ROAP), one of the development partners of COOPs in the region, has agreed to take a leading role in organizing the Conference on Role of Co-operatives in Poverty Alleviation.

Objectives:

The theme of the conference was to sensitize the representatives of the government and national cooperative organizations about the advantage of cooperatives in poverty alleviation and discuss the role of cooperatives in the process of poverty alleviation through relevant subject specific deliberations.

The deliberations were focused on the subjects of regional and national importance on poverty reduction through cooperatives.

The workshop generated ideas on how cooperatives could play a greater role in the broad fight against poverty which could lead to national action plans to be implemented by the national cooperative movements in partnership with governments and other development partners.

Process:

ICA statement on Co-operative identity and ILO Recommendation 193, formed the basis for an irreversible poverty reduction process.

Deliberations on Poverty Reduction Strategy were governed by three indivisible objectives:

1. Capacity building of vulnerable community on drafting and implementing PRSP
2. Capacity building of development partners and governments on local issues and problems and

3. Sensitization of vulnerable community on the rights at work and social protection mechanisms.

Capacity building in the above context was perceived as sharing of required knowledge and appropriate practices through sharpening the skills of target group to optimally absorb the knowledge and then identifying resources to start the operations.

Participation and inclusion of the poor in self help mode has been central to any approach to poverty reduction. Cooperatives are an ideal instrument in such a strategy and the thrift & credit is precursor to building a cooperative action. Cooperatives have proved to be the key organizational form in building new models to combat social exclusion and poverty and micro finance has been used as the tool for self help operations.

Suggestive Approach for the Co-ops:

The Co-operative Strategy on Poverty Reduction must concentrate on the following:

- a) explore 'correct' proven way to kick-start the process – micro credit & micro finance interventions could be the most effective tools – incorporate successful thrift & credit SHGs and co-operatives in your country to make the strategy more convincing and logical.
- b) Identification of 'like-minded secondary stake holders' and establishing alliances with the PRSP authorities – enlist the civil society organisations and the non-governmental organisations particularly in rural development and natural resource management sectors for building alliances with cooperatives.
- c) mobilize cooperative members through focussed awareness raising campaign on poverty reduction tools and required capacity building activities – identify resource agencies and attach their track record in the poverty reduction area.
- d) enhanced policy advocacy to leverage state support to fasten the process of community action and the networking process for systemic growth – suggest ways and means to do policy advocacy and collate information on the country strategy to alleviate poverty.
- e) empowerment of the vulnerable through information sharing on rights at work, employment obligations, social protection and social dialogue – refer to specific labour laws of the country and social protection mechanism put in place for the vulnerable target groups by the government .
- f) Development of consolidation strategy through sustainable paradigm – in the context of above, prepare a flow chart of different interventions to address poverty reduction process and institutional mechanism to sustain the interventions.
- g) gap analysis to identify the bottle-necks and critical parameters – prepare risk and vulnerability analysis for an assured sustainability of the PRSP.
- h) documentation of good practices and experiences to prepare rout map for Poverty Free Society – support the PRSP with successful models experimented in the country and

- h) Complementarities of cooperative action and other poverty reduction efforts in obtaining optimal mix of policy choices and actions for the discussions in the conference.

The bottom line however remains - that cooperative members are in the best position to assess their roles and extent of contribution in poverty reduction efforts and whether that potential can be realized depends on whether cooperatives can optimally 'position' themselves in the PRSP process at the most effective 'timing'.

Context:

Poverty Reduction Strategy Papers (PRSP)

Poverty Reduction Strategy Papers (PRSPs) are prepared by governments in low-income countries through a participatory process involving domestic stakeholders and external development partners, including the IMF and the World Bank. A PRSP describes the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing.

Purpose of Poverty Reduction Strategy Papers (PRSPs)

The world economy has grown steadily in recent decades, bringing widespread prosperity and lifting many millions out of poverty, especially in Asia. Nevertheless, in the next 25 years, the world's population is projected to grow by about 2 billion people, most of whom will be born in developing and emerging market economies. Without concerted efforts by countries to help themselves through sound policies and by the development community to increase its support of countries' own efforts, many of these peoples will be doomed to poverty.

The PRSP approach, initiated by the IMF and the World Bank in 1999, results in a comprehensive country-based strategy for poverty reduction. It aims to provide the crucial link between national public actions, donor support, and the development outcomes needed to meet the United Nations' [Millennium Development Goals \(MDGs\)](#), which are centered on halving poverty between 1990 and 2015.

PRSPs provide the operational basis for Fund and Bank concessional lending and for debt relief under the [Heavily Indebted Poor Countries \(HIPC\) Initiative](#). They are made available on the [IMF](#) and [World Bank](#) websites by agreement with the member country.

Core principles of the PRSP approach

Five core principles underlie the PRSP approach. Poverty reduction strategies should be:

- **country-driven**, promoting national ownership of strategies through broad-based participation of civil society;
- **result-oriented** and focused on outcomes that will benefit the poor;
- **comprehensive** in recognizing the multidimensional nature of poverty;
- **partnership-oriented**, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and

- based on a **long-term perspective** for poverty reduction.

Experience to date with PRSPs

The PRSP approach is by now well established in a substantial number of countries and has been associated with major advances in country ownership, making poverty reduction more prominent in policy debates, and facilitating more open dialogue.

As of end-August 2005, 49 full PRSPs have been circulated to the Fund Executive Board, and an additional 11 countries have completed preliminary, or “interim”, PRSPs. The focus in these countries is now on moving ahead to effectively implement the strategies.

The PRSP approach is continually being refined, including through regular [reviews](#) of progress in implementation and more in-depth assessments. The last report on progress in implementation was completed in September 2004. The second in-depth assessment was completed by the IMF and World Bank Boards in September 2005.

Key messages from previous reviews include:

the importance of country ownership;

realism, flexibility, better prioritization in setting goals and targets;

more open discussion of alternative policy choices.

The need for donors to enhance the overall effectiveness of aid by better aligning their support around the priorities articulated in the PRSP, and by harmonizing and simplifying their policies and practices, was also highlighted.

The latest in-depth assessment draws lessons regarding the PRS as a model for more effective development cooperation, and identifies best practices and actions that could be taken to strengthen it. It finds progress in making the PRS approach into an operational framework for scaling up efforts to reach the MDGs.

As a result of previous reviews and evaluations, the PRSP approach has been amended to allow countries greater flexibility to articulate and implement their strategies, and reduce the perception that the process is driven by the requirements of the IMF and the World Bank.

2005 PRS Review:

The 2005 PRS Review encourages continued support for a country-based development model, recognizing that this requires medium- to long-term commitment to institutional changes and capacity building--including efforts to strengthen governance and accountability.

This year marks the fifth anniversary of the PRSP initiative. In light of five years experience in helping to implement the approach, World Bank and IMF staff plan to use the 2005 review to undertake an in-depth assessment of progress, challenges, and good

practice related to several key issues. In particular, the review will draw lessons for future policy, with a view to enhancing the PRSP's effectiveness as a vehicle for attaining the MDGs.

The 2005 PRS review themes were:

1. Strengthening the medium-term orientation of the PRS approach;
2. Utilizing the PRS as a mutual accountability framework between countries and donors;
3. Broadening and deepening meaningful participation;
4. Tailoring the approach to conflict-affected and fragile states.

Within these themes, the review will incorporate analysis from various sources in reporting on overall progress and trends; improvements over past practices; objectives moving forward and benchmarks for assessing progress; good practice; key challenges; and recommendations.

The 2005 review will include the views of staffs and other stakeholders, including country officials, donors, civil society organizations, and other partners. It will draw on studies, reviews and analyses undertaken or planned by external partners.

PRSP Trust Fund

Background

In 2001, a new multi-donor trust fund was set up to support capacity building in low income countries that are undertaking poverty reduction strategies. The fund is intended to strengthen the preparation and implementation of national poverty reduction strategy papers (PRSPs), and in particular to focus on activities that are:

- Critical to the successful development and implementation of the PRSP;
- Build sustainable country capacity;
- And have the support of domestic stakeholders and external partners.

Each Poverty Reduction Strategy Trust Fund (PRSTF) grant is managed in-country by the World Bank, the United Nations, and the contributing donors. The fund is currently supported by a contributions from Japan, the Netherlands and Switzerland which is to be allocated over a four year period (October 2001- December 2005). Additional contributions are anticipated from other donors and the fund is expected to endure beyond this initial four year timeframe.

Eligible Applicants

The PRSTF is available to support activities in all [IDA-eligible countries](#) (including blends) which are at some stage of preparing or implementing a PRSP.

All stakeholders involved in the poverty reduction strategy process are entitled to apply to the trust fund. For example, applicants could be:

- Government agencies including local governments;
- Parliamentarians;

- Civil society organizations;
- Educational and research institutions;
- Private sector bodies.

Eligible Activities

The PRSTF will, in principle, support any activity that is a country priority for strengthening the formulation or implementation of poverty reduction strategies. Activities that could be supported include capacity building to:

- Set up or institutionalize the participatory process;
- Improve poverty diagnostics;
- Improve public expenditure management systems;
- Improve the prioritization of public actions;
- Cost policies and programs;
- Undertake Poverty and Social Impact Analysis (PSIA);
- Analyze sources of growth;
- Establish monitoring and evaluation systems for the PRSP;
- Translate and disseminate PRSP documents.

This is not an exhaustive list and countries are encouraged to come forward with other activities that support the formulation or implementation of PRSPs.

Funds from the PRSTF can be used to support the hiring of consultants (both national and international), training of national staff, secondments to institutions with expertise in poverty reduction, and South-to-South missions.

Implementation

Successful applicants may appoint another agency to carry out the activities for which funding is sought such as an NGO or a specialized institute provided that such agencies follow the Bank's procurement and financial management policies and procedures in implementing the grant. The World Bank is not be eligible to act as executors of any grant funded under the PRSTF.

For internal control purposes, all implementing agencies must either have prior experience in managing World Bank projects, or will require an assessment of their financial management systems by the World Bank (step 3).

Available Financing

The PRSTF allows for each country to apply for up to US\$500,000 over a two year period. Grants of US\$500,000 or over will require approval from the contributing donors' headquarters. This will be solicited by the World Bank at the clearance stage of the application process (step 4).

Timing for Proposals

Applicants may come forward with proposals at a time best suited to their country's PRS timetable.

Reporting

The recipients must submit periodic reports to the World Bank Task Manager who maintains oversight of the grant. The Task Manager will then submit an annual report to the contributing donors.

Governance

An Advisory Board will meet twice a year to maintain strategic oversight over the PRSTF. It will comprise representatives from the World Bank, IMF, UN Development Group, and the contributing donors to the trust fund. It will review the operation of the fund, and revise procedures as necessary.

The Multilateral Debt Relief Initiative

(Formerly referred to as the G8 Proposal for Debt Relief)

The World Bank's concessional lending arm, the International Development Association (IDA), expects to begin writing off debt owed by the world's poorest countries in July this year, the start of its new financial year.

The debt relief plan – now known as the Multilateral Debt Relief Initiative – is currently estimated to be worth US\$37 billion over 40 years.

The Group of Eight nation leaders backed cancellation of debt owed by eligible countries at their summit in Gleneagles, Scotland, last year. The plan was subsequently endorsed by the Development Committee of the World Bank and the International Monetary Fund at their annual meetings in September.

Since then, donors and other members of the [International Development Association](#) (IDA) have made substantial progress on details of implementing the plan for IDA. The IDA Deputies, representing IDA's 39 donor governments and selected borrower representatives met in mid December to discuss a financing package.

While the total volume of donor financing is currently estimated to be US\$37 billion, over 40 years, the figure could rise if more IDA countries qualify in the future for debt cancellation under the Multilateral Debt Relief Initiative.

As part of the plan, donors have agreed unanimously to protect IDA's financial capability. It's a move which recognizes that without financial compensation by donors, IDA's ability to assist poor countries in the future would be significantly impaired and could undermine the intended benefits for borrowers.

Donors have therefore agreed to provide the needed financing over time to IDA, as well as maintain their regular financial support for the association.

By February 2006, it's expected the IDA Board of Executive Directors will review the donor financing package and decide on IDA's participation in the MDRI. The IDA Board of Governors is then expected to review and decide on the final donor financing package for the debt relief plan.

Resume of the Conference:

The theme of the conference was to sensitize the representatives of the 14 governments and national cooperative organizations about the advantage of cooperatives in poverty alleviation and discuss the role of cooperatives in the process of poverty alleviation under the PRSPs of identified countries.

The deliberations remained focussed on the subjects of regional and national importance on poverty reduction through cooperatives.

The conference also generated the ideas on how cooperatives could play a greater role in the broad fight against poverty which could lead to national action plans under PRSPs and could be implemented by the national cooperative movements in partnership with governments and other development partners.

The conference took note of the United Nations Millennium Summit in 2000, when world leaders agreed upon a set of Millennium Development Goals (MDGs) that aimed to make substantial progress in solving the problems of poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women.

The formulation and implementation of poverty reduction strategies through cooperatives under PRSP was finally adopted as the enabling strategies for the achievement of the millennium development goals

Process followed:

ICA statement on Co-operative identity and ILO Recommendation 193, formed the basis for an irreversible poverty reduction process under the PRSPs governed by three indivisible objectives:

1. Capacity building of vulnerable community on drafting and implementing the strategies
2. Capacity building of development partners and governments on local issues and problems and
3. Sensitization of vulnerable community on the rights at work and social protection mechanisms.

Capacity building in the above context was perceived as sharing of required knowledge and appropriate practices through sharpening the skills of target group to optimally absorb the knowledge and then identifying resources to start the operations.

The cooperative ideology under the poverty reduction strategy was proposed as under:

- a) explore 'correct' proven way to kick-start the process – micro credit & micro finance interventions could be the most effective

- b) Identification of ‘like-minded secondary stake holders’ and establishing alliances with the PRSP authorities –including the civil society organisations and the non-governmental organisations particularly in rural development and natural resource management sectors for building alliances with cooperatives.
- c) mobilize cooperative members through focussed awareness raising campaign on poverty reduction tools.
- d) enhanced policy advocacy to leverage state support to fasten the process of community action and the networking process for systemic growth.
- e) empowerment of the vulnerable through information sharing on rights at work, employment obligations, social protection and social dialogue.
- f) Development of consolidation strategy through sustainable institutional mechanism to sustain the interventions.
- g) Gap analysis to identify the bottle-necks and critical parameters .
- h) documentation of good practices and experiences to prepare road map for future action – with successful models experimented in the country and
- h) Complementarities of cooperative action and other poverty reduction efforts in obtaining optimal mix of policy choices and actions for the discussions in the conference.

Out of following 11 PRSP Countries in the Region namely Nepal, Pakistan, Sri Lanka, Bangladesh, Indonesia, Cambodia, Laos, Vietnam, Thailand, Mongolia and Timor Leste the proposed role of cooperatives under the PRSPs of Bangladesh, Cambodia, Indonesia, Nepal, Pakistan and Vietnam was presented by country representatives.

Lacunae:

The presentations were devoid of following lacunae:

- Setting the focus on the feasible options to deal with poverty reduction through cooperatives – Feasibility Analysis Lacking
- Best Practices followed in the country specific situation not linked with the lessons learned
- Role clarity between Government & Co-operative Movement not defined
- Resources for the cooperatives from Government & international donors / stakeholders to deal with problems of poverty not identified
- Road map to reach poverty free cooperatives as demonstrative tool to garner policy support of Governments and International Stakeholders.

ICA AP proposed its role as under:

- Establish contacts with International Donors and Funding Agencies like World Bank, IDA, EU, CIDA, SIDA, DFID,GTZ, DID, AUSAID, USAID and International NGOs of Repute.
- Disseminate the priorities and contact particulars of prospective donors.

- Provide technical assistance in drafting the proposals on PR through Coops
- Provide platform for interface with potential donors and
- Conduct review workshops at country level to finalise the draft proposals for the donors either through the Government or through NGOs and ICA.

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