

Singapore seminar

## Parliamentarians debate more active role in budget oversight, poverty reduction

On October 13–14, the IMF sponsored a seminar in Singapore on growth and poverty reduction in South Asia with parliamentarians and other political and social leaders from Bangladesh, Nepal, Pakistan, and Sri Lanka—countries that have prepared or are preparing poverty reduction strategy papers. The forum drew participants from across the political spectrum in each country, focusing on the political economy of reforms and the role of legislators. Much of the debate centered on policy trade-offs, the importance of building consensus, and the larger task of broadening participation in the reform process.

The IMF has long interacted with legislators in meetings at IMF headquarters or in country capitals, but more recently, it has broadened its outreach (see box, page 344). Why the expanded effort? In part it is an aspect of the increased openness and transparency of the IMF. It also reflects the increased attention being paid by the IMF to the need for national ownership of policy programs. In low-income countries, in particular, parliamentarians, as political representatives of the people, can play a key role in formulating poverty reduction strategies, approving and monitoring national budgets, and passing legislation on economic reforms. In addition, legislators can play a pivotal role in ensuring that the voices of the people are heard in public policy debates and in helping forge consensus when there are differing views.

### Making choices, building consensus

What policy trade-offs confront decision makers in promoting pro-poor, pro-growth budgets? Poverty reduction requires not just growth but also, in the short run, targeted social spending and other policies specifically designed to reduce poverty and, for the long run, investment in education and infrastructure, and the building of supportive institutions, noted the IMF's Kanitta Meesook. Thus, difficult choices must be made to integrate poverty-reducing expenditures into the budget framework while preserving macroeconomic stability. The budget, parliamentarians underscored, is the government's most important policy-making tool, and it involves difficult policy choices. There was general agreement with Deep Kumar Upadhyay, former member of the Nepalese parliament, that parliamentarians should exercise budget oversight and hold the government accountable for its priorities.

Of course, in the short run, some economic reforms, such as restructuring or privatizing state-owned enterprises and banks, create winners and losers and thus lead to opposition. "Privatization of national icons alarms people," said Ravindra Randeniya, member of the Sri Lankan parliament. Political leaders need to take these views into account in setting public policy, participants observed, agreeing with Abdul Mannan, a member of parliament from Bangladesh, that "without a national consensus, governments will not be able to undertake these reforms."

But there were differences of view as to how a consensus could be achieved. The government should understand the effects of reforms in advance and think about how the adverse effects on some can be mitigated, including by providing social safety nets to protect the most vulnerable members of society, suggested Dilli Raj Khanal, former member of parliament, from Nepal. Others echoed the views of Hina Rabbani Khar, member of Pakistan's parliament, and Ravindra Randeniya of Sri Lanka, who said it was not a good idea to "keep people on the dole" and, moreover, that handouts take resources from other uses that could help the poor in a more sustained way.

A number of parliamentarians felt that macroeconomic reforms were not enough to reduce poverty. They argued that more attention had to be paid to microeconomic reforms, particularly in rural areas where the majority of South Asia's poor live. "We have achieved great things [under the IMF-supported program], but the IMF needs to do a better job of understanding the reality on the ground," Pakistan's Khar said. The legislators at the seminar agreed that the poverty reduction strategy paper (PRSP) was the right vehicle for linking the macroeconomic and microeconomic aspects of poverty reduction, but they urged the IMF and other development partners to focus more on ensuring that the benefits of reform did indeed accrue to the poor.

The prevalence of corruption was also a concern. "It does not matter who is in the government or who is in the opposition; the public does not trust political leaders," observed one member of Bangladesh's parliament. There was universal agreement that good governance is essential to improve the climate for investment and growth, but the real challenge, the parliamentarians said, was building a national consensus on the importance of combating corruption.



Legislators can play a pivotal role in ensuring that the voices of the people are heard in public policy debates.



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## Promoting participation

Several legislators stressed that the process of formulating poverty reduction programs needs to be broadened to include, especially, the poor. One participant observed that the voices of the people have not been heard in the reform process, their interests have not been taken into account, and they have not been properly consulted. Another wondered whether PRSPs are truly homegrown or just another Washington product. They are indeed homegrown, the IMF's Mark Plant observed, but this does not preclude the IMF and other development partners from having a role in the PRSP process. Ultimately, he said, it is up to the governments to ensure an open and inclusive process, and domestic and international partners must be willing both to contribute to the process and to listen to the input of others.

As for their own role in the economic reform process, several members of parliament observed that they have not had the input they would have liked in the budget process and in approving lending arrangements that international financial institutions have agreed with their governments. The discussion also revealed that the extent of parliamentary debate on economic reforms and on formulating and formally



Hina Rabbani Khar, member of parliament from Pakistan, addresses the Singapore gathering.

approving PRSPs varies from country to country, depending on the prevailing institutional arrangements. Nepal's Dilli Raj Khanal captured the participants' overall sentiment, noting that in their countries "most policy decisions are made outside the parliament." Norbert Mao, member of the Parliamentary Network on the World Bank and Ugandan parliamentarian, urged legislators to be proactive. They must, he said, take the initiative and make themselves relevant in the budget and PRSP discussions.

In his keynote address, IMF Deputy Managing Director Shigemitsu Sugisaki stressed

the importance of an "active and informed public dialogue on reforms" and noted that the seminar had played a useful role in deepening the dialogue between the IMF and parliamentarians. But now, he said, it is really important "that this dialogue be carried out in your home countries." ■

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The full text of IMF Deputy Managing Director Shigemitsu Sugisaki's keynote address is available on the IMF's website ([www.imf.org](http://www.imf.org)).

## IMF's outreach to legislators

The IMF's dialogue with national legislators, which has expanded in recent years, takes a number of forms:

- IMF management, Executive Directors, and staff meet with legislators on their travels to member countries and when legislators visit Washington. IMF resident representatives and visiting staff teams also meet with national legislators.



IMF Executive Director Sri Mulyani Indrawati participated in the Singapore seminar.

- At seminars in Zambia (2000), Indonesia (2000), Kenya (2002), Cameroon (2003), and Ghana (2003), IMF staff and legislators have discussed the countries' poverty reduction strategies, IMF-supported programs, and the role and activities of the IMF.

- Training has been provided at the IMF's Joint Vienna Institute for legislators from the transition economies, since 1995.
- The IMF has participated in the annual conferences, field visits, and regional East Africa chapter of the Parliamentary Network on the World Bank. At the network's annual conference this year, IMF Managing Director Horst Köhler engaged in an hour-long question-and-answer session with parliamentarians (see *IMF Survey*, March 31, 2003).
- IMF staff have attended conferences and meetings of the Inter-Parliamentary Union (IPU) when issues of interest to the IMF were being discussed. IMF staff participated in a panel on the Bretton Woods institutions at the IPU's annual meeting in October 2003.
- The IMF has collaborated with the Global Organization of Parliamentarians Against Corruption (GOPAC), including by participating in a seminar for parliamentarians with GOPAC and the African Parliamentarians Network Against Corruption in Nairobi in November 2003, on measures to combat money laundering and the financing of terrorism.