

Department of Development and International Relations
Institute for History, International Studies and Society
Aalborg University, Denmark.

Gilbert EKANE MESUE

Study No. 20000828

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**AID, PRIVATE SECTOR DEVELOPMENT AND THE
POVERTY CHALLENGE: Rethinking Theory and Concept
– a case based on the Cameroon PRSP**

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Supervisor: Gorm Winther

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Name (Not needed in connection with 48-hour examination):	Gilbert EKANE MESUE
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To my children

That they may grow up to understand that

“The best kind of help to others, whenever possible, is indirect, and consists in such modifications of the conditions of life, of the general level of subsistence, as enables them independently to help themselves.”

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Aalborg, 30th June 2008.

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ABSTRACT

“Aid, Private Sector Development and the Poverty Challenge” digs into and unveils, how and with what results ideology and strategy of foreign Aid could be seen as barriers to PSD and consequently a challenge to poverty. It is a rethinking of theory and concept that underlie Aid within PSD and Poverty from the perspective of the PRSP. The unbridled argumentation pursued oscillates around three research itineraries: (1). It critically assesses the reality and coherence of the content of Aid to PSD and presents the impact of that realignment on poverty - the way in which the constitutive elements of knowledge-based Aid towards PSD is helping to address the scourge of poverty; (2). Attempts are made to clarify and integrate some of the ways in which scholars on and conceptual positions of aid agencies have conceived of international interventions and agency within PSD. This is based on the neoliberal perspective, within the wider IPE, discourses and the theory of autonomy - respecting help; (3). The presentations of the conceptual understanding of poverty and PSD and how it relates to a sample case of knowledge - based Aid. The case study is about the Cameroon PRSP for 2003. Cameroon has been and remains a poor country, but at the crossroads of harnessing its enormous potentials. Inside this thesis, G. Ekane Mesue, argues that the pursuit of the PRSP 2003 without elaborate modifications would make the fight to overcome poverty a Herculean one. These modifications should be sooner than later. The asymmetries within the global political economy are not particularly helpful and to this is added an erosion of morals. Local entrepreneurial spirit could better the results but there is need of a better client-donor dialogue. The project is not a definitive word on a scary anomaly. It is hoped that field research (participant observer, questionnaires and interviews) will go further to be truth - finding consistent. Any one who stumbles on this thesis should, if possible, help in taking up this challenge, remembering that poverty is the heart and soul of Development and International Relations.

1.0. INTRODUCTION

“Aid, Private Sector Development and the Poverty challenge”, a topic framed for the master thesis, is the result of my long and ongoing imaginative sweep and connection with academic and active lives pursued as a student and as an actor in the private sector. This reflection and connection climaxed upon my enrolment for the master degree in Development and International Relations. My curiosity is driven by the interest to see how the challenge of poverty could be tackled through private sector-focussed development and how the global development compass of Aid is framed to cater for this development rubric in partnership with the state.

At one stage, the question of the gaps, contradictions and paradoxes that Aid to Private Sector Development (PSD) as a development tool, has spawned comes to mind. Then at a purely theoretical or academic level, is located the inherent problems in defining and conceptualising what PSD entails. Against these points of departure, the research looked for a suitable converging theme whose treatment could span those corners, while at the same time being centred on the debates within intellectual and theoretical persuasions, practice of donors and the circumstances that are created within the developing world it settled at the challenge of poverty. Accordingly, this is no coincidence. Through out effort has been made to stay within the academic rigours of the degree that stresses the link between Development and International Relations.

Poverty is picturesque an economic, social and political theme that has been focussed and debated in development theory and practice for several decades. This work will like to look at these theoretical presuppositions around the PSD tool and how it addresses poverty. Also, the thesis will try to present and re-electrify a baseline of thought

nourished within an analytic framework. This framework is that which encapsulates the political and international dimensions of the barriers to and implications of Private Sector Development with the challenge of poverty, and at the same time not leaving out the economic aspects. This is the International Political Economy (IPE) analytical framework.

Only few friends of International Relations and Development will want to refute the treatment of Aid, private sector development and poverty challenge along approaches that stress the link between the economic and the political and between the domestic and the international. This link is a significant contribution that Development Studies has brought to International Relations. Like Anna Dickson tenders, "IPE examines the link between the economic and the political, as well as the national and the international...the most fruitful link" (Dickson, Anna, 1997: 19). In the sections of this introduction that follow, this thesis brings its contribution to these discussions in a problem formulation. Later it delves into the scope and objectives of the study.

1.1 Problem area

Development as it stands, albeit PSD cannot be seen as a localised or nationally focussed problem. It commits the whole of humanity and is thus deserving of a holistic approach in its understanding. Theorists who have vehemently posit that only the state should directly be involved with PSD have had fierce replies in the intellectual debates from those that contend that development should be solely driven by the free market, to the complete exclusion of the state. Between these two extremes has been yet another group of theoreticians that have argued for a shared role in differing mixes at the same time. Concomitantly, it has become understood that economic cooperation is today seen as an integral part of International Relations against any counter posing that only political issues where involved. Similarly, in Aid theory, proponents against Aid to PSD

have met with the terrain where their arguments are seen to be rather too convoluted and inaccessible by the voices that have argued for the relevance of Aid as essential in PSD.

Increasingly, many Aid agencies are taking a look at PSD as a sector that needs to be strengthened to meet up with the systemic challenge of addressing poverty and attaining better quality of life and freedom for people in all parts of the world¹. While putting his voice on the role that the private sector can play in Africa's future development and growth, the former World Bank president, Paul Wolfowitz, reasoned:

“The record of the last 50 years could not be clearer, that the countries that have developed successfully have developed strong private sectors.... Governments and donors need to increase their efforts to include the business community in the policy-making decisions”².

Practically has it been as easy as said? Is it not common knowledge that the policies of aid agencies are framed from some theoretical positions held and defended and which have not often had positive impact to PSD and the fight against poverty? Indubitably, effective legal and regulatory frameworks, support for the small and medium-sized enterprises, investments in core infrastructure, and export led growth and freer markets and trade are among the foundations of PSD cherished by bilateral and multilateral Aid. These are the areas that donors have tried to support in PSD. The argument of this thesis is also to illustrate whether or not donor validation of support for PSD is not rooted on mainstream neoclassical economic and neo-liberal ideologies. Whether these models are sense or fallacy is too hasty a submission to make at this stage.

¹ CIDA, AusAid, USAID, UNDP, among others are some of the many examples

² Excerpts made from his remarks at the dinner of the US-African business summit in Baltimore, Thursday June 3rd, 2005.

Furthermore, can it not be discerned that Aid agencies package disguises a predisposition by powerful states and multilateral donors to manipulate the political state of affairs in developing countries through democratisation and good governance for their economic and political ends? The thesis analyses this development conundrum within the sample case of Aid, PSD and poverty with a sample case drawn from Sub-Saharan Africa.

This thesis, then, proceeds on a triangular level. On one hand, it is a critical assessment into the reality and coherence of the content of Aid to PSD yesterday and today and how it is transforming the sector so as to take up the challenge of poverty. In other words, it seeks to review how the constitutive elements of knowledge-based foreign Aid towards PSD is helping to address the scourge of poverty or the things by which it can be identified; such as: unemployment, inflation, trade deficits and balance of payment problems, regional inequality, the investment climate, redistribution, pro-poor growth and absolute poverty.

On second level, this thesis is theoretical and ideological; it attempts to clarify and integrate some of the ways in which scholars on and conceptual positions of aid agencies have conceived of international interventions and agency within PSD. This is based on the neoliberal perspective, within the wider IPE, discourses and the theory of autonomy-respecting help.

Lastly, and on the third level, the thesis presents a conceptual understanding and assessment of poverty and Private Sector Development and relates this discussion to how it will be assessed in a sample case of knowledge-based Aid.

This triangular intellectual itinerary is premised on the assumption that discussions of contemporary development and theoretical questions should be pursued together and throughout the discussion that follows, attempts will be made to understand their implications for the poverty challenge.

Another provocative thrust of the thesis to analyse the triangular issues with particular reference to an example taken from sub-Saharan Africa within the developing world. The selection has been necessitated by the consideration that a specific country case-study will be a pertinent template to appraise donor policy on technical aid, than to do a wide but thinly focussed comparative studies, that previous research had endeavoured to do³.

From the presentations that appear above, it is now safe to formulate the central problem question that this thesis tries to answer: How and with what results could ideology and strategy of foreign Aid be seen as barriers to PSD and hence a challenge to poverty? The implications contained in this main problem question trigger a subsidiary question: How could local entrepreneurial spirit better the results and on what donor-client platform?

In order find answers to the above questions, the Cameroon Poverty Reduction Strategy Paper (PRSP) for 2003 will be examined. The Cameroon poverty paper is the choice of the inquiry because of three main reasons: Firstly, there is the involvement of a development agency (the World Bank) in its making; Secondly, and according to a former prime minister of Cameroon, Peter Mafany Musonge:

“ The PRSP has squarely placed poverty reduction at the center of Government’s development policy...it will serve as the reference for all government actions and for coordinating donors’ assistance... guide...efforts to achieve higher

³ Note especially James Fox of USAID, Catholic Relief Service and Brot fuer die Welt.

economic growth and a more equitable distribution of its fruits, including to the most vulnerable ...”⁴.

So this investigation is drawn to see how this political or policy view unfolds; and thirdly because the author of this research is from Cameroon and it is natural that he will be concerned about his peoples’ development.

The answers that will be identified will help to shed light upon the constraints of PSD in relationship with foreign Aid, and show a way forward how private sectors could more directly take up the challenge of poverty. It will also be a measure of the effectiveness and coherence of foreign aid in PSD to take up the challenge of poverty. The answers will, no doubt, form important guidelines that can be used to translate the country and region’s potential to a veritable success in the field of donor-recipient PSD relationship. In the section that follows below, an attempt is made to explain the scope and the objectives.

1.2. Objectives and scope of the study

The Post-war development record is both ambiguous and paradoxical in demonstrating that PSD can be crucial for growth and overcoming poverty. This is based on the argument that the period has seen not only the most rapid and sustained growth ever achieved in the market economies of East Asia, but has also coincided with the collapse of the former Soviet Union and other states which have insisted on maintaining government-dominated economies. This conversely means that the epicenter of the theoretical argument oscillates between whether or not PSD should be led by the intervention of the state, by the play of free market forces by respecting the autonomy of the Doers.

A pertinent point of departure then is to look at the nature of the discourses that have shaped development cooperation and the ideational

⁴ Peter M. Musonge, in his statements in the Forward to the PRSP, April 2003, Yaoundé,

mobility within the social sciences and then how they in turn affect the underlying ideology behind PSD.

In East Asia, for example, the core explanations to the expansion and development of the private sector cannot just be laissez-faire alone. Liberalisation has been accompanied by direct government control through protectionism. Therefore the picture has not been as simple as some commentators would want us to believe. That argument can only be carried too far with caution. This rekindles the question posed by Manfred Bienefeld: *Is Protectionism a Universal Bad?* (1992: 431) and taken up by Ha-Joon Chang: *What is wrong with the official history of Capitalism?* (2004: 279). Economists need to step back and take a look at the real world. When one looks at complex policy linkages over time, it could be that market liberalisation is necessarily not beneficial and state intervention is necessarily not detrimental. It depends on the pattern that interventionism or international liberalization takes, and whether these “helpers” actually come close to respecting the autonomy of the “doers”, so that the worth, inventiveness, ingenuity and entrepreneurship of the Doers is allowed to blossom without infiltration; including their environment. The scope of this thesis intrigues such anomalies.

It can be said that contemporary development thinking foresees a minimal role for the State in all but the creation of a favourable physical, social and legal environment within which market forces can develop and operate effectively (Lowe M., 1996). Such commentators fail to explain the types of markets that are meant and why only those stereotypical markets are implied and why the combination of those factors must make the markets to develop and effectively operate.

And should the role of the state, that attempts to offset the jagged edges of the market, be taken for granted? This is not a YES or NO question.

What is important here is how – by using what “Doer”-centered approaches. In the light of the global downsizing of government that accompanies Aid packages, the expectation is that Aid could come at the service of PSD through free trade and free markets and good governance and democratic principles. The case of the collapse of the former Soviet Union should be understood with care. Though it can be argued that the economies were centrally planned, satellites like Hungary and Yugoslavia with market socialism seemed occasionally to have fared relatively well. Moreover, central command type economies like the then German Democratic Republic could, at one time, create an industrial output comparable to the size of that of the UK.

From what obtains in these examples, is the scenario one that can be sorted out by economic mathematics and assumptions? The economic liberalisation in China, for example, might have delivered significant economic results, but has not combated inequality and stamp out poverty; and it could be argued that it is quite remote for markets to resolve this dilemma. The responsibility returns to the state. And on the brainstorming table of the state lie a number of options and policies surrounding tariffs, taxes for subsidies and other commitments. Again, even though there might have benefits in purely economic terms arising from the flow of FDI and outsourcing, research on globalisation has demonstrated that it came with damaging social results on ecology, inequality and personal dignity⁵.

It is believed that the key economic advantage of PSD is the ability of households and businesses to create and respond quickly and flexibly to commercial opportunities. For the government, a bustling private sector is a sure base of taxation revenue. For both, it is a route to democratisation and political freedoms.

⁵ See Stiglitz, Mittelman and Hettne referenced.

Another thrust of the research is assessing if foreign aid has had an impact on this logic. The project attempts to see how, the extent, and with what consequences had been the impact. The very clear conviction within Aid agencies is that Aid policies can serve to curb the barriers to PSD as a development tool. This then is the donor logic with knowledge-based development assistance, which this project sets out to assess in connection to its relevance to poverty.

This thesis argues that, no matter how lofty the policy papers of Aid agencies seem to state, it is nevertheless important to assess if they are not clouded in some ideology and if as a consequence Aid policy is not, in itself, one of the major barriers to PSD.

It is instructive to also take a brief look at poverty too. The challenge of poverty continues to occupy a central place in international development and in the policies of a vast number of governments of the both the North and the South. In the Millennium Declaration, listing the main development challenges for the third millennium, the problem of poverty is considered as one that:

“...commits the international community to an expanded vision of development, one that vigorously promotes human development, and recognizes the importance of creating global partnership for development”⁶ (UN, MDG: 2000).

The objective is also to see if effective sincere partnerships are promoted. Admittedly, there is an ever-growing research interest on poverty and its related topics. Poverty is arguably the heart of development problems for the fact that its complexities and ramifications embrace health, peace and security issues among others, and all what ensues from those epicentres within a locale, whole country, region or the entire world.

⁶ UN Millenium Declaration, 2000.

How can PSD as a development tool serve to take up the fight of poverty with the support of Aid? This question underscores the extent to which poverty is implied in the thesis.

Nobel prize-winning laureate Amartya Sen contends that there is not so much need for "...elaborate criteria, cunning measurement, or probing analysis to recognise raw poverty and to understand its antecedents (Sen, 1981)." However, not everything about poverty is so simple and obvious. That notwithstanding it is natural to be impatient with complicated and weird studies on poverty. Just like the neoliberal argument of economic development is too deterministic and quantifiable, so too is poverty analysis pursued by economists been rather glossy and ambiguous. Approaches in the study of poverty are mostly different, and some technical aspects usually require clarification within every approach considered.

Furthermore – and importantly – the cause of poverty raises conceptual and methodological questions far too easy to sort. Like Sen contended again: "while the 'immediate' antecedents of poverty may be too obvious to need much analysis, and the 'ultimate' causation too vague and open-ended a question to be settled fully, there are various intermediate levels of useful answers that are worth exploring"⁷. However the measurement of raw poverty escapes the confines of this thesis. Rather, its destination is on an intermediate level. It recognises that the challenge of poverty is posed and questions how it has been addressed in a specific scenario of partnerships between donors and over the specific issue area of PSD within the development theme of poverty.

⁷ Sen Amartya is a Nobel Laureate for Economics and a professor of Philosophy and Economics.

If we establish a link between sustainable PSD and poverty challenge, it could be argued that essentially the policies that have been embarked upon by International Aid in this area must receive critical review.

PSD as a development tool for taking up the challenge of poverty opens up the question of the content of Aid packages.

Just like discrepancies have interlocked ideology and typology of agents in Aid to PSD, so has the content of Aid packages been embroiled in paradoxes. A number of donors maintained a policy of PSD that placed emphasis only on enterprises environment⁸. What amounts to enterprise environment has differed from one donor to another depending on the ultimate objective in pursuit. Their argument is that companies must manage through the use of their own means. Direct aid to existing firms is considered to be anti-competitive and an encroachment into the market mechanisms presumed laudable free mode of operation (Martinussen and Pedersen 2003, P: 33). Another group places emphasis on the micro-business environment (similar to the Making Markets Work for the Poor – MMWP) approaches⁹. This thesis is not framed as an empirical quantitative evaluation of the content and distribution of foreign aid to PSD all over the globe. It is, rather, on an examination of the theoretical presuppositions and logical coherence behind the contents of the ostensibly new approach to development cooperation: PSD cooperation in the fight against poverty within a specific case study.

The scope of this thesis draws also from the conflicting debate on the actors, albeit agents that shapes Aid and PSD and observes that it is arguably complicated. Like it was submitted earlier in this introduction but on an ideological level (about whether state centric development should

⁸ Examples of such donors are: the World Bank, CIDA, IMF, NORAD, OECD, AusAid, etc.

⁹ Examples include: SIDA, DANIDA, DFID, etc.

be pursued or free markets should set the motion for PSD), on one hand, many economists argue that foreign aid has an essential role to play in the promotion of economic development of developing countries but must be led by international private finance and trans national companies. Here again, there are still nascent contradictions.

The problem has often been whether or not those trans-national companies are not an expression of ideology of their source countries and whether or not they transform developing societies better than before. Otherwise put, there is often a loss as to whether the market is able to respond to the plight of the poor at the fringes of the developing societies.

On the other hand, not only have many scholars and authorities within aid agencies and without argued for and against the relevance of multilateral and bilateral “official” agents in poverty eradication but many have also expressed their aversion to these agents in the specific case of PSD and others sectors. Finally, the debates as to agency have also revolved around the state being the supposed domestic actor to supplement the activities in PSD, to the exclusion of multilateral and bilateral finance as well as international private finance and transnational firms.

Having presented the scope and objectives of the project, the next issue is to dig into the methodology. The methodology will present, *inter alia*, the structure and the argumentation about the methods used. This is the preoccupation of the next chapter.

2.0. METHODOLOGY

The methodology divides into two separate parts: 1). method of work and argumentation and the review of the main literature, and 2). the layout delimitation and structure of the thesis, but begins with the second part.

2.1. Structure, Layout and Delimitation of the thesis

The project is split up into six main parts or chapters in this order: introduction, methodology, conceptual framework, theoretical framework, case-study, and the conclusion and references. The first chapter presents abstractly, the motivation for writing this thesis and delves into the problem area and the specific problem questions. My main curiosity and intellectual worry is brought out in this chapter, as well as the anomalies and paradoxes that the question of Aid, PSD and the poverty challenge triggers. Here also in chapter one, there is a preliminary spelling out of what the case-study should be and the argumentation for the selection of the case study. The objectives and scope of the research concludes chapter one. This last section is a furtherance of the horizon of the academic challenge posed and ultimate objectives in pursuit.

The second chapter is about the methodology. It sets the scientific ordering of the project as it progresses from the introduction to the conclusion and the table of references. In other words, within the methodology, effort is made to present the structure of the thesis, to explain its layout and to describe its delimitation. Also and importantly, a critique of the methods used is presented and the method of work itself is discussed in line with the argumentation and review of the main literature that helped in the realisation of the project.

Chapter three is based on the conceptual framework. Here the understanding of poverty is offered as is the concept of PSD. Poverty is presented not in terms of the predominant causality and quantity analysis

but in terms of an intermediate level where recognition is made about the problem posed by poverty as a millennium development goal and how it is defined and understood to include inequality and exclusion. The particular case of pro-poor growth has been explained. PSD has been presented as a concept or strategy with discrepancies, following the way that development cooperation has projected the concept, and as a means to curb poverty. The understanding has been given so that it serves as the basis through which an assessment of the one of the aspects of the PRSP will be carried out. Here differences are made between the private sector and PSD from the public sector and privatisation.

Chapter four is centred on the theoretical framework. The place of discourse in Development and International Relations studies is brought out. A number of discursive shifts from Development itself as a discourse, to Eurocentrism, Modernism, Ethnocentrism, Imperialism and the discourses on Scientific Revolutions are set out. This is followed by the IPE framework, which is a global political economy perspective that captures Nationalism, Marxism and the Neoliberal perspective on economic development, in particular. The last theoretical onslaught would be theory of Autonomy-Respecting Help which is a versatile theory in which the thoughts of six among eight thinkers are expressed, drawn from diverse fields but all meeting in one melting pot – the respect of the autonomy of the “Doers” by the “Helpers”.

Chapter five dwells on the case study about Cameroon. It is a look at the 2003 PRSP document on the country and sees how the various issues raised in the conceptual section and theoretical perspective could be analysed from the case. It is expedient to mention that all the anomalies and paradoxes that are raised in the problem formulation are attempted to be analysed in this section. In spite of this attempt it was still realised that only a field research can reveal all the hidden constellations.

The conclusion, which spells out the findings and perspectives and also indicates the reference to all the literature that helped in the theoretical and empirical examinations from only, the available secondary data sources, is set out in the last chapter which is chapter six.

The entire thesis is laid out in the Word readable format on A 4 white 80gr print sheets of recycled papers - with 1½ line spacing of Arial 12, normal+bold. Quotations are laid in compact indentation of 1-line spacing. It has a loose flex binding with anti-rust strings and non-degradable synthetic cover. This layout encloses a body of research set out on the table of content, which is hereinafter called the thesis.

At some point when writing a research paper, it is compulsory to tighten one's methodology, so that the process does not become a wild goose chase. The reason for this is that at all times of the research process; the focus should be well directed, linear and not ambiguous. So this thesis is delimited to as far as it is set out here. It would be realised that the controversy of Aid, PSD and Poverty has the tendency to spill over to many directions. But the focus through out in the project is to always identify poverty as a central development problem to which there is a pretext by foreign Aid to redress through PSD. This is the outer delimitation. Within this external boundary are also found strict internal lines of research within.

The first line of research delimits the project to the main problem question and the lone subsidiary problem question thereto. Then the topic of the project raises two influential concepts that further tie down the project, namely: poverty and PSD. These two concepts are by no means narrow in themselves. Due to this and in both circumstances, the project has made a run with a definition of the terms or concepts and how they are implied. The thesis is further delimited by the case study that looks specifically at

the PSD and poverty aspects of a specific document – PRSP (2003) and about a specific country – Cameroon. This delimitation can also be understood in the light that the requirements of the 10th Semester (Old Programme), within the department of study that narrows down the pages of the final thesis to 75 – 100 pages. Thus some concepts that could have been more elaborately explored were confined. This is true of the theoretical debate over foreign Aid as an issue of foreign policy that has been incorporated under the section on international aid and poverty. Furthermore, while the need of a multi country comparative study could have been much more revealing the opportunity was only to do single country study.

Finally the last internal delimitation locates in the extent to which the theoretical perspectives are explored. The discussion on the discourses has been fairly well explored. A deeper attempt has been made to analyse the economic liberal perspective under the IPE framework, and explaining in full the model dubbed “Washington Consensus”. Nevertheless, this has been done at the detriment of the Nationalist and Marxist schools of thought, within IPE which have received scanty treatments.

Nevertheless, it is the contention of this paper that, the most defining moment that development cooperation has experienced had emerged from the tenets of the Neoliberal philosophy than on the architecture of Nationalism and Marxism. Another contrasting theoretical lens pursued is Autonomy Respecting help that looked at the relationship between the “Helper” and the “Doer”. This theoretical lens is also a wide one, navigated by a many authors. However, its treatment was delimited to presenting the basic self-help conundrum and the thought of six of the eight thinkers within the persuasion. Furthermore since the focus of the project is on technical cooperation in PSD and poverty, the sub strand

within the theory that abounds in knowledge-based development assistance is presented.

2.2. Methods of work, Argumentation and Outline of Main Literature

The investigation and analysis that produces this project is based mainly on secondary data sources. It is basically a theoretical project as there was no opportunity to carry out field research, conduct interviews or administer questionnaires, back in Cameroon. Since there was the unavailability of reliable statistical data, the project resorted to an analysis of the PRSP textual document of 2003. The argumentation to do this is that if the right policies and strategies are in place, it is an indication that PSD activities that address poverty may succeed.

This is usually but not always the case, because there could be nascent problems at the level of implementation of the policies. Almost certainly, when the strategies and policies are ill informed, the development undertaking is doom to failure. Against this backdrop, the project has attempted to carefully analyse the PRSP 2003 on Cameroon. The use of discourse analysis, concepts and theories enabled patterns to be drawn from this document that served to shed light on the problem question and the anomalies, contradictions and paradoxes. They also enabled patterns to be drawn based on the use of language, to reveal the penetration or non-penetration of the perspectives of Autonomy-respecting help, on the one hand and Neoliberalism, Nationalist and Marxist approaches on the other hand. A focal part of the argumentation is on the indicators or the relationships of knowledge-based Aid and PSD, showing how they impact on the poverty challenge. The argumentation, judgment and reasoning path pursued blends both deductive and inductive methods.

Another angle of the methodology is the use of literature. The literature has been dense and immense and have all been referenced in the project.

The main literature used for the case-study was *the Cameroon PRSP document 2003*. Robert Gilpin's monumental treatise titled "*The Political Economy of International Relations*" and David Ellerman's "*Helping People Help Themselves*" provided the bedrock literature for the theoretical section. Meanwhile Graham Pyatt's essay on "*An Alternative Approach to poverty Analysis*" and Amartya sen's "*Poverty and Affluence*" made a fine contribution to the conceptualisation of poverty.

IFAD and DFID's concepts relating to PSD were used. Sadar's "*Development and the location of Eurocentrism*", helped in the writing of the section on discourses, just as was Marc Williams' "*Aid, Regime Theory and the Environmental Crises*", helped in writing the discourse analyses. Many other permanent UTRL sources have been used as well as other publications that helped for inspirational or general readings are found referenced at the end of this thesis. A general critique of the theories used is that they do not pay special attention to vulnerable groups, especially children's rights or concerns for specifically disadvantaged groups, the environment and gender, and how they affect PSD in relationship with the poverty challenge. Where they are treated it is only marginally. This is a general weakness noted in most of the theoretical perspectives.

With the methodology having been presented, the attention now shifts to chapter three based on the conceptual framework.

3.0. CONCEPTUAL FRAMEWORK

In the last chapter, the method of work and the argumentation to be pursued is outlined. The choice of the case study is also set out. The entire thesis structure is presented, as is the choice of concepts and theoretical framework.

Here in chapter three, the concern is to dig into the theoretical framework that is being pursued. This will serve as the basis to illuminate the case study. In two separate parts poverty is configured and the concept of PSD is discussed.

3.1. Poverty configuration

Poverty is one of those many aspects of social arenas very difficult but important to configure. Social configuration at any given time and place determines the extent to which people have the opportunity to obtain an attractive position or are allocated an unattractive one (Pansters & Ruijter 2000: 1)¹⁰. Like Robert Pinker has argued on the contradiction:

“Poverty itself is a dynamic rather than a static phenomenon and the poor themselves are subject to complex processes of upward and downward social mobility. Attributing all the blame to structural causes ignores the significance of personal attributes and intentions. Placing all the responsibility on improvident behaviour overlooks the marked differences in opportunity and the relative advantage and disadvantage that structure people’s life chances.”
(Pinker, 1999:1)

It can be agreed with Pinker that to assume that where poverty exists it is solely caused by structural shocks is limited in scope and to argue that incautious lifestyles produce poverty is narrow and hasty. Thus poverty is

¹⁰ Pansters & Ruijter argue about society as a configuration of arenas where actors endeavour to impose their own definition of reality and assign and appropriate certain positions, obligations and rights that serve to enhance their domination. For a follow up on this line of thought, the reader is advised to read chapter 4.1. – 4.3.

unfixed and based on circumstances and situations that are always moving forth and back. Its features are interlinked.

The dynamics of a complex whole of structures within a social mosaic between individuals and groups, countries and international actors and over resources, policies and strategies reproduce inclusion and exclusion.

The metaphor of poverty is one where competition, cooperation and communication are key processes. The retreat of government has had consequences both on social cohesion and on social inequality, as on differential access to the labour system based on culture, ethnicity and gender. Socio-economic and political transformations have polarized the export sector from the subsistence and informal economy. Economic upsurge has been observed to be detrimental to the environment and that has had a negative consequence to poverty reduction.

Despite the wide practice to use poverty indicators, numerous problems are encountered based on the many different definitions that poverty has been taken to mean. Frameworks used to analyse poverty and recommending how it can be tackled, have been reduced to products of dialogue or of rivalry between actors and group networks sharing conflicting world views, about which definition of reality could be applied (Pansters & Ruijter 2000:5).

As was mentioned in the introductory chapter, this thesis does not intend to dwell on the measurement of poverty, since there is extensive and reputed literature on the subject¹¹. What is intended here is to present the understanding of poverty in the lens of development economics and especially to the extent that it electrifies the discussion on PSD, outline the

¹¹ Read Sen, Pyatt, World Bank, just to mention a few

causes and offer some analyses of poverty, then present an alternative understanding and finally to situate poverty within International Aid.

3.1.1. Understanding the meaning of poverty

There is a compelling need to understand the meaning of poverty and how it is used in the thesis. Graham Pyatt notes, "...Being poor is essentially a personal matter, as are its manifestations such as malnutrition, ignorance and morbidity¹²". He submits that poverty and destitution are close though distinct, respectively referring to capacity and sufficient resources, to live in a way that is not judged to be sustainable, even on a low level. He points out that being viable does not necessarily indicate a predisposition to realise personal full potentials.

By that argument, he analyses that poverty could be relative in the sense that a society could be thought poor based on comparison with other societies. He also argues from the above logic that poverty could be used in a narrower sense to be synonymous to inequality. In this sense, a consideration of poverty is made referring to the situation of absolute lack of specific opportunities and/or amenities that are thought to be critical within a particular social setting. The UNDP basic needs literature and the contribution of Amartya Sen¹³ rallies for this understanding, although Sen's understanding of absence of opportunities and capabilities derive not just from market but also from the household and the community.

A second and different point is that by which poverty is understood in terms of individual incomes or (at a national scale in terms of GDP). Here poverty is analysed and understood in terms of economic growth. However, it is questionable what issues to include and what aspects to leave out when doing GDP calculations. Furthermore, it is objectionable if

¹² Pyatt, 2003

¹³ Sen, 1995

the different levels of aggregation of individual capabilities based on weights of market prices determined by the interaction of demand and other market forces could produce a system of valuation or metric that incorporates, without confusion, the many issues of well-being that matter. The analysis of inequality is important, especially if the lower income brackets are extremely poor.

So if for example, growth and poverty are to be expressed along a curve, the curve will slope from left downwards to the right on the growth and poverty percentiles respectively plotted on the vertical and horizontal lines; meaning less growth will attract more poverty. But this situation could be diagrammatically sound but practically unsound, and relates to the same difficulties with the Lorenz Curve, gini-coefficients, quintiles and ratios.

Most economists including Pyatt - and commentators in support of the Washington Consensus - rally for the second understanding inasmuch as its glitter and glamour resides in pointing at aggregates such as total consumption; that is claimed to be a good index of well-being; and that they admit is not the only interesting measure of poverty.

The author of this thesis, claiming no arrogance of scholarship, considers that presenting the double positions taken at understanding poverty is useful, as it serves to enhance the analyses that will be pursued later. This is especially so because of the way in which PSD policies are framed by developing countries and supported by International Development. It often addresses poverty in either or both ways and would have outcomes that impinge on poverty as a millennium challenge.

3.1.2. Causation and analyses of poverty

Pyatt aggregates poverty into four levels of causes and goes ahead to identify different policy areas and sub strata of this aggregation.

According to him, such a manner of aggregation permits recognition of many details and the determination of the kind of analyses and policy responses that could be offered.

The first level he categorises is the micro level. This is the basic level. At this level households and the individuals are mentioned and considered as distinct. His argument enables to map out the differential intra and inter family opportunities, as well as the contrasts in inter individual, age and gender standards of living. Small holders who are able to push up their output stand at a better position raising their incomes. However, that could be neutralised if overproduction lower the prevailing market prices. He however omitted the problems that differential access to farm inputs can cause, as well as the setbacks to access to land imposed by land law or traditional system of land tenure and other cultural hindrances.

Up from the micro level, Pyatt writes of a meso level. This level focuses on socio economic groups, communities, production sectors that show how activities are divided and the factor market that handles the exchange of goods and services.

The differences between the micro and the meso levels of analyses are linked to the distinction that also exists between prices and quantities. Wage rates and prices at the micro level are determined from without whereas the opposite applies for the meso level that has endogenous labour and price arrangements determined by the demand and supply of these factors. This does not indicate that when wages are higher there would be less poverty. In a number of circumstances higher wages prompt unemployment that invariably attracts poverty.

The meso level is naturally a translation at a local level of policies that have been framed at the macro level and that 'trickle down'. The nature of

a country's political tendency towards PSD as well as the overarching regulatory and governance framework usually always and hardly never, impede on business and hence on poverty and growth challenge.

The macro economic level, that constitutes the third level developed by development economist Pyatt, is the crucible that prepares the right fiscal and monetary policies that unleash entrepreneurship. Besides fiscal and monetary policies, the macro level includes aggregated area like governance (in which the roles of Government, private enterprise and non-governmental organisations matter too well). This is the position being defended by several pundits and proponents of the Washington Consensus. However, many other commentators apportion the blames to the subtleties and constraints without the macro level that are to be found within the international political, economic and social system of the world.

The constraints that are external of the macro level and lies above it locates in the international arena. The ability of governments to fight poverty today and tomorrow is constrained by the exigencies of debts repayments, the activities of some multinational companies and international trade policies.

The causes of poverty, then, are to be found at all these various levels. This poses a challenge to the policies that needs to be undertaken to address them. Pyatt argues that importantly the redress of poverty should begin from the global level with informed policies on trade, debt servicing, global migration of factors labour and capital, down to the individual and the household (Pyatt, 2000:18). Finally, it should be advised that the failure of the Washington Consensus to look at the causes within the international global political economy means a failure to accept that individuals and other marginalised groups are victims of policies that they have not participated to frame but in which they are trapped.

3.1.3. Pro-poor growth and poverty

It is increasingly acknowledged that economic growth is necessary, but not a condition *sine qua non*, for reducing poverty. There is also the admittance that Aid cannot buy growth. The quality of growth is as important as is the distribution of the advantages of growth to all segments of the society, and the pace of growth. According to Claire Melamed of *Christian Aid* high quality growth is “grounded in human rights and justice [...] and builds upon participation, transparency and human empowerment” (IDC, 2006)¹⁴. The same commentator argues that countries can have similar levels of growth yet achieve poverty reduction at different speeds. This difference is partly due to the nature of the inequalities within countries, government policies for addressing poverty and the commitment donors show to knowledge-based development assistance. Thus the redistributive nature and rate of growth are essential points. In other words, the concern is to what extent growth policies and outcomes touch do touch the lives of the poorest of the poor and the very vulnerable segments of our society. This is how pro poor growth is implied here.

But how exactly is pro-poor growth differentiated? It is a new way of looking at how growth and changes in inequality together acts as a challenge to poverty, According to the World Development Report 2006, growth may not be pro-poor if the rate of growth is too negligible to transform poverty and if it is unable to catch up with population growth. Further, the reason could be that inequality levels may be so unbearable as to erode the ability of growth to uplift all sectors of society (UNDP, WDR: 2006). In this case the growth cannot be considered as pro poor.

There subsists a triangular relation between poverty, inequality and growth. There might be a high growth rate in a country but that might not succeed in curbing the rising inequality which ultimately slows down the

¹⁴ IDC is the International Development Committee of the UK House of Commons

rate of poverty reduction. Inequality is not the only factor that might affect the ability of growth to be pro-poor centered. Other factors are the pursuit of neoliberal economics, economic dependency, conflict and widespread corruption. As an example, the IDC reported that while China recorded very high growth rate since 2000 because of growth and expansion within the private sector, rising inequality has persisted and this has not improved the opportunities presented by the challenge of poverty.

3.1.4. International Aid and poverty

This section is an attempt made to analyse some relevant developments about donor attitude to poverty, and PSD in particular being the area of foreign aid that is being investigated upon. The changing donors development goals and strategies and the typology of aid donors are presented.

Starting with the types of aid donors, three main donor-types could be distinguished: official bilateral donors, multilateral donors and international Non-governmental Organisations (NGOs). “Official bilateral donors” is a classification of state actors who channel their foreign aid to receiving countries on a bilateral basis. Examples are USAID, DANIDA, NORAD, SIDA, CIDA or AusAid. The intriguing aspect here is that while these countries actually do have a country aid programme of their own, they also more or less contribute to the regular programme running of multilateral agencies, in addition. It is also worth the emphasis that often, but not usually always, bilateral donors have their aid programmes realigned with that of multilateral donors. However, it must be stressed that at least on paper there is a separate identity of bilateral donors.

Multilateral donors are actors who together offer aid through the mainstreaming or pooling of their development resources through some kind of umbrella executing agencies managed together. Memberships of

these agencies are usually governmental. In this case the de facto administration of these agencies is presumed to be separated from the `active` supervision of any individual state. For purpose of examples are the UN system's multilateral aid that is being administered by agencies such as the UNDP, multilateral development banks and financial institutions like the International Bank for Reconstruction and Development (World Bank) and the IMF and regional or quasi-continental development organisations such as the European Union (EU).

The last classification includes international NGOs such as the *International Association for Community Development* (IACD) and bodies like the *Transparency International*, *Save the Children*, *Medicins sans Frontiers*, etc. These international organisations are non-governmental and believed to be not for profit. Their operational competency and authority lie out of the realms of the state and international governmental agencies just explained above.

The groupings that are made above fairly differ from the one that Martinussen and Pedersen presented (2003:53). Contrary to their own presentation, here no distinction is made above between large and small bilateral donors. The argument here is that `large` and `small` are relative terms and while the sum total of US official bilateral assistance could be larger than the Danish, in per capita terms of population Americans might have contributed smaller amounts of financial support than the Danes.

Furthermore, this thesis is not inclined to group together multilateral banks and regional development banks in the same pot and simultaneously separate regional organisations like the EU from the multilateral donors like the authors did. Contrarily, the contention here is that, by consideration of span of membership of the actors, both multilateral and regional development banks and continental-wide donors like the EU are

grouped together in the same pot with the multilateral donors of the UN system.

Most of the programmes conceived by donors usually have goals. These goals are supported by a set of strategies for poverty eradication. It serves as the main direction of their agencies or governments. Underneath these programmes have been decades of conflicting opinions in the strategies and follow up of Aid programmes on poverty.

Such opinions have oscillated hither and thither and swung forwards and backwards. The simple reason is that donors think differently about definitions, policy formulations and implementation of poverty eradication programmes based on other pursued motives. Furthermore, the relative strength between donors and recipients as development actors has so much conditioned international development cooperation. It is argued that there is a tendency to obscure the actual power relationship, and as a consequence, it appears as if foreign aid is collaboration between equal partners. (Martinussen & Pedersen: 2003). Most often the donors set the conditions of the cooperation which often reflect colonial, economic, military, social or other interests with the receiving party.

It is somewhat curious to observe that, except as from the 1990s, poverty eradication seemed not to have been the dominant prescription for many aid agencies. Hitherto, the focus has been on increasing production and consumption in receiving countries, through the building of giant industrial plants so that if such schemes succeeded the people in developing countries could experience “redistribution with growth”. These over emphasises on national economic growth failed to foresee that market mechanisms in themselves could not redistribute growth or help the poorest of the poor and other vulnerable groups like women. Or at the best it was not as simple as could have been imagined.

Besides, it was ignored at that time that industries could fail to perform and invariably fail to deliver the international development cooperation goal. This analogy is buttressed by the rampant failure of many giant industrial complexes in the South and the coming into play of the World Bank's Structural Adjustment Programmes (SAP). The SAP was introduced as a panacea to allay the spoils of the failed development programmes of the 1980s that so much depended on huge industrial projects. By the end of the 1980s it had become too clear that economic development strategies should go together with reforms within the government and other core and well-linked facets in the social, cultural, environmental and political life of the receiving country itself as a whole.

In itself, the ensuing package of SAP conditionality and the consensus dubbed "Washington¹⁵" endorsed by IMF, World Bank, USAID and the Inter-American Bank as requirements for SAP did not deliver soothing results on poverty alleviation. Like Martinussen and Pedersen argues again:

"Foreign aid to relieve poverty remained on the agenda, but since the structural adjustment programmes did not include any considerations worth mentioning of their effects on the poor, the result was a strong toning down of poverty alleviation measures" (2003).

Thus the World Bank's view, up until the 1980s, could be seen as narrow. Nevertheless, a few donors such as UNICEF, Holland, Canada and the Nordic countries remained committed to keep poverty reduction important (Martinussen and Pedersen, 2003). Their critiques among others were enormous in getting a shift in World Bank's policy on poverty such that the

¹⁵ See Stiglitz (1998). For more readings visit Williamson, John (1990) *What Washington Means by Policy Reform* in John Williamson, ed. *Latin American Adjustment: How Much Has Happened?* (Washington, DC: Institute for International Economics)

World Bank's World Development Report for 1990 and thereafter, took a heightened interest in social development issues like pro-poor growth and direct assistance to disadvantaged or vulnerable poor groups such as their access to education and health care.

From the 1990s onwards, while it could be argued that the erstwhile development focus was not rescinded, impetus was brought in for strategies that had policy linkages including governance and democratisation, social welfare and the environment. This is based in the understanding that it became incontestably certain that poverty had linkages with a number of other facets of society.

Meanwhile, foreign aid has differed from one implementing route to another from the above mentioned donors. The oscillations have been, on the main, between direct financial assistance, technical aid (or knowledge based assistance) or emergency relief to needy countries. The interest of this thesis is on technical aid. Thus in the case-study, an attempt is made to see how a multilateral donor helps to make a developing country's get the right policy on poverty reduction through PSD.

Having thus presented the concept of poverty, what immediately follows below is a presentation about PSD, considered as one of the routes by which poverty is tackled.

3.2. The Concept of Private Sector Development (PSD)

Above in section 3.1, poverty – the penultimate focus of this thesis – was conceptualised. The intention here is to explain what PSD actually means, how it is used by a number of policy and intellectual leanings and how it is understood and would be used in this thesis.

It is therefore of huge importance that a detailed understanding of it is presented at this stage. The expression shelters two separate though related meanings. There is 'private sector' and then there is 'private sector development'. The later is a process and the former is the identity of that process. The two conjures up the understanding of the concept.

The expression 'private sector' indubitably denotes and points at the 'public sector', and it is important that this too is defined, because such a definition would help to enhance the conception of what is meant by the private sector. If it is agreed that PSD signals a process, then it is expedient to recognise that there are a range of strategies involved in that process. These strategies too are of interest in the way in which PSD is herein conceptualised and reinforces the understanding of the usage, and are an embodiment of the term.

There could be inherent contradictions between PSD when equated with 'privatisation', inasmuch as reference is made about 'process'. To my mind, however, privatisation is merely a dimension of the general PSD architecture. This sub-concept too would be discussed. Thus in four successive discussion rubrics, these issues are focussed.

3.2.1. Donors' Conceptual Approaches to PSD

One conceptual approach to PSD is a strategy referred to as Making Markets Work for the Poor (MMWP). The approach is based on trying to understand and addressing market systems, looking at systemic factors (local, national, regional and international) from the perspective of poor people. The main development agencies likened to this approach are the Swedish International Development Authority

(SIDA)¹⁶, Germany's Development Agency (GTZ) and the US Agency for International Development (USAID)¹⁷.

According to UK's Department for International Development (DFID), the MMWP approach retains a degree of the interventionist strategy of the 1980s and 1990s but avoids previous mistakes¹⁸. For example, it is offering business support services such as accountancy, training and technology advice instead of entering the market as a direct player. The approach therefore, involves Aid agencies seeking to facilitate and catalyse, rather than intervene in markets as active forerunners.

However there is a split in Donor thinking based on the question of "what works". This has led to a new parallel thinking to MMWP approach called the Investment climate approach or the "enabling climate" approach. This strand is represented by the Donor committee on Enterprise Development, the World Bank, AusAid, CIDA (even though it combines it with other strategies) and the International Finance Corporation (IFC).

Unlike the first strand, this approach focuses on creating the building fortress for economic growth through improving investment climates — the broad business environment in which investment takes place. Measures for achieving it include support for entrepreneurship, addressing property rights, regulatory and taxation reforms, competition policy, infrastructure investments and anti-corruption strategies¹⁹. This is the approach that seems to dominate in most developing countries, following the release of the annual *Ease of Business Reports* by the World Bank. The IDC has pointed out that, although the World Bank is involved

¹⁶ SIDA gave substantial prominence to MMWP ideas in one of its three recent agency-wide Policy Guidelines papers.

¹⁷ USAID gave support particularly regarding business development services and strategies for the avoidance of market distortions.

¹⁸ DFID (2006)

¹⁹ IDC, House of UK Commons 2006

in enabling environment reforms, it is difficult to see any coherent strategy as yet for moving from policy to implementation, as there is, as yet, little discussion about the measurable impacts on poverty based from the policies.

DFID's own approach on this spectrum, which this researcher also shares, resides on straddling both the MMWP and the enabling climate approach. The argument is that making markets work for the poor is quite important but the investment climate with regards to critical issues like infrastructure, etc. are equally important and should go together. How this is done, however, is an issue of split between this project and DFID. While the DFID prefers the "budget approach" to this amalgamation, this thesis prefers the autonomy-respecting approach to the joint platform.

Like it has been analysed in the subsequent sections that follow, the wider constraints that client countries' PSD climates face are better approached from the angle of enabling environment strategy than from MMWP strategy. However care should be exercised, for example, to see that support for big infrastructure projects like seaports, airports and road networks, must not be at the expense of more locally-sensitive, directly pro-poor operations, such as electricity, health care, water and sanitation, adapted to country-specific needs and respecting the autonomy of the poor people to express their views on priorities.

3.2.2. What PSD means

Private sector development, according to the Swedish International Development Authority (SIDA) "...is the interplay between the state as formulator of the rules of the game, players in the private sector and civil society". (Sida, 2003) This interplay produces the circumstances that identify, and are referred to as, private sector development. In other words, from the SIDA understanding, it is possible to talk about types of

PSD or areas of PSD activities or policies that could be promoted to the benefit of the private sector.

The contention of this paper is that both the identity (Private Sector) and the process of that identity (PSD) reinforce one another and are inseparable, at least within development economics. This is to say that, even though an attempt has been made to show what the private sector refers to below, it is not to ignore that the existence of private sector is dependent on the process of their creation. Risk-taking and profit-making entities are embedded in the process that creates them and the circumstances of the environment in which they thrive. Thus PSD is defined by both the private sector actors themselves and the by environment of these businesses. The definition enriches and sheds light on the particular aspect of the concept of PSD that is retained for the analyses pursued in the case study.

From the argumentation above, it should be emphasized that key reforms within the business environment are integral parts of PSD. The recipient government and donor's commitment to PSD is thus measured through policies that brighten the prospects of businesses or not and whether they are sound and sustainable or not. The key features will be: the tenets of good governance, including a responsible and responsive government committed to anti-corruption, promoting transparency and accountability in administrative processes; institutional arrangements like specific pro-poor PSD strategies, participation and other critical development-cum-poverty policies to be pursued (how linked they are with general development fabric of the country or other policy sectors), land reforms (property rights), improving the legal, judicial and regulatory environment and strengthening the public sector (public goods) such as administrative, social and physical infrastructures; and economic management in the shape of macroeconomic reforms (fiscal and monetary), incentives to production

(trade, exchange rate and price policies), and promoting deregulation and competition.

The argument here is that the emphasis or focus area of PSD just jettisoned above, and pursued by donors would culminate in a verdict that asserts whether it is the grandiose IPE theories, nourished by the development discourses, that are resilient or it is autonomy-respecting help and other critical perspectives that lead the way.

3.2.3. What the private sector is

Returning to the first question, about what 'private sector' is, the UK House of Commons' International Development Committee (IDC) considers it as consisting of a variety of business undertakings pursued 'privately', out of the realms of the state, and in which profit-making is the objective. According to IDC, the private sector "is a wide-ranging term covering all private actors engaged in economic activity, from the market stall-holder and family farmer to large domestic and foreign corporations"(IDC,2006).

The IDC notes that over 80% of private sector businesses in the developing world are actually domestic-based; and a good amount of these are found in rural and semi urban areas.

Another contribution to the definition is from The International Fund for Agricultural Development (IFAD). It considers that:

" The ... private sector includes a whole continuum of economic agents, ranging from subsistence or smallholder farmers, rural wage-earners, livestock herders, small-scale traders and micro entrepreneurs; to medium-sized, local private operators such as input suppliers, microfinance institutions, transporters, agro- processors, commodity brokers and traders; to other, bigger market players that may or may not reside in rural areas, including local or international

commodity buyers and sellers, multinational seed or fertilizer companies, commercial banks, agribusiness firms and supermarkets. Associations of farmers, herders, water users or traders also constitute an important part of the private sector.”(IFAD, 2005)

In the understanding of IFAD, therefore, not only are large multinationals the sole agents or actors implied in the conceptualisation of the private sector, but many local and rural business risk-takers. The list is not exhaustive but provides a better understanding of the types of agents who ply their trade within the private sector.

According to the Organisation for Economic Cooperation and Development (OECD), that shares a basic and similar definition, the expression " Private sector" is conceived within the donor community as a basic organising principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private Initiative and risk-taking set activities in motion.(OECD, 2004) The term private sector, therefore, covers all private actors- the poor and the rich, individuals and businesses – engaged in risk taking to earn profits and incomes. Consequently, it can be seen to apply to the smallholder farmer as well as to the very large, multinational corporations. However, a resilient issue has been the question of whether development of market opportunities per se or the strengthening of SMEs has been able to offset the shocks of poverty, right at the pro-poor levels.

PSD therefore is more just than business activities. It includes the pro-poor emphasis of PSD, the natural environment considerations, the environment that underpin the businesses, how and with what intentions they are framed, how participatory they are and the nature of the burgeoning dialogue that subsists between these business entities and other external actors like the state, donors and civil society. Thus understood, there is little doubt that PSD is of crucial importance to

poverty alleviation and is a popular strategy of many donors' aid policies. The question is how is it pursued?

3.2.4. Privatisation and the Public Sector

Privatisation is a very broad term but could simply be defined as the transfer of assets or services from the government hands to the private sector. Sometimes it is complete sell out of public corporations and sometimes there is some government involvement in the privatised entity; thereby creating partnerships between the state and private service providers.

Often privatisation, that accompanied the World Bank's SAPs conditionality, meant contracting out or selling government-owned assets to private entrepreneurs. Other understandings of privatisation are wider, covering virtually any action that involves the processes of exposing the operations of government to the pressures of the commercial marketplace, even in forms of divesting.

A broader conception of privatisation includes a wide range of public-private partnerships. Sometimes traditional, local councils or national corporations, quasi government entities and government-sponsored enterprises are often under the grand label of privatisation. In such firms, though, it is often difficult to tell where exactly private interest resides from where those of the government ends.

Meanwhile, the public sector is the part of economic and administrative life that deals with the productions or delivery of goods and services by and for the government, whether national, regional or local/municipal, in the interest of the people. Some examples of public sector activities range from delivering social security projects like hospitals, to the administering of urban planning and many more. The organisation of the public sector

can be in different forms. Firstly there could be direct administration funded from a fiscal base and where the delivering organisation generally has no specific requirement to meet commercial success criteria, and production decisions are determined by government. Secondly, one might cite publicly owned corporations such as in manufacturing. This differs from direct administration in that they are expected to operate according to commercial criteria in the market place and enjoy more competitive maneuvering.

Besides the entrepreneurial role the government can play as indicated above, it is worth the emphasis that government or the public sector provides for an enabling environment for business operations within the private sector. Simultaneously it conceives and administers public policies in other areas of government responsibility. This is done by legislations passed by the national assembly or by decrees made by the executive arm and through the implementation of appropriate policies governing economic, social, environmental and political life in a country. A Government's efforts in establishing and enforcing rules of positive law within a recognised and empowered judicial systems are prerequisites for markets performance and for both domestic and foreign business confidence, and not least the willingness of the donor community and other external players to have confidence.

The state also has the important task of ensuring that markets work efficiently and being flexible to correct nascent market failures. It has to perform the function of "safety nets" for those permanently or temporarily hit by the jagged edges of competition. Thus the creation of safety net systems locates in the very foundations of the paternal state. Lastly, the public sector can take strategic decisions regarding development plans, in consideration of domestic and external exigencies and in accordance with

broader politico-economic outlook and other realities for both the short and long term.

It is important to mention here that one of the constraints to PSD is the climate in which investment takes place. Investment climate varies from one country to another and are hardly, if ever, are the same. Thus there is a curiosity about grand tailor-made and one-size-fit-all donor policies on PSD. Political, social, economic and cultural differences produce different contexts and differences in constraints. Hindrances locate in laws, regulations and institutions of the home-country and also of the international society. For example, when the full respect of the rule of law from both the powerful and the weak and an effective judicial system shelters businessmen, better regulations made, tax and custom revenue collected efficiently and corruption addressed that may drive activities in the private sector.

The World Bank has estimated that due to improvements of investment climate of countries in the 1980s and 1990s, private investment (that represents the private sector) as a share of Gross Domestic Product (GDP) had nearly doubled in China and India. In other countries like Uganda it more that doubled. (World Bank, 2004) It has been evidenced that a poor investment climate and weak regulation will tend to retard private sector activity, and that will in turn have adverse effect on tax revenues for government and limited returns and opportunities for growth for entrepreneurs (Lopez H, 2005). Reputations for cumbersome bureaucracy, red tape and inefficiency, and corruption are some of the constraints linked to the investment climate.

In this section, the understanding of the two core concepts of poverty and PSD is discussed; raising the retention of the analytical issues to be employed in the case-study. In the next chapter, the offensive is on the

theoretical framework of the study, which together with the conceptual angle just seen will further facilitate the analysis of the case study.

4.0. THEORETICAL FRAMEWORK

In this section, discourse analysis, the IPE theoretical framework and the theory of autonomy-respecting help are focussed. The incorporation of a write-up on discourses on development and social sciences is to help reinforce the philosophical bases to the upcoming dominant theories, and show the directions to the ideational and intellectual shifts that have occurred. The IPE especially serves as an important basis of understanding world development disorder, and this contribution is a dominant part of the theoretical framework.

4.1. Discourse Analysis

There is the strongly held conception within intellectual and policy-making circles in the North (and some parts of the South) that the skewed international distribution of wealth can only be resolved when the underdeveloped countries follow the economic development path charted by the developed world. The contention is so strong that it is considered as an absolute knowledge that stands as the only cast-iron guarantee to economic development. This knowledge generates power that now defines IPE and development cooperation.

The relationships that are produced between changes in the IPE and transformations in institutions, norms and principles require a conceptual framework that draws attention to the relationship existing between knowledge and power. This relationship between power and knowledge has been explored through discourse analysis. Knowledge is no longer viewed as an objective absolute but part of a socially constructed narrative linked to power relations (Williams, M. 1998). Economic development is

today viewed as a product of the emergence of Western civilisation or advanced industrial meritocracy, and the later is considered to be the dominant force in global economics to define global development.

The development discourse stretching from the 1940s till today can be seen against the backdrop of the strongly held believe that Europe (including North America) must chart the path to development through the much acclaimed neo-liberal modernisation. It can be argued that many of the development institutions or policies pursued in the post-war era are basically fraught with the Discourses of their elites.

The combustible part of the argument here is that, despite the apparent shift in donor-recipient relationships across the years, biases and prejudgements about the receiving countries own capabilities and knowledge by donors still exist. This is mainly due to their claim that development is an invention of the North, and for this reason should be pursued as conceived by them while ignoring other world views from the South.

Just like Reason and Democracy, development is indeed a concept invented and defined by the west and “a standard by which the West measures the non-West”. (Sadar, Z: 1999) The exploration of the relationship between power and knowledge and the creation of discourses involves a process of deconstruction of these concepts.

Frenchman Michel Foucault, who carried out diverse investigations, among many things including madness and sexuality in the west, drew the conclusion that truth and knowledge are used as methods of exclusion, or ways of dismissing truths and narratives (Williams, M: 1998). This thesis presents a baseline of thought that, Discourses influences the theory and practice of international development, and the policies pursued by donors in PSD. These policies are dubious on the main and generally exclude

other narratives from the client so that the donor's somewhat hidden agenda based on Eurocentrism, Modernism, Imperialism, Ethnocentrism, or other claims about their intellectual glamour. This paper also argues that development itself is a discourse, and the section concludes by signalling a discursive shift in the frame of the Structure of Scientific Revolutions, within the social sciences.

4.1.1. Development as Discourse

To discuss development as discourse is to seek to understand why the Developed-Underdeveloped dichotomy or the North and the South division came about, and how so many countries came to perceive themselves as underdeveloped. The discourse is also on how development became a basic problem of the international community and how it actually led to new paradigms of knowledge and whole sets of strategies that tended to address the problems that came to be identified with development.

Michel Foucault claims that, discourses are constitutive and illustrative of ways by which both knowledge and truth are specified. Discourse, in Foucault's own words, is:

“... a series of discontinuous segments whose tactical function is neither stable nor uniform. To be more precise, we must not think of a world of discourse divided between accepted discourse and excluded discourse, or between the dominating discourse and the dominated one; but as a multiplicity of discursive elements that come into play in various strategies” (1990: 100).

Otherwise put, Discourse is a terrain on reflection that seeks to create knowledge. The knowledge thus created defines and delimits a legitimate thought bank and perception of the thinker. The consequence therefore is that one cannot think outside of the boundary of knowledge that is compartmentalised and where power is derived from. Thus external forms of knowledge are considered as being excluded. Discourse predetermines

ways of doing things where what is done is given shape by those who conceptualise and manage it. An analysis of development as discourse, does not only recognise the reality of the circumstances that lead to poverty and underdevelopment, but also seeks to show how these conditions have been constructed as underdevelopment, and the implications of doing so for development. In other words, it is the question of how conditions in the Underdeveloped World links up with institutional arrangements within foreign aid administrations and how these politics of truth and power from donors ignore people's conditions and the need to search for other existing possibilities.

Another writer to make a contribution on development as discourse is Arturo Escobar. He argues that the development discourse of the post-war period is aimed at a total restructuring of the underdeveloped societies. The status of 'development' was never questioned even though there had been criticisms of the dominant capitalist approaches (Escobar, 1995: 5). The result was that, governments and multilateral institutions continue to design and implement development plans and programmes with the aid of development experts with their systems of knowledge, truth and power.

A major way in which the production of 'objective' knowledge yields power is through what Williams considers as "the process of normalisation"(Williams, M: 1998); This is done by elevating the status of certain types of discourse and excluding external discourses by categorising them as inferior. Buzz words such as Third World and Orientalism, are mindsets constructed with the intention to achieve the possible establishment of forms of power through which individuals, governments, and occasionally whole communities recognised themselves as backward or primitive, and are therefore made to pursue the path of the development that come as modernisation. The model of international development being promoted by the G 8 was essentially the

putting in place of a global capitalist system residing principally on industrialisation, free trade and free markets. Nevertheless, this thesis is not premised as a radical advocacy against development as a field of knowledge. Rather the emphasis is on the weaknesses of some of its perceptions that have had far reaching consequences to undermine meaningful development that is truly people centred and pro-poor. Martin Marcussen has also illustrated how ideas and elites have led to an “ideational shift²⁰” within the Danish macro-economic policy discourse over the Euro, being the currency within the EU to which Denmark as a member, as not yet ascribed to. This further illustrates the power of discourse.

Another characteristic feature of the development discourse is the system of statements that are carefully regulated, formed and styled so as to disguise the real intentions. Certain basic statements such as partners in development, win-win scenarios, etc go with hidden intentions. Discourse creates endless prescriptions, views, institutions and programmes. Thus an impression of development as a continuous and learning process is created. The thesis attempts to see how PSD is caged by development discourse.

4.1.2 Discourses on Eurocentrism

An understanding of the importance of discourse in development requires similarly an understanding of Eurocentrism. The argument here is that development pursued and defined as modernisation is based on the pursuit of hegemony by Europe, long considered as the stronghold of industrialisation. Perhaps in the New Millennium, it is more relevant to talk of the Group of the most industrialised countries (G 8), but Sadar would prefer the jargon of Eurocentrism. It is the hidden albeit concealed way by which Europe and Europe-akin countries (such as Canada, USA,

²⁰ Martin Marcussen, 1998, p. 33

Australia, Japan, etc) seek to globally implant their perception of life and reality to the rest of the world. Sadar points out that Eurocentrism locates wherever there is the defining influence of the West or Europe (Sadar Z. 1999). Thus the power of the West does not only reside in military might and economic strength but more in the thinly veiled, non apparent and well shielded power to define.

In the discourse on Eurocentrism, European perceptions and definitions are presumed to have universal desirability and applicability. Consequently, the North tended to mould the South in its own standard by tending to denigrate the non- West values as being naïve, backward and a thing to be simply ignored. This tendency has actually not advanced the efforts of the donor countries working with international development. It must be pointed out that where and when there is this misperception embedded in discourse the quality of development policies, and invariably development work falters, whether in thematic areas like PSD or issue-areas like the poverty challenge.

4.1.3. Other Discourses on the Social Science

In this section, discourses on modernism, imperialism, ethnocentrism and the structure of scientific revolutions are identified.

Modernism as Discourse

Richard Falk has argued that international relations have generally neglected culture as part of its concern. Cultural differences between the developed and the developing countries have been assimilated in the realist understanding of international relations only in a restricted way. Like knowledge, culture is seen mainly as a dimension of politico-military strength associated with the liberation of reason from the grip of superstition, a claim considered to be something that only the West has been able to attain. Thus it is claimed that cultural legacies that have

spawn modernism, are associated with the imperialists' push for power and the intellectual background against which development cooperation has developed.

Therefore the development cooperation rhetoric is realigned in many respects to political hegemony, as it introduces hegemony in a global cultural divide just as in a global political and development divide. It attaches modernity solely to the West, who is deeply and tirelessly embedded with a sense of 'chosen people' or as "...privileged vehicles of progress entitled to exert dominance by some underlying appointment..."(Falk, R.A.: 268). The non-imperialist forces of resistance have pulled a strong short against international hegemony on a political plane, but modernism has been resilient on the economic just as the cultural domains. The South seemed to have been unable to completely wrestle the imperialist on matters of economic policy and culture.

Even though there have been sporadic transformations and resistances here and there, many cultural corporate modus operandi and economic policies sway the way of the West. But whether or not local knowledge or the revival of non-imperialist culture on its own can be a viable alternative to imperialist hegemony, even within the Islamic world, is by no means fully established by empirical evidence (Falk R.A. 275). It can be a strong force, but at the moment it bears the pain of being in the hands of corrupt and ruthless leadership. Correspondingly, it is mainly Western modernism that can be blamed for ozone depletion, the green- house effect, sea and atmospheric pollution or nuclear proliferation, consumerism and materialism.

Nevertheless, the onus of the argumentation here is that since the wanton transplantation of Western or imperialist modernity has not successfully blossomed, there ought to be a paradigmatic shift to integrating

indigenous cultural worldviews, green politics and feminism. Several Asian countries are fine examples to varying degrees. For instance China has allowed Hong Kong to blossom by integrating its Oriental prosperity together with liberalism and market economy, while decolonisation proceeds. In sum, a relevant cultural ground for a robust sense of people's identity is not only admirable but also quintessential for constructive dialogue and participation in development and international relations.

Imperialism as discourse

Imperialism departs from the heightened inequality in the world, between countries and within countries in all aspects of human life including the power to decide over these aspects that substantially affect human lives. Thus the rudiment of imperialism revolves around the explanation that relate to the centre – periphery syndrome and the deconstruction of the system of imperialist structural dominance. Johan Galtung argues that Imperialism is the dominance relation between collectivities, particularly among nations or between nations and powerful International Organisations (Galtung, J.: 265)²¹.

In this centre - periphery dominance, the parties pursue incompatible goals and these goals are conceived, defined and presented as real by an outsider (the centre), to the parties (the periphery) by disregarding wholly what the parties themselves consider their genuine values or inputs, in pursuit. Imperialism is premised on what this thesis considers as an acceptance of an ocean of ideas from the centre or what Johan Galtung has termed “unlimited rationality” (Galtung, J.: 266). This jettisons four key pre-notions about the periphery by the core nations. These pre-notions are

²¹ Besides Johan Galtung, three other authors have left an indelible mark and profound contribution in the understanding of imperialism: Gunter Frank, Immanuel Wallerstein and Samir Amin. Frank used the expression of Satellite-Metropolis while Wallerstein speaks of the Core, Periphery and semi Periphery.

presumed to blend deep in the consciousness of the Periphery and reproducible in their relationship with the Centre:

- Periphery does not necessarily know as to be able to contribute to the ocean of ideas.
- Periphery is unable to express its interests.
- Rationality is unevenly distributed and as a result the Centre that abounds with unlimited rationality, could seek to dominate and influence other mindsets.

The Periphery's willingness to suppress its own true interests and accept the Centre's is a major part of socialisation and education. This is true of what comes with development assistance of the industrialised nations.

The effect of this dual unequal relationship is that there is perpetual dependency of the periphery on the centre so that economically they are vulnerable and politically they are in a state of *divide et impera*. The economic mishap for the periphery becomes the economic stronghold for the centre through a concentration of commodity channels for their industries and concentration of trade partners. The result is the manipulation of world trade and finance and full guarantees that the Centre within the periphery can remain ruthless and oppressive on the Periphery of the Periphery, simultaneously be subservient to the Centre of the Centre or well-wishers within the Periphery of the Centre.

Ethnocentrism as Discourse

Meanwhile, Ethnocentrism, according to the Webster's Comprehensive Dictionary of the English language, is a sociological concept that posits that, the attitudes, beliefs, and customs of one's nation, group, people or self are of central importance and a basis for judging all other groups²². It is the tendency to look at the world primarily from the perspective of one's

²² Webster's Comprehensive Dictionary of the English Language, 2003: p. 436

own culture²³ and ignore the perspective of others. The Oxford English Dictionary considers ethnocentrism as "regarding one's own race or ethnic group as of supreme importance"²⁴ (1989, p. 424). Ethnocentrism is thus a pre-judgment or bias and has very much been translated in Development and International Relations as we have it today because the G 8 has defined which way knowledge-based development cooperation should go. Franz Boas and Bronisław Malinowski, two anthropologists that respectively developed the principle of cultural relativism and the theory of functionalism, have argued that any human science had to transcend the ethnocentrism of the scientist. Thus ethnocentrism is a challenge that has to be overcome within development cooperation, and at the same a critique of exceptionalism in all its forms.

It can be tendered that, the ethnocentric person may also adopt an external culture, repudiating the culture of birth; because he has lived such changes as to think that the adopted culture is somehow superior to the birth culture. This is true of many elites from the developing world that have lived or been educated in G 8 strongholds. But success in the field of development requires cultural and social awareness and sensitivity and not narrow mindedness. This analogy is premised on the consideration that all groups have their strength and weaknesses.

The discourse on the Structure of Scientific Revolutions

Unlike in the intellectually rigid discourses that have been presented above, alas there is yet another that argues that science is not rigid or linear, it has to undergo revolutions, shifts and testing. This discourse is termed The Structure of Scientific Revolutions. Kuhn is principally associated with this discourse²⁵. Kuhn has argued that true science does not progress through the arrogance of a linear accumulation of new

²³ www.wikipedia.org

²⁴ Oxford English Dictionary, 1989, p. 424

²⁵ See UTRL <http://www.wikipedia.org/kuhn> for follow up on the debate.

knowledge, but has to undergo periodic revolutions over time²⁶. New paradigms come and have to be matched up against existing ones resulting in what is also called "paradigm shifts". In this way, the veracity of scientific inquiry within a particular area of inquiry is tested and transformed. The structure of scientific inquiry divides into three stages:

- Prescience that actually has no central paradigm.
- "Normal science", being a situation when scientists attempt to elaborate a central paradigm by "puzzle-solving". In this way, "the failure of a result to conform to the paradigm is seen not as refuting the paradigm, but as the mistake of the researcher"²⁷.
- Revolutionary Science, come due to anomalies in results and outcomes. Science then culminates to a stage of intense controversy. A new paradigm then emerges that subsumes the old paradigms along with the anomalous results into one framework.

Another significantly huge contention of Kuhn is that, "rival paradigms are incommensurable—that is, it is not possible to understand one paradigm through the conceptual framework and terminology of another rival paradigm"²⁸. Nevertheless, Kuhn's discourse has been vastly debated. David Stove in particular, has said that if rival theories cannot be compared, then one cannot make a rational choice as to which one is better.

In spite of this, Kuhn's work can be measured through the transformations it brought about in the vocabulary and content of development and international relations and to the philosophy of science as a whole. Certain words such as "paradigm", "normal science" and "scientific revolutions" are very well credited to him. Also his work has been a barometer in the positivist/post-positivist leanings within International

²⁶ Op. cit.

²⁷ Karl Popper's refutability criterion

²⁸ Kuhn, in wikipedia.org

Relations. Similarly, Gorm Winther has argued that studies in Development and International Relations cannot uphold 'a Chinese Wall' demarcating the different schools of thought. To him ideological "schizophrenia"²⁹ can be likened to a situation of being someone cast down by a malignant Sisyphus, which needs not be as these competing theories are not hell, but multiple essential research instruments.

4.2. The IPE framework

International Political Economy (IPE) as a social science field of study seeks to understand global problems using an array of analytical tools and theoretical framework pulled from other disciplines but substantially departing from them, notably economics and politics. In this sense, and with particular reference to this thesis, poverty is deeply a global problem with local particularities and with embedded causes that lie not only within economics but also politics. IPE deals with the way in which the world's economy is organised politically, or how political anarchy can be compatible with international economic cooperation. (Hettne, 1995)

However this traditional conception of IPE based on a dual politico-economic analysis has been transformed. Today globalisation form a major theme and within it are a number of other disciplinary drivers within culture, the environment as well as other interconnected disciplines. Even more is the argument that technical Aid in PSD is rooted in many other considerations that are not only humanitarian, but can be equally political, economic or otherwise, as well as national and international. The unequal distribution of wealth, the problem of unemployment, and inflation are now viewed as the results of human actions rather than as the outcome of some immutable laws of economics (Gilpin, 1987). The consequence is the politicisation of economic affairs. Robert Gilpin points out that there

²⁹ Gorm Winther is a professor with special assignments on the Political Economy of Northern Regional Development (POENOR) at the department of History, International studies and Social

are three contrasting ideologies of international political economy or of society, state and market, namely: Economic liberalism, Nationalism and Marxism.

4.2.1. Economic Liberalism

Economic liberalism emerged from the age of Enlightenment, and it was a reaction against mercantilism, or nationalism as it is today called. The liberal perspective may have both an economic and political component; but in this thesis the discussion is more about the economic component. Fundamental liberties or other personal freedoms are not what are intended here, even though one might argue that they have an influence on poverty and inequality.

Economic liberalism is founded on the premise that markets and states exists side-by-side but argues that markets should be free from political interference. Liberal theorists include forerunners such as Adam Smith, David Ricardo and its more recent embodiment in the neo-classical exponent Hecksher-Ohlin.

Economic liberalism itself has had a number of variations, even though the market has always been central in defining the society's focus nationally and internationally. The emphasis on the market system is premised on the increasing economic efficiency, maximisation of economic growth and improvement in human standards of living that it is believed to generate. Economic liberalism also assumes that, if not in the short run at least in the long run, the market economy will always be in equilibrium and be stable. It also claims that there is an underlying long-term harmony of interest and competition between producers and consumers that will overshadow any temporary conflicts. Another assumption of the liberal economic thought is that it defines the society's progress in terms of wealth in per capita income. The liberal perspective forms the corpus of formulations of free trade.

Despite the seemingly flawless assumptions of the liberal economic perspective, based on its logical coherence and intellectual nirvana, it should be noted that the perspective has both its strengths and weaknesses.

First and foremost economic liberalism provides useful tools that help a society to analyse the maximum and efficient return from its scarce resources and minimise wastes as far as possible. The market tool constitutes the most effective way to organise our economic exchanges. Another benefit is that while Adam Smith's *Wealth of Nations* is a useful technical guide to policy makers, if nations are to become wealthy, social tradeoffs and redistribution are sacrificed at the alter of efficiency.

Consequently, the liberal perspective provides one of the most authoritative tools - efficiency - that is today the corner stone of most Aid agencies support to PSD. It is a contention here that, there is strength in the liberal view that harmony and disharmony are opposite sides of a coin wherein when one is displaced for the other the people together benefit or loss. But referring to the poverty challenge, it could be said that the liberal perspective on PSD is limited in that the strong reaps all while the weak are victimised.

The weaknesses of the economic liberal thought are to be found in its oversimplification of the real world. The fundamental assumptions about a rational economic man and competitive markets are unrealistic. Further the claim among economic liberals in the supremacy of economics over political economy is narrow. Just as it is narrow to artificially separate the economy from socio-cultural and political forces that drive a society and can impact on differential wealth or poverty layering.

An example of socio-political and cultural forces locates the regime of property rights and the forms of access to resource endowments for individuals, households, groups and larger societies. Furthermore it has been argued that economic liberalism knows but ignores the justice system within which economic activities take place (Gilpin, 1987:45). The assumption that exchange is always free is also inaccurate. Empirical evidence suggests that exchange is hardly free but rather most often a product of force, political manoeuvres and differential bargaining powers (Lindblom, 1977), all of which are non economic factors but have effects on the market.

Another critique lies in the fact that in liberal economics, technological and institutional frameworks are believed to be secondary issues. They are seen merely as hindrances and opportunities to economic decision-making. The origins, directions and dimensions of technological and institutional structures (domestic and foreign) of change are considered to only slowly alter, and if any only as a response to price signals without undermining the economic status quo. Hardly are they seen as endogenous and treated as integral part of economic policy-making that they overwhelmingly shape.

It can thus be summed up here that, despite the fact that the liberal market principles and the dominance by the advanced industrial powers that it has spawned, through its unprecedented affluence, hardly has this been done without costs to larger social values, which constitutes a challenge to poverty.

The Washington Consensus “Model” of Neo-liberalism

The award-winning writer John Williamson, to whom the expression "Washington Consensus³⁰" is credited, enumerates a list of policy proposals dubbed the Washington Consensus due to the general approval of the Washington-based international economic and development organisations (like the IMF and World Bank), of the formulations that feature on the list.

Ten points are identified with Williamson's list:

- Fiscal policy discipline.
- Privatization of state-owned enterprises.
- Curtailment of public service endowments from subsidies to state firms, and redirecting them to the provisions of broad based, pro-poor services like primary education, primary health care and infrastructural development.
- Trade liberalisation – liberalisation of imports, through elimination of quantity controls and uniform tariffs; so that any trade protection, if need be, has to be by legal instruments.
- Tax reform –Through adopting moderate marginal tax rates and widening the tax base.
- Interest rate should be determined by the free market forces.
- Exchange rates should be made free.
- Inward bound FDI should be liberalised.
- Deregulation of regulations on market entry or restrictive competition, except on safety, environmental and consumer protection grounds, and prudent oversight of financial institutions.
- Legal security for property rights

The broad formulations of the Washington Consensus just presented have often served as templates for the action of most Aid donors, especially the World Bank and the G 8 in their multilateral and bilateral programmes. Thus the formulations have been far reaching, but not without strengths and weaknesses.

Criticisms of the model

³⁰<http://en.wikipedia.org>

Many critiques of the Washington Consensus have often said it narrows state sovereignty and subverts a nation's political right for autonomy and economic independence. It goes with the stigma of exploitation. For example, outsourcing branches of parent firms within the countries belonging to the G8 to other countries in the name of FDI have been associated with child labour, low wages and environmental pollution³¹ within unregulated markets. Also, there has been a rise in corporate power at the detriment of the state. Changes in economic and government policies to increase the power of corporations and large businesses tend to shift the benefits of growth more to upper classes than the lower classes³².

Strengths of the model

Friedman has argued that free markets are important to securing political freedom³³ and cutting back on developing countries' governments that had mismanaged or exploited their economic dominance across the mid-century. Market liberalisation is supposed to spur investment, technology transfer, innovation and responsiveness to consumer demand³⁴. Government-owned enterprises and public entitlements were viewed to be losing a lot of money through incompetence and non-competitiveness, corruption and helping finance dictators. In the 1970s and 1980s, state-controlled economies showed that they could not handle the widespread economic dislocation and recessions³⁵.

4.2.2. The Nationalist School of Thought

Nationalism or mercantilism argues and assumes that politics should have primacy over economics and thus the market should be subordinate to the state. It posits that political factors should dominate and determine economic relations. Precursors of the Nationalist theory of international

³¹ <http://en.wikipedia.org>

³² Joseph Stiglitz, *Globalization and its discontents*.

³³ <http://en.wikipedia.org>

³⁴ *Op.cit.*

³⁵ Cohen Joseph (2006) and John Williamson (1990)

trade include Alexander Hamilton to whom the parenthood of the strand is credited (Gilpin, 1987: 180), Wilhelm Roscher and Friedrich List of the German economic analysis school. While the argument between free trade and protectionism is an antiquated one in economics, it suffices here the mention that it will continue to animate IPE over PSD to be pursued to combat poverty in North-South relationship.

4.2.3. The Marxist Ideology

Finally it should be stated that besides these two variants, there is the Marxist approach to IPE. Marxism appeared in the mid-nineteenth century and it was a break from classical economics. This school of thought claims that economics drives politics. Marxists believe that political conflicts are caused by class clashes over the ownership and distribution of economic resources. Thus it claims that political conflicts will be an issue of the past once market and class divisions are eroded. All Marxists believe in a normative commitment to socialism. According to Robert Heilbroner, one of the principal commentators on the Marxist approach, the socialist society is both the necessary and desirable end to large-scale historical change. (Heilbroner, 1980)

Like it has been explored above, no perspective can lay claim of being able to provide a comprehensive and satisfactory understanding of the stakes and nature of IPE in isolation of the others. Each provides elemental insights and together they provide templates that enrich our imagination and expand the burgeoning discipline and shed light on the discussions of Aid, PSD and the poverty challenge as is covered by this thesis.

4.2.4. Main Subjects of IPE

In the preceding sections, the IPE theoretical framework was discussed. Now the intention is to take a brief look the configuration of the topics of

IPE. Leading research on IPE up to the 1980s, from many authors notably Kenneth Waltz and Robert Gilpin and much later Björn Hettne, took many directions but five sets of questions arguably dominated the IPE agenda. These include: international trade, international finance, North-South relations, MNCs, and hegemony. A sixth question that is centred on globalisation was included in the set from the 1990s (Martin K.: 1991, Little R.: 1994, Boyer R.: 1996, Clark I.: 1998 and Mittleman J.: 2000).

Hegemony in particular, developed into an influential IPE theory that continues to animate the study of Development and International Relations to this day: the theory of hegemonic stability, from which, it is argued, the regime theory spawned. Two (not all) of the subjects in the IPE set as is understood today: international trade and international finance is herein under presented; and to round off the presentations is a broad reflection on the constellations that International norms when faced with Domestic autonomy produce. This is essential because an understanding of these elements will further the understanding of the case-analysis and also because it connects much more logically to the theme of this thesis, "Aid, PSD and the Poverty challenge".

International trade

International Trade has always been and will remain the focus of IPE analysis in the foreseeable future. Trade is considered the oldest and most important economic link between nations. (Gilpin, 1987:171) Politics and Economics approach international trade quite differently. These differing approaches are subsumed within the IPE analytical framework. While the state actor could be interested in pursuing a range of PSD goals to boost international trade, these goals could run in conflict with those of its principal donors. For example there could be divergences over terms of trade and cultural impact of trade (Gilpin, 1987), tariff policies and embargoes, and between protectionism and free trade.

The international exchange of goods, services, or resources with another country, therefore, raises many political questions of national interest, especially questions concerning the economic and military security of the nation-state. The advent of post-war international trade institutions and Aid agencies such as the WTO, NAFTA ,or EU was heavily conditioned both by the free trade views of economists regarding PSD and by the interwar experience of beggar-thy-neighbour trade policies.

International Finance

International Finance presents the second set of problems that have traditionally defined IPE. Money concerns the consequences of each state's issuance of its own currency. Some states do not issue their own currency, often using the Dollar instead. During the 1990s, for example, Russia issued Rubles but most transactions were in dollars.

The international finance component of IPE tries to analyse how exchange rate policies, foreign exchange systems, international capital movements, particularly portfolio capital and debt flows and servicing are hinges that shape the challenge that PSD and Poverty faces. The international and domestic institutions and political structures, to which they relate such as the World Bank, are among the issues that IPE is concerned with.

The fundamental problem with international finance is that no centralised political control over the monetary system does exist, despite the wide linkages between national economies. As a result, the monetary system of the world is left up to the market, which is never neutral. Often polluted by powerful groups and states have historically pulled the system beyond limits to satisfy their own selfish end and continue to perpetrate hegemony.

4.2.5. International Norms and Domestic autonomy

The increasing interdependence between national economies in trade matters, finance and especially macro-economic policy-making, has seldom gone without far reaching consequences and conflicts with domestic economic particularities and social priorities. This has led several observers to question the compatibility between domestic social and ecological economics with international liberal economic order. Gilpin has argued that: where

“...tax policies, social preferences, and government regulations significantly affect trading patterns and other international economic relations, the clash between domestic autonomy and international norms has become of central importance³⁶”.

This highlights the problem posed between international norms and domestic autonomy. The constellations show that if international norms force countries to adopt policies that are friendly to it, at the same time, such policies could intensify domestic unrests or be countervailing to the reality of poverty.

4.3. The Theory of Autonomy-Respecting Help

The perspective of Autonomy-Respecting help is the next theoretical focus of this thesis. It breaks away from the already presented IPE framework and charts a path of its own. The perspective is the use of the intellectual lens of David Ellerman³⁷ articulated in his book *Helping People Help Themselves*. The theory triangulates the thoughts of eight different thinkers and from very diverse backgrounds.

Therefore the book is intricately a breakaway from the World Bank's philosophy to an alternative direction in development assistance and evolving values of a new international world.

³⁶ Gilpin, p. 389

³⁷ David Ellerman: *Helping people help themselves*

Since this thesis is focussed on knowledge-based development assistance, this section will present the thoughts on Autonomy-Respecting Help (the Dos and the Don'ts) in knowledge-based development assistance. Meanwhile and briefly, the main ideas of some of the thinkers who triangulate the theory will be presented. This will be preceded by the basic Helping Self-Help conundrum.

4.3.1. The Basic Helping Self-Help Conundrum

Ellerman pointed at a fundamental paradox within helping self-help. The problem is how can the helpers (development assistants) "supply" help that actually furthers rather than overrides or undercuts the goal of the doers (Clients) in helping themselves. Other way round: if the helpers are supplying help that directly influences the doers, then how can the doers really be "helping themselves"?³⁸

The argument here is that Autonomy is an internal issue that cannot be externally supplied. And if the doers are to become autonomous, then how can external helpers have any direct influence? This is the second paradox. These questions highlight the basic self-help conundrum in autonomy-respecting Help.

By extension, the helping conundrum is always present at all levels where there is a helper-doer relationship, such as in PSD, or in poverty schemes, in general with the seemingly endless debates about aid, help, assistance, and capacity-building .

4.3.2. Thinkers contributing to the Theory

The perspective of autonomy-respecting help is grounded on the thoughts eight thinkers. Their persuasions are from diverse fields, and for this

³⁸ www.economics.ucr.edu/seminars/spring04/05-21-04DavidEllerman.pdf

reason the perspective is holistic, cross-disciplinary and interdisciplinary. It is however to be emphasized that in every theoretical sub-segment, the “helper” and “doer” relationship is the focus. However, this thesis is presenting the thoughts of six of the eight thinkers whose thoughts are articulated in the theory. From the angle of this thesis, these thinkers are a representative of the theory, and show close affinity to the project’ core emphasis and analyses made.

Albert Hirschman reflected on the relationship between a development advisor and government. He could be considered the precursor of the Balanced Growth Debate and according to Ellerman, Hirschman’s work is “...the best exposition of the Alternative approach...”³⁹ He advised that any development approach from the development assistant should a priori recognize all the processes of growth and social change in the client or would-be client countries.

The disposition of the aid agency should be to make every effort to comprehend the client’s patterns of action right from the beginning instead of thinking of a set of techniques with an arrogance of a deeply promethean know - how. Therefore, it can be said that the habit to impose tailor-made development recipe, new or old, is against the spirit of autonomy-respecting help. There should be no offer of universally valid and immutable economic remedies that derive from a super or external specialist. Hirschman has noted that foreign aid is:

“...supplied with a great many ideas, plans, and ideologies, frequently of foreign origin or based on foreign experience Genuine learning about the problem will sometimes be prevented not only by the local policy-makers’ eagerness to jump to a ready-made solution but also by the insistent offer and advice on the part of powerful outsiders....”⁴⁰

³⁹ David Ellerman(2005) p.207

⁴⁰ David Ellerman, Helping help themselves, p. 261

As a result, the merits of veritable problem-solving are bypassed. This is typically the case of the WTO and the World Bank.

E.F. Schumacher and *David Ellerman's* contribution to the theory of autonomy-respecting help draws upon the relationship between a development agency and country. They are linked with three Dos and two Don'ts. The details of these thoughts, having been succinctly presented in section 4.3.3. that follows; the project instead proceeds with the next thinker.

John Dewey made his reflections on the autonomy-respecting help actions within the teacher - learner relationship. Dewey argued that no idea can be possibly transmitted as an idea from one person to another. He also argued that rewards for conformist behaviour or punitive measures for deviant behaviour, and other forms of physical control has little or no transformative or educative effect. Instead, he claimed, "...cunning and slyness may be aroused, so that things henceforth appeal to him on the side of evasion and trickery..."⁴¹. Consequently, this is one of the issues that development cooperation should show attentiveness to.

Douglas McGregor made his contribution to the theory on autonomy-respecting help on the relationship between a manager and workers, which he termed (Theory Y). It is also an indirect approach within the principal - agent relationship. Theory Y decomposes into five steps: 1. Start from the Doer's problem; 2. See the problem through the Doer's eyes; 3. Help the Doer pursue own ends in the best possible way to solve the problem; 4. Help the Doer in the implementation, testing and refinement of the Doer's solution and; 5. Help the Doer gain autonomy and take responsibility for the solution⁴². The Helper must therefore refrain from the charity of giving solution the Doer as that develops to a

⁴¹ Ibid p.81

⁴² Ibid pp. 61-64

knowledge dependency and clouds the Doer's predisposition for self-help to problems that are specific and unique of the Doer's circumstance and not the Helper's.

Carl Rogers could be considered as a forerunner on Nondirective Therapy or therapist-client relationship. He considered that the temptation for the therapist (or the teacher and manager) is to find an obligation to attempt to produce the right results. This overbearing approach cuts through the psyche of the client for self actualization. Conversely he posited that a complete hands-off approach will lead to zero interaction than an autonomy-respecting interaction⁴³. Thus client centered therapists like the World Bank must guard against the two scenarios presented above. The key for the therapist, as for the educator is to see the global space through the client's own eyes⁴⁴.

Søren Kierkegaard, just like Rogers and Dewey, advocated the indirect approaches. He belongs to the sub-strand of the spiritual teacher-learner relationship. His central message is that, direct objective approaches to spiritual insight all fall short. What is required is a subjective inwardness, which he argues, is able to appropriate the truth about matters of moral and spiritual value⁴⁵. According to Søren Kierkegaard, one cannot persuade and tell the devout Christian that he is under illusion to be Christian, but may only present that point and allow the concerned to do a mind search and make an admission in private.⁴⁶

In Kierkegaard's own words: "...if real success is to attend the effort to bring a man to a definite position, one must first of all take pains to find him where he is and begin there. That is the secret of the art of helping

⁴³ Ibid p.83

⁴⁴ Ibid

⁴⁵ Ibid p.85

⁴⁶ Ibid.

others. Anyone who has not mastered this is himself deluded when he proposes to help others (Kierkegaard, 1946:333)⁴⁷. This can thus well translate to the role of aid agencies today. Have they tried to take the pains to find the poor ‘in the periphery of the periphery’⁴⁸ and begin there to understand their problems or are they in the delusion of doing the contrary? It is the contention here to see if the PRSP help to analyse this preoccupations.

4.3.3. Knowledge-Based Development Assistance in the theory

Ellerman points out that there are two dimensions of Development Aid: the cognitive dimension and the volitional dimension. The cognitive side is to get one's descriptive representation or model to correspond more to the world while the volitional side tries to get the world to correspond more to a set of prescriptions, representation or model⁴⁹.

The focus of Knowledge based development assistance is on the volitional side of the two-sided relationship. For example, it is interested in the Helper-Doer relationship, by looking at actions based on external motives versus those arising from internal own motivation. However, the cognitive side is sometimes of importance because it allows one to assess the relationship between beliefs based on compliance with exogenous authority and beliefs based on the exercise rational thinking and critical judgment.

The headaches with development assistance tend to be with knowledge - based assistance, with the main problem being the standard theory - in-use, often disguising the espoused theory that the Aid agency has

⁴⁷ Quote restated by Ellerman, p. 255

⁴⁸ Johan Galtung used the expression “periphery of the periphery” in his studies on Imperialism

⁴⁹ Ellerman, 2006, p.17

“...answers that need to be taught, transmitted, and transferred to the target population of doers. That methodology is taken as so obvious that the focus is simply on how to disseminate the knowledge, how to expand the scale of the knowledge transmission in the client country, and how to measure and evaluate the impact of these efforts⁵⁰”

From the above quotation from Ellerman, it follows that knowledge-based development assistance has Two Don'ts and three Dos. The five articulate the approach of autonomy-respecting help in development cooperation by Ellerman.

The Two Don'ts and the three Dos in Knowledge-Based Assistance propounded by Ellerman respectively include:

1. Knowledge-based aid providing biased information, partisan econometrics, and one-sided arguments to induce "the right belief" in the doers, barring them from all sides to an issue and own experiments, thereby compromising the autonomy of the Doers.
2. Knowledge-based “helper” that transmits or disseminates "development knowledge" to the client gives the clients only borrowed ideas, not knowledge, and undercuts their inventiveness, search predisposition and learning capacity; and

1. Start from where the Doers are and avoid “slate-cleaning” but encourage a bottom-up process.
2. See the world through the Doers' eyes, the people and the policy makers in the client country.
3. Respect the Autonomy of the Doers. This summarizes the overall goal of assistance to autonomy respecting development help.

From the above five points, it can be seen clearly that the foremost task of development policy today must be to speed this evolution. In technical cooperation, it would be better for the helpers to train local doers to do the job even if the local people do it poorly at first attempt so long as there is a learning mechanism - in the shape of local capacity building. On the other

⁵⁰ Ibid, p.18

hand, the suspicion is that externally applied "carrots and sticks" (conditionalities) is no guarantee to weigh up policy changes or ownership sustainability for the Doers. Catch words like empowerment, participation, inclusion, and involvement should be interpreted with caution because they tend to disguise the reality and are abused to refer to the doers "participating" in schemes being undertaken by the helpers, when in practice it is not often the case.

The truth is, when thinkers from such diverse and different fields arrive the same and much related conclusions, it helps to reinforce the strength of the perspective and increases the confidence in the shared principles as a theory of science. Throughout, the thinkers were unconcerned with pre-packaged solutions but with the pursuance of a variety of approach roads. In the end, the student on Development and International Relations, the clients, the donors, the researcher and the general public could make the "transitions and consolidations" necessary to make the journey to wrestle the poverty challenge.

With the conceptual chapter and theoretical section having been presented, now comes the prospect to weigh up the Cameroon PRSP document with the issues raised in these two chapters and prepare the basis for the conclusion. It is also important at the stage to draw from the problem formulation to analyse the case in hand. This itinerary would be the challenge on the next chapter.

5.0. CASE TUDY – CAMEROON PRSP, 2003

The case study chapter divides into seven sections.

5.1. Case Description and Presentation

Cameroon is a constitutional republic, located in West Central Africa, with a population of close to 20 million inhabitants most of whom are living below the poverty line.

The economy is mainly agricultural consisting mostly of cash-crop farmers, even though there is an emergence of a new class of local small business owners, a process particularly accelerated by the lay off of former working-class persons from government services, but also by the heightened need for individuals, families and groups to respond to the challenge posed by poverty. The principal commercial crops are cocoa, coffee, tobacco, cotton, and bananas. Petroleum products make up more than half of all exports. Timber is also a major business area. Private ventures are in the areas of extraction, manufacturing, service and tertiary sectors, with trading by far leading the way.

In the early 1980s Cameroon appeared to be one of Africa's economic success stories. However, the over - and under - lying economic and policy weaknesses were exposed by 1985, when sharp declines in the World's coffee, cocoa, and oil prices especially, led to decline in the external terms of trade. These adverse terms of trade combined with an over-valued exchange rate, fiscal and management crisis resulted to the capitulation of the majority of the people to poverty, prolonged economic stagnation and accelerating public debt.

As a sour New Year's gift in January 1994, the CFA franc was devalued, but the other measures that could have been aligned with it came too little and too late. By 1997 the Government of Cameroon ascribed to the World

Bank's articulated structural reforms and so-called "prudent" macroeconomic policies and started the preparation of what is believed to be a concerted, interlinked and cross sectoral national policy of poverty reduction at the inspiration of the World Bank's Comprehensive Development Framework (CDF), and in light with the Millennium Development Goals (MDG). In April 2003, Cameroon adopted what the political oligarchy in place considered to be "comprehensive" Poverty Reduction Strategy Paper (PRSP) and on the strength of that became eligible for debt relief under the Enhanced HIPC Initiative and a further debt relief from the IMF, IDA, and the African Development Fund (ADF) under the Multilateral Debt Relief Initiative (MDRI) and the Paris Declaration. It should be recalled that at the same time that Cameroon was preparing its PRSP many other countries were doing the same and the result was that there was a proliferation of PRSPs around the world, which emphasise the contention that their creation is a product of the IPE of World Bank brand.

In a sense the CDF is committed to eliminating poverty, reducing inequity, and improving opportunity for people in low- and middle-income countries, as the World Bank Group's central objectives⁵¹. It emphasises the interdependence of all elements of development - social, cultural, structural, human, governance, environmental, economic, and financial⁵². The CDF advocates: a holistic long-term strategy in which the country in the "lead", is "owning" and directing the development agenda, with the Bank and other partners each defining their support in their respective business plans; stronger partnerships among governments, donors, civil society, the private sector, and other development stakeholders in implementing the country strategy; and a transparent focus on development outcomes to ensure better practical success in reducing

⁵¹ World Bank, CDF www.worldbank.org

⁵² Ibid

poverty⁵³. However the problem has always been how these lofty ideas are translated in the client country.

The CDF is therefore the foundation for the “new” partnership between North and South to achieve improvements in sustainable growth and poverty reduction that will help countries to achieve the MDGs, and from which, this paper argues the Cameroon PRSP spawned. The issue is how is this partnership worked out or translated, so that the voices of the poor are heard and expressed, and how the clients become the active Doers and the donors become the indirect Helpers? This case study attempts to show these constellations.

According to the World Bank programme Office in Cameroon and the PRSP itself, it is claimed that the Cameroon’s PRSP, was based on extensive “consultations” and a thorough poverty analysis that identifies development challenges. This case-study attempts to verify this claim, if not on the field, at least on the policy level of PRSP document itself.

A detailed reading of the 234-paged 2003 PRSP document on Cameroon provides seven broad issues it sets out to achieve:

1. Promote a stable macroeconomic framework.
2. Strengthen growth through economic diversification.
3. Empower the private sector as the main engine of growth and as a partner in social service delivery.
4. Develop basic infrastructure and natural resources in an environmentally sustainable manner.
5. Accelerate regional integration within the Economic and Monetary Community of Central Africa (CEMAC) framework.
6. Strengthen human resources, bolster the social sectors, and promote the integration of vulnerable groups into the economy.
7. Improve the institutional framework, administrative management, and governance.

⁵³ Ibid

In the ensuing sections of this case-study, these issues are confronted with the pertinent and relevant conceptual and theoretical aspects that have been raised through out chapters three and four in line with the problem formulation and the problem questions of the thesis.

5.2. Poverty within the PRSP

The cradle of the 2003 PRSP document is the conceptualisation and analysis of what poverty is and what causes it. The understanding and analysis of poverty lead this paper to submit that the theme follows that of neoliberal economists, which is criticised for being too deterministic and quantifiable. Indeed the conceptualisation of poverty is based on “Income Poverty” and this is too glossy, in the sense that too many mirages and constellations that need decoupling are not well addressed. There is a strong focus on economic growth leading the document to suggest that only the lack of growth is seen as one of the main causes of ongoing poverty in Cameroon.

But it was showed in the conceptual chapter that there could be growth without the right redistribution and this will have an adverse effect on poverty. The document that was preceded by, the only in-depth analysis of poverty in Cameroon so far used the quantity method of major household surveys based on ECAM I, 1996 and ECAM II, 2001. The PRSP document argues that “...growth has contributed 11.8 percent of the 13 percent decline in poverty between 1996 and 2001, whereas redistribution has accounted for less than 2 percent”.⁵⁴ Thereby there is a strong negation of “redistribution poverty”, which according to Graham Pyatt, is an essential way at looking at the concept. The PRSP document notes that in Cameroon, the

“...decline in poverty has not been followed by any narrowing of inequalities. Indicators of inequality, such as the GINI index, log variance and the coefficient of dispersal

⁵⁴ 2003, PRSP p.xi

between the first and last quintiles show that, despite poverty's retreat, inequalities, far from shrinking, have remained constant and have in some cases increased. For example, in 1996 the richest 20 percent consumed seven times as much as the poorest 20 percent; in 2001, this ratio was eight to one. These results reinforce the need to accompany growth policies with appropriate policies for distributing the fruits of that growth among all segments of the population”.

Nevertheless, the document claims that, the main conclusions on the quantitative analysis are supported by qualitative evidence based on participatory consultation with the population. This participatory consultation analysed the perception of poverty to be material deprivation, just Like Amartya Sen had pointed out. This can go too well only if the participatory consultations gave ample time for the people at the grassroots to prepare for the meetings, the debates were free and there was communication of discussion papers elaborated by the government in clear language and the participants of civil society were not hand-picked, based on political or ethnic background. It could also be plausible if the criticisms that major business clusters and civil society made with respect to the participatory consultations were made public.

It can be said that the 2003 PRSP's move to recognise poverty in terms of income and quality of life is a step in the right direction and needs plaudits. However, its failure to aggregate the causes of poverty at the micro, meso, macro and international levels, is an inadequacy. This failure means the need to earmark differentiated policies to address poverty on this multilevel is compromised.

Like Sen argues, poverty derives not just from the absence of opportunities in markets but also from the community, household and state settings, which are curiously not spelled out in the 2003 PRSP document.

5.3. PSD within the PRSP

Revitalising the private sector is listed as priority number three in the PRSP document. That notwithstanding, the document does neither specifically define what the private sector is nor exactly explain what PSD means. What the PRSP does affirm, like many international development agencies do, is the colourful statement that the private sector is the main engine for growth.

Nevertheless there is the extensive use of the vocabulary “SME/SMIs”⁵⁵, that is, the small and medium-sized enterprises/industries, and micro-enterprises, which to an extent shows a sound recognition that micro, small and medium size undertakings are implied. However, pro-poor business undertakings are not specifically mentioned.

A reading of the document sections based on PSD shows that the Government of Cameroon does recognised PSD in both the MMWP approach and the Enabling Environment approach, even though more accent has been placed on the Enabling Environment approach. This could be considered an opportunity within the PRSP, at least on this particular aspect. The Enabling Environment Approach in the document is clearly discernable in the resolve at: “(i) improving the physical environment of businesses by accelerating the development of transport, telecommunication, energy supply, and distribution infrastructures; (ii) improving the institutional and regulatory framework and delivering more efficient public services to businesses; (iii) enhancing security for investment by improving the judiciary system and implementing the OHADA business legal framework; (iv) promoting Cameroonian products on external markets; and (v) promoting dialogue and partnership with private organisations⁵⁶.” Thus the essentials or the thrusts of the PSD

⁵⁵ Cameroon 2003 PRSP, pp. 55-57

⁵⁶ 2003 PRSP, p.xiv

architecture within the Cameroon PRSP are based on creating an improved business environment. This understanding, just as was pointed out in the conceptual section, is akin to that of donors like the World Bank which is premised at getting the right policy environment in which it is believed competitiveness can be spurred and growth can result as a consequence and trickle to the poor.

It can also be argued that the domination of the enabling environment conception on the PRSP document espoused by the World Bank and like minded donors ties with the philosophical bases of the Neoliberal thinkers on economic development and the fundamental discourses that define Development and International Relations like Modernism, Ethnocentrism and Imperialism. In the document it is stated that Cameroon would pursue its PSD so that Cameroon becomes "...an effective partner to foreign investors.⁵⁷" Of course such partnerships are mostly bridled with inequality and FDI does not necessarily meet up with the challenges of poverty.

The MMWP approach is also evidenced in the PRSP document in these lines: "...foster greater organization and professionalism among small enterprises and the handicrafts subsectors, for instance, promoting partnerships through the development of networks/clusters ...and business incubation..."⁵⁸. These concerns are only good enough if the government of Cameroon and /or donors do not get involved directly as players. It should allow the petty businesses function as players themselves with only an invisible had from the former.

This commentator would also like to point out that there are no concrete benchmarks for actions related to the development of the private sector.

⁵⁷ Ibid
⁵⁸ Ibid

The models and performance indicators for PSD are too broad and are not accompanied by closer specifications of action.

5.4. Neoliberal Approach and the alignment of Poverty and PSD in the PRSP

Macro - economic and market reforms

The document claims that Cameroon is having a unique macro-econometric model suited to its own circumstance referred to as an “endogenous growth model” which projects short and medium-term growth by branch of activity. The document presents the determinants of growth to be:

- the basic medium and long-term production capacity, especially private physical capital driven by private investment, productive public capital (infrastructure, etc.), human capital driven by performance in education, health, and the job market
- Factors causing short-term fluctuations in demand (budgetary [fiscal] and monetary policies) or supply (natural or business cycle shocks), which are also included in the equations for determining sectoral growth rates.

The above illustrates the persistence of macro-economic growth. Also the Government is committed to maintaining macroeconomic stability, by intensifying efforts to offset the decline in oil revenue, which brings in foreign earnings, by increasing non-oil revenue. This is the persistence with the argument for international trade. The document claims that the move will enable it to meet the targets of increasing non-oil revenue to over 16 percent of non-oil GDP (16.4 percent in 2003).

Brot fuer die Welt following a G 7 summit in Berlin in 2002 had seen that the industrialised countries’ drive for debt “disencumbrance” were

grounded only if the HIPC are tied down by the PRSP to the donor community. According to that organisation, the main focus of PRSPs is

“...economic growth, labelled as pro-poor growth. However, the [recipe] for how to achieve growth is very much alike [with] former programmes and contain mainly the implementation of structural adjustment measures based on liberalization of trade and financial markets, a restrictive stabilisation policy and privatization”⁵⁹.

How these policies affect the people, and especially the poorest of the poor, the volatility of the global market and the dangers of opening the economy, the deviation in commodity terms and competitiveness among poor countries are given too little attention⁶⁰. In page 55 of the PRSP document it is stated that market forces are essential for sustainable economic growth through “...price liberalization, the elimination of credit access problems, the simplification of customs procedure and tariffs, restructuring the banking sector, and transportation sector privatization and reforms”.

Public Sector Reforms

In the educational sector, the Government’s strategy envisages budgetary support that will take the share of education in primary expenditure from 17 percent in 1995 - 2000 to 25 percent in 2001 - 2010. Capital expenditure in building of classrooms, for example is projected to grow faster than sundry running costs because of catch - up needs and due to special efforts to boost technical education and vocational training. There is nothing actually specified except this general proposition.

In the health domain, the PRSP focus on strengthening basic health care coverage and stemming the spread of endemic diseases such as

⁵⁹ Brot fuer die Welt, May 2002

⁶⁰ Ibid

HIV/AIDS. The implementation of the sectoral strategy will involve a major increase in budgetary outlays that will take the health sector's share of primary expenditure from 5 percent in 2000 to 10 percent in 2008 and toward the goal of 2 percent of GDP in 2015.

In the domain of "Productive" infrastructure, budget expenditure in this field will increase its share from 1.5 percent in 2003 to approximately 3 percent in 2015. The document says that with the ongoing structural reforms, including privatizations, this effort will be on top of growing private sector involvement, through subcontracting, especially in electric power, water, and telecommunications.

Rural area development is pointed at as one of the mainstay of public policy reforms. Since most of the poor people live in rural areas, poverty reduction therefore implies developing those areas. Efforts have to be dual and relate to improve both infrastructure and crop yields.

From the above sectoral public policy areas, it can be argued that there is a sound long term platform for success if the policies are implemented correctly. For instance, it is wrong for the Government to build technical training centres or rural artisan and home economic centres in locations where there is no need and neglect having them in places where there is high need. The researcher of this project, based on his personal knowledge on Cameroon, is at a loss to realise that two rural artisan and home economic training centres (SAR/SMs) were closed down in Manyemen and Nguti, when the Government realised that the youth in the area were not interested in the training offered in those centres. So when we talk about consultation and participation pursuant social projects for development, there should be much prudence, as examples like this fail to augur well for poverty.

5.4.3. Promoting Deregulation, Competition, judicial and property reforms

According to the 2003 PRSP paper, both the volume and effectiveness of investment requires a major inflow of overseas investment. This requires deregulation, simplification of procedure, which will increase competitiveness. The foreign direct investment/GDP ratio is still considered to be weak as it declined from 1.36 in 1991-1994 to 1.17 in 1995-1998 while the same ratio tripled for the sub-Saharan African countries as a whole.

The document points out that the current effort to PSD and good governance, and to complete the privatisation program in Cameroon will take this ratio up to 1.5 percent by 2007 and to approximately 2 percent of GDP by 2010 to sustain growth⁶¹. While there are definitely advantages to be derived from FDI, it is necessary to be stressed that it has not always brought beneficial results on the ecology, respect of labour standards and profits that are often repatriated to FDI source countries.

According to James Fox⁶² of the USAID, Cameroon and its CEMAC sub regional partners have lowered their common external tariff from 30% to 20% with a view to reduce barriers to trade liberalisation and as a move to incite competition. This is evident in the document and more so, according to this deduction in external tariff, it can be said that the PRSP considered the past competition has being inconsistent with the development of a flexible industrial sector. But even the man-in-the-street is too aware that lowering of external tariffs encourages but foreign entrepreneurs and seldom brings commensurate and reciprocal benefits to the client country.

⁶¹ 2003 PRSP, chapter 4

⁶² James Fox, USAID, DIS, 1331 Pennsylvania Ave., NW, Suite1425, Washington, DC 20004

Within priority 7, a legal and judicial framework to the 2003 PRSP document is instituted by "... reinforcing transparency and accountability [and] the strengthening of the rule of law and the legal and judicial security of investments". Concerning land reform, there is no specifically stated position on the part of the Cameroon authorities to redistribution. Only protection of ownership is mentioned. Setbacks to access to land by Land Law and/or traditional tenure system or by cultural hindrances are not spelled out.

Promoting SMEs

Specific benchmarks for SMEs and local development are not spelled out. For example, issues like finance and planning, ownership and organisation and feasibility studies for companies, SMI/SMEs, cooperatives, family start-ups and joint ventures, are not defined; and this could be considered a flaw in the 2003 PRSP document. James Fox of USAID argues that the absence of benchmarks and time-bound progress indicators are needed to demonstrate serious government commitment⁶³. In the Cameroon case, even though short run, medium term and long term progress indicators are set, they tend to be too vague than concrete. Furthermore, the weaknesses of the private sector are not addressed⁶⁴.

5.5. Autonomy - Respecting help and the alignment of, Poverty and PSD in PRSP

Douglas McGregor had argued that knowledge dependency is produced when the Helper does not refrain from the charity of giving solutions. This tendency clouds the Doers' predisposition for self - help to the problems that are Doers-specific and unique. This does seem to be the case with the 2003 PRSP document. Throughout the PRSP there are statements strongly suggesting the continuation of knowledge dependency by the

⁶³ James Fox, 2004, p.10

⁶⁴ James Fox, 2004, p.14 [from the table]

reliance on support from the donor community. The document does not tell us how many field visits the experts from Donor community had made to inaccessible villages in the most remote areas of Cameroon to acquaint themselves with what poverty really means.

However a complete “hands off” approach that this project also denounces, does not find its way in the 2003 PRSP, which is good; but the overbearing approach compromises self actualisation.

It was noted down in the theoretical chapter that if knowledge-based Aid provides biased information, partisan econometrics, and one-sided arguments to induce "the right belief" in the doers, barring them from all sides to an issue and own experiments compromises the autonomy of the Doers. In the 2003 PRSP document is stated that: “the Government has prepared the...document using an open and participatory process, which has involved the population at the grassroots level, the civil society, private sector, development partners and the public administration⁶⁵”. This paper contends that that information is an affront to the philosophy of autonomy-respecting help.

The very mention that the document was prepared using development partners shows that partisan econometrics and arguments to induce the “right belief” were incorporated into the document. If this assertion is also aligned with the second Do of the autonomy-respecting development assistance, namely: See the world through the Doers' eyes, the people and the policy makers in the client country, it can be argued that the inclusion of the donor community in the preparation compromises the autonomy-respecting status of the document.

⁶⁵ Forward to the 2003 PRSP by the PM P. Mafany Musonge.

Furthermore, this paper established in the theoretical section that one of the demerits of veritable Knowledge-based development assistance is one where the “helper” transmits or disseminates "development knowledge", because it gives the clients only borrowed ideas, not knowledge, and undercuts their inventiveness, search predisposition and learning capacity. This is evidenced in the 2003 PRSP in that the foreword to the document states: “after having completed a quality PRSP, the Government now faces the challenge of ensuring its successful implementation...⁶⁶”

Practically, this is not supposed to be the case, if the government had started to identify the problems from where the people are, the people could have been very eager to cooperate at the implementation level. Therefore, this project argues that, in the same way in which the donor community was involved in the preparation of the document, likewise will the same community be consulted to stage-manage backstage the PRSP implementation. To do that, the document itself states that it is counting on “the support of the donor community”. Therefore, the 2003 PRSP reinforces asymmetrical power structures through a neoliberal blend of politics and economics.

Among the seven main priorities of the 2003 PRSP document, while revitalizing the macro-economic environment features as the first priority, the strengthening of human resources and the social sector and facilitating the integration of vulnerable groups into the economy occupies the sixth position; and improving the institutional framework, administrative management, and comes only as the seventh priority. From this angle, it can be said that macro-economic issues have been prioritized over micro, meso and humanistic issues and it is wondered what this should mean for the poverty challenge, the grassroots people or like Ellerman said, the “respect the Autonomy of the Doers”.

⁶⁶ Op. cit. p. 80

From the above points, it can be seen clearly that the foremost task of development policy today must be to respect the autonomy of the Doers. In technical cooperation, it would be better for the helpers to train local doers to do the job even if the local people do it poorly at first attempt so long as there is a learning mechanism - in the shape of local capacity building. On the other hand, the suspicion is that externally applied "carrots and sticks" (conditionalities) is no guarantee for Doers policy changes or ownership sustainability. Catch words like empowerment, participation, inclusion, and involvement should be interpreted with caution because they tend to disguise the reality and are abused to refer to the doers "participating" in schemes being undertaken by the helpers, when in practice it is not often the case.

A relaxed reading of the long 2003 PRSP document reveals the eagerness on the part of the Cameroon government to jump to a ready-made solution, the insistent need of external advice and a disposition to offer advice on the part of powerful outsiders. This logic challenges the thoughts espouse by Albert Hirschman with regard to autonomy-respecting help.

5.6. Discourse Analysis and the 2003 PRSP

Time without number, the document itself repeatedly states that the Government of Cameroon is counting on "the support of the donor community". It was upheld in the section on Discourses that the skewed global arrangement of wealth can only be resolved when the underdeveloped countries follow the economic development path charted by advanced industrial "meritocracy". This kind of discourse has infiltrated the course of PSD in Cameroon, as the 2003 PRSP demonstrates. No where in the document is "the support of the donor community" carefully explained. This project would like to argue that this is a deliberate vacuum

created so that ways of doing things could be predetermined by international partners or donors.

Since the donors lay claim to a legitimate thought bank, it is not surprising to note that the 2003 PRSP always make allusions to “the support of the donor community”. Thus what is intended in the document is, by and large, the admittance of the knowledge and power of the donor. The statement shows that the status of the donor community cannot be questioned, like Aturo Escobar had argued⁶⁷. The donor community and its power and knowledge has found its way into the 2003 PRSP document through a process, Marc Williams called “Normalisation”.

This has been done by elevating the status of the donor community to one that cannot be questioned. By the constant use of that phrase, the 2003, PRSP places local or national discourses at a backward or underdog position. In a sense, through that statement, the Cameroon elites consider its whole community as inferior. It was noted in the theoretical section that discourse creates endless prescriptions, so that development as a continuous learning process is created. That very statement in the 2003 PRSP has the same effect and is an element of misperception and low self esteem that is capable of making PSD to falter in Cameroon as the thinkers within autonomy-respecting help argue.

Furthermore and like Richard Falk had shown⁶⁸, often the development cooperation rhetoric is realigned and thinly veiled to embed the industrial power as “privilege vehicles of progress”, with an entitlement to exert dominance by a special appointment. The insistence that Cameroon will pursue its development drive with the support of the donor community reinforces this argumentation of modernism to be the will of a “chosen

⁶⁷ Escobar, 1995, p. 5

⁶⁸ Falk, p.268

people” to dominate others. It can be argued that while a country might be politically independent, it might still be economically dependent. The Cameroon case is proof.

Johan Galtung had argued that, a basic pre-notion that reproduce imperialism is that, the *Periphery* does not necessarily know as to be able to make a contribution in its relationship with the *Centre*. In the 2003 PRSP, the reference to “with the support of donors and international partners” could mean the acceptance on the part of the Cameroon Government of the unlimited rationality of the Centre and a suppression of its own true interests.

Franz Boas and Bronislaw Malinowski had argued that an ethnocentric person repudiates the culture of birth and adopts an external culture, because he might have lived such changes as to see his adopted culture to be better than his culture of birth. This project considers that the drafters of the 2003 PRSP fit into this logic by the persistent reference of support from the donor community, a feeling reinforced by the fact that the then prime minister of Cameroon, P.M. Musonge, himself and many cabinet members, are products of US and French business and higher education institutions.

5.7. A general IPE assessment of the PRSP on Cameroon’s PSD and Poverty

About foreign Aid, Martinussen and Pedersen had argued that the relationship between donors and clients has never been equal. After analysing the 2003 PRSP, it can be confirmed with these two authors that donors set the conditions of development cooperation that reflects economic and other interest, irrespective of the clients’.

The application of an IPE of development is seen within the framework of the 2003 PRSP document as a call to make only very tight choices between these five options:

1. The option of public and/or private
2. The option of interventionism and/or free market economy
3. The option of regulation and/or liberalization
4. The option of social equity and/or growth
5. The between local specificities and/ international models

The 2003 PRSP document reinforces the IPE perspective about the inseparability existing between the economic and political realms and the domestic and the international spheres. An entire reading of the document shows that there is the resilience of foreign and national partnership in the fight to address the scourge of poverty and in attaining PSD. Like wise, it is difficult to separate the economic aspects of development from the political aspects, at least on the level of policy.

Like Anna Dickson argues and following the route charted out in the theoretical section, Development and International Relations, must at all times be pursued together. The presentation and pursuit of macro-economic analyses in the 2003 PRSP follows the logic. While markets must perform by the play of the free market forces, there is need for interventionism on the part of the government to decide the rules of the game, needed to protect infant industries. At the same time, even though the theoreticians within autonomy-respecting help argue that the role of knowledge-based development agencies should never be at the fore, the present order of the global political economy makes it to be too difficult a call.

6.0. CONCLUSIONS AND PERSPECTIVES

This thesis was intrigued at the outset, by a triangular investigation. On the first level, it was the need for a critical assessment into the reality and coherence of the content of Aid to PSD and how it has transformed the sector so as to take up the challenge of poverty. In other words, it sought to review how the constitutive elements of knowledge-based foreign Aid towards PSD is helping to address the scourge of poverty or the things by which it could be identified. These things were pointed out to be, on the one hand: unemployment, inflation, trade deficits and balance of payment problems; and on the other hand: regional inequality, redistribution, the state of the vulnerable groups and absolute poverty.

On second level, this thesis was both theoretical and ideological; it attempted to clarify and integrate some of the ways in which scholars on and conceptual positions of aid agencies had conceived of international interventions and agency within PSD. This was based on the neoliberal perspective, the wider IPE, discourses and autonomy- respecting help, which had been discussed to a great extent in chapter four.

Lastly, and on the third level, the thesis has presented a conceptual understanding and assessment of poverty and PSD. The above triangular intellectual itinerary was based on the assumption that discussions of present day international development and theoretical questions should be pursued together. Another provocative thrust of the thesis was to relate the triangular discussion to a case of knowledge-based Aid – the 2003 Cameroon PRSP document, to be specific.

Having throughout pursued the above discussions and analyses, the thesis now comes to the definitive watershed – the findings and the conclusions - and links it to the poverty challenge.

6.1. Findings and conclusions

To begin this project revisits the central question raised in the problem area in the introductory chapter:

How and with what results could ideology and strategy of foreign Aid be seen as barriers to PSD and hence a challenge to poverty?

The PRSP strategies seem to respond, in the Cameroon case, to what the document itself terms “ an endogenous model” but which actually is a modified version of the orthodox neoliberal model of a «market-based pro-poor growth » in which the benefits of economic growth are expected to trickle-down to poor people, and the effective autonomy of the Doers are not clearly seen to have been addressed. The case-study shows that it is not the “nature” of poverty that determines which kind of economic policy to follow, but the policy of macro-economic conditionality which determines what approach to take to combat poverty. This so called “endogenous” version of macro-economic policy is a weakness of the PRSP.

The persistence of the processes of privatisation would not help to improve the situation of the poor inasmuch as corruption and inflation made access to basic social services harder for the poorest sectors of the population.

The liberalization of foreign trade particularly affects important sections of small - and medium-sized entrepreneurs, who do not have the capacity to compete with (often externally subsidised) import goods, especially as access to credits for small- and medium-sized farmers remains insufficient.

The fiscal reforms can not succeed to establish a tax system that leads to a redistribution of income. In the Cameroon case under consideration, neither international cooperation nor the government has expressed interest in attacking the structural problems of poverty towards from the angle of the civil society. Probably this stems from the confusion between the effects and the underlying causes of poverty which are to be addressed. The debt disencumbrance agreed under the HIPC initiative is too small compared to the financial and growth implications of the PRSP to be tied to it).

The differences in the perception of knowledge and power in Cameroon between the poor and the big industrialists, landlords, ethnic groups, corrupt state technocrat who all have different perceptions of poverty are not focused. This paper argues that micro and SME/Is, wage earners and workers within the private sector are victims of circumstances beyond their grip. In this context autonomy-respecting development, the PRSP has produced a process of consultation, not of real participation.

The idea of using the proceeds from oil and non oil resources from trade liberalisation to pay the foreign debt instead of using it for the well being of national and local disillusioned communities contradicts the principles of the Millennium Development Goals.

Though it is true the PRSP emphasize the disadvantageous situation for small - and medium - sized rural farmers regarding their access to land, the impacts resulting from liberalisation tend to deteriorate their situation instead of improving it, at least from the supply side. More so policies are not clearly stated to redistribute land to them. Additionally, due to the lack of clear PSD benchmarks, the ability of PSD, as a development tool to take up the fight against poverty is severely constrained.

From what obtains above, this paper argues that the nature of the global IPE of development is partly responsible for the outcome or results that characterize the alignment of Aid, PSD and the Poverty Challenge; and the ideologies of the Aid that is unleashed to PSD is itself a major barrier to challenge of poverty, since it bears the uncertainty and asymmetry within IPE. It however remains a dominant and resilient approach to knowledge and power but unfair to the developing World.

6.2. Perspectives

The subsidiary question comes up here. *How could local entrepreneurial spirit better the results and on what donor-client platform?* This thesis is not premised on the very foundations that have led to a critique of the donor approach to development cooperation. According to this line of argument, this commentator would not like to sit in his arm chair and laptop computer to imagine what local entrepreneurial spirit should be.

Therefore the answers to the above question would be found only after a field research is conducted in Cameroon. Questionnaires and interview method with both closed and opened ended questions would have to be prepared and all the different private sector stake holder groups will be visited. Such could be a very costly project, and the medium ground could be choosing a particular geographic area or particular sector of business activity.

What should perhaps be done is to go to the field and verify the specifics, unpack power relationships and showing the way forward; by pointing out the vulnerable groups that the Helpers need to contact.

Doucouliagos and Paldam (2007) has argued that the key problem with macro-economics which unfortunately development studies seem also to suffer is to

“...to know from introspection that when we study an empirical question, we analyze the data till we are satisfied with the result. Results are thus generated by a “stopping rule” for a “search”. We all believe that we stop when we have reached “the truth”. However, what we believe is the truth is influenced by priors, and there are also incentives in the research. It is not a matter if the incentives are truth-finding-consistent.”

Thus this thesis aware of this would not want to fall into the trappings of data mining, priors and incentives with regard to the question above.

That notwithstanding, the recommendations of this thesis which is like an exit-strategy for now is:

- Refining the macro dimension of the neoliberal agenda, so that it is not a complete “hands off” but rather the indirect approach that respects the autonomy of the Doers.
- Placing greater emphasis on the micro and meso environment of the businesses by refining the MMWP approach.
- Sensitizing those who wield power in the global political economy about the advantages of autonomy-respecting development assistance above the hawkish imperialist trappings and remembering that, to paraphrase Wallerstein the hounds will be on the hares for the position of top dog.

These three issues should be pursued together in a hybrid. It has the potential to deliver answers to the most antiquated problem of international cooperation that still stands as a ruin on the development landscape.

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