

# DEVTECH phere

DEVTECH SYSTEMS, INC.  
Winter 2003–2004

## *Poverty Reduction Strategies and the Private Sector*

Over the last several years the World Bank and the International Monetary Fund (IMF) have supported the preparation of Poverty Reduction Strategy Papers (PRSPs) by developing countries. The PRSP initially emerged as a requirement for poor countries seeking debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. The original purpose of the report was to ensure that such countries would allocate a substantial portion of resources made available by debt relief to increase government spending on poverty-related activities in education and health. The World Bank developed a different, and more broad-based strategic concept, the Comprehensive Development Framework (CDF), for other countries receiving assistance from the World Bank and the International Development Association (IDA).

Both the CDF and the PRSP were to be “country-owned,” drawing on extensive discussion among the diverse strands of opinion and interest in the developing country, including government and the various elements of civil society and the private sector through-

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## **GENDER IN MACEDONIA: PROGRESS AND PROBLEMS**

*Gender analysis is a process that examines the differential impacts of decisions on women and men. It recognizes that neither women nor men are homogenous groups. Gender analysis helps to identify where social expectations and stereotypes based on gender discrimination can influence public policies and programs. (Gender Analysis Checklist, 2002)*

In April 2003, DevTech began its four-year subcontract to support the Macedonia Competitiveness Activity (MCA) implemented by Booz Allen Hamilton, Inc. and funded by the United States Agency for International Development (USAID). The MCA's overall objective is to build the competitiveness of Macedonian enterprises in domestic, regional, and global markets and to facilitate the development of a Macedonian National Competitive Council (MNCC) composed of forward-thinking private-sector, government, and nongovernment leaders. In its first year, the project team will work with three to five Macedonian “industry clusters” that will be identified through a “self-selected” process. A cluster includes all stakeholders in the performance of a given industry: private enterprises of all sizes, producers, suppliers, customers, labor, government, research institutes, training institutions, professional associations, and others. In April, the MCA focused on the lamb, cheese, and tourism clusters.

While the effects of gender on some components of the MCA are readily measurable (e.g., firm-level assistance, business association leadership, credit recipients), its effect on the broader national and cluster-level activities is more difficult to identify. Thus, DevTech began its work by attempting to gain greater understanding of the impact of gender on the activities of the MCA initiative in order to ensure the highest level of effectiveness and sustainability.

The gender assessment process commenced with research focusing on secondary sources as well as discussions and interviews with stakeholders such as people in politics, both activists and elected officials; educators, donors, and representatives of nongovernmental organizations (NGOs) across ethnic groups; businesswomen and entrepreneurs; academics; and statisticians. Interviewers used a participatory, qualitative approach to determine the current economic situation of women and men in Macedonia and how this situation influences the choices they make.

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earn less and work  
longer days than men.*

## *Economic Background*

Even prior to the dissolution of the Soviet Union and the breakup of the former Yugoslavia, Macedonia was extremely poor. Nonetheless, in part because of transfers from the central government in Belgrade, which funded a comprehensive social protection system, only four percent of Macedonian households were classified as poor in 1991. Poor households in that period were located mainly in rural areas and derived their incomes primarily from agriculture.

By 1996, this situation had changed radically. As a result of economic disruption in neighboring countries, the loss of fiscal transfers from the federal government, and the generally slow pace of economic transformation, the proportion of households living below the poverty line rose by a factor of five. This increase was a result, primarily, of declining incomes and general economic activity, but was aggravated by widening income disparities.

The introduction of privatization, democratization, structural adjustments, and reforms during the post-Soviet period had huge economic and social impacts on the overall population. During this period, the unemployment rate increased rapidly and reached 35 percent in 2001.

## *Women's Role*

Under communist rule, gender equality is assumed (though not necessarily a fact). Because there were no laws that specifically addressed gender equality, it was not recognized as a separate issue in Macedonia's post-communist system — though Article 9 of the 1991 constitution guarantees all citizens equal rights, and women are mentioned in Article 42, which states that, as mothers, they need special protection.

DevTech's Gender and Human Capacity Development Division manages and implements a range of contracts and grants. Activities include providing short-term technical support to USAID/Washington and Missions abroad to integrate gender considerations into their programs; developing programs to alleviate the worst forms of child labor in the Dominican Republic; and monitoring and evaluating education reform efforts in Iraq.

DevTech's Project Associates provide management and backstopping support from project start-up through implementation to close-out. They recruit qualified short- and long-term technical experts for fieldwork, coordinate all project-related logistics and procurement, monitor project budgets, and ensure timely submission of all reports and deliverables. Project Associates also serve as liaisons among clients, technical experts in the field, and subcontractors.

For more information on DevTech's activities in the fields of gender integration and education, visit [www.devtechs.com](http://www.devtechs.com).

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In addition, the country's economic hardships led to a transformation of Macedonian society to one that was increasingly family-based — individuals, living in economic poverty, could not survive on their own; they could, however, do so living together. Therefore, the role of women as mothers was reinforced. The Convention on the Elimination of all Forms of Discrimination Against Women Report for Macedonia in 2001 stated that though women were not fired from paid employment, their domestic duties and responsibilities increased, with the result that some women had to negotiate between full- and part-time work. Of the total number of employed people in Macedonia, women account for 40.4 percent, and they are mostly segregated in the traditionally “female” professions or industries.

The high unemployment rate, increasing level of poverty, and decreasing living standards

have worsened the situation for the majority of citizens, and especially for women. Women carry the burden of working both on their jobs and at home, taking care of the household, the elderly, and the children. This role is further reinforced by Macedonia's traditional culture and the stereotypes that construct different roles for men and women. Women rarely have the time or energy to be actively involved in social activities and social or political decision-making processes.

## *The Global Situation*

The position of Macedonian women is a reflection of a larger, global picture.

The Center for Concern, 2001, reported that women throughout the world are producers, consumers, and agents for change, and are active politically and socially, yet they continue to be ignored or

poorly represented in the macroeconomy. Analysis of women's contribution to the macroeconomy as well as the impact of the macroeconomy on women has highlighted a number of key issues.

First, women globally still earn less and work longer days than men.

Women tend to delay their entry into the paid workforce if they cannot negotiate the conflict between paid and unpaid, full- and part-time work. If they cannot have economic autonomy, they may turn down opportunities for advancement or promotion. Thus, it may be perceived that women are not as committed to developing their careers, so advancement and/or promotion may not be offered. In addition, if they do not have autonomy in their economic life, women may not be included in economic decision-making in their households.

Second, women tend to be ghettoized into low-paying jobs, which offer fewer benefits, including pensions.

The Status of Women Report-Canada, 1993, warned that as the world moves towards an information-based and global economy, paid work will increasingly be restructured. Women who lack the skills needed may lose out.

Government cuts and programs such as structural adjustment have been shown to widen the already existing gender gap in the paid as well as unpaid sectors of the economy. The pressure of global competition is pushing more women to nonstandard, repetitive, and dull work by contract and/or part-time arrangement.

Throughout the European Union (EU), women face similar obstacles to obtaining full employment. Although the unemployment rate for women is 18.5 per-

cent below that of men, women remain primarily in piece-meal, part-time work, typically as domestic and care workers, salespeople, and social workers. Men are more likely to be found in the computer and related information technology fields or in other jobs that require higher skills. Women are rarely promoted to decision-making positions.

### *Conclusion*

The Macedonian interviews highlighted the following issues.

Most of the respondents felt that women lacked access to information and training. Connected with this is the need to develop curricula in the national school system that would support future economic trends.

Women want to become economically independent but do not know how to begin their own businesses. In addition, they have difficulty accessing capital, loans, and/or credit. Many respondents also reported that the difficult registration process for obtaining a business license stops many women (and men) from legally opening or expanding businesses.

Other areas of concern are shortage of job opportunities, domestic violence, and sex-disaggregated data and analysis.

Following strategies recommended by the stakeholders will support Macedonia in its desire to become a member of the EU. Equal opportunities for women and men are an essential part of the "European Social Model." The Framework Agreement, encouraged by the United States and the EU, was signed by ruling political leaders representing Macedonian and Albanian ethnic groups in August 2001. While this was a first step in fulfilling requirements for membership in the EU, there are other steps that will need to be taken, including an adherence to and consistent signs of democratic

principles and participation and respect for human and labor rights. Equal opportunity is more than just a philosophy; it is required by law in the EU treaty.

The EU will incorporate gender mainstreaming and positive action across all activities. Gender mainstreaming is "about transforming general policies ... which are normally regarded as gender neutral, such as taxation and macroeconomic policies, [but] are in actual practice not gender neutral if they affect women's and men's choices differently," said Juhani Lonroth in a speech presented at a conference on Gender Equality in Athens, Greece, February 2002. Positive action means that gender imbalances and gender-based challenges will be addressed and redressed. Therefore, the EU has proposed that Macedonia initiate efforts in job creation, social inclusion, improvement in women's access to the labor market, and increased dissemination of information regarding good practices in the area of equal opportunities.

What the Macedonian respondents all agreed upon in the interviews is precisely what Macedonia has to demonstrate to become a member of the EU — Macedonia must prove that it has mainstreamed gender and addressed gender imbalances.

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Effective March 1, 2004, Isabel Dillener has been promoted to Vice President, Social Sector Division. She has been with DevTech for eight years.

## POVERTY REDUCTION STRATEGIES, CONTINUED FROM PAGE 1

out the country. Since the HIPC initiative focused on ensuring additional resource flows for health and education, it was understandable that nongovernmental organizations (NGOs) and other elements of civil society particularly interested in these sectors would be major participants in the discussions of strategies and action programs under HIPC. A World Bank review of the HIPC initiative concludes that this focus on social sector expenditure was excessive, and that “there needs to be a greater focus on pro-poor growth to provide a better balance among development priorities relative to the current emphasis on social expenditures.”

For a variety of reasons (including the fact that it is impossible to be simultaneously comprehensive and strategic), the CDF never gained traction as an organizing principle for aid strategy. The PRSP did. It more clearly addressed issues raised by NGOs concerned about poverty, those supportive of democracy, governmental decentralization, and women’s issues, and those opposed to “structural adjustment,” market capitalism, or privatization, or any of a variety of orthodox ideas about development. In sum, the PRSP became the concept around which a wide variety of actors skeptical of the traditional macroeconomic focus of the World Bank and IMF could rally, and around which they could mobilize popular support for changes in government policies.

The groundswell of support from the poor (or at least from their spokespeople) convinced the leadership of the World Bank and IMF that the PRSP’s popularity and apparent success with the HIPC countries made it the proper tool for development policy in all countries receiving concessional funding from the World

Bank and IMF. Accordingly, preparation of a PRSP became *de rigueur* for all countries receiving funding from IDA, the World Bank’s soft-loan window, or from the IMF’s Poverty Reduction and Growth Facility. Moreover, future World Bank country assistance strategies in each IDA-eligible country would be based on the country’s PRSP.

Thus, an admirable tool for ensuring that debt relief would be used to benefit the poor, with substantial input from NGOs, has morphed into the principal development strategy paper for poor countries. Given the history of the approach, however, it would be surprising if PRSPs did not show some imbalance as a development strategy tool. From its history and from its title, one might expect the PRSP to be a document influenced to a great extent by people with a limited perspective on the overall development problems faced by poor countries. The problem of the poor in poor countries is an important problem, but it is not *the* development problem.

### *Assessing the Private Sector Role in the PRSP*

The U.S. Agency for International Development (USAID), along with most bilateral and multilateral donors, believes that these poverty reduction strategies can succeed only if they encourage and promote the development of the private sector. The agency asked DevTech to investigate whether or not the private sector was involved in the preparation of the PRSPs and the extent of the role of the private sector in the poverty reduction strategies.

The study reviewed the first 27 PRSPs endorsed by the boards of the International Bank of Reconstruction and Development (IBRD) and IMF. It is based entirely on a

review of those documents and other written material relevant to the investigation, examining them for content with regard to the participation of the private sector in development and implementation of the strategy, as well as the intended role of the private sector in achieving poverty reduction.

Ten criteria were used to test the extent to which the treatment of the private sector was consistent with best practice, as articulated in World Bank documents and other recent literature on development strategy. The criteria used to judge the PRSPs were:

- Does the strategy rely on economic growth to reduce poverty?
- Do market forces predominate over government subsidies in influencing private-sector decisions?
- Is there a key role for the private sector in the strategy?
- Does the strategy address legal, regulatory, and judicial constraints to growth?
- Does the strategy promote open trading policies?
- Does the strategy encourage the private-sector provision of infrastructure?
- Does the strategy offer opportunities for private-sector provision of social services?
- Will the government’s actions crowd out private-sector activities?
- Does the strategy limit the government’s controls on economic activity?
- Does the strategy contain concrete benchmarks and time-bound progress indicators regarding private-sector policies or outcomes?

Four main conclusions emerged from the review:

1. In general, PRSPs do appropriately take the private sector into account in their development, implementation, and strategic conception. In most countries studied, the private sector participated in the PRSP process. In most countries, the PRSP treated the private sector as a key factor in achieving poverty reduction over the long term.
2. In countries with deficient treatment of the private sector, two types of problems emerged. First, some PRSPs treated the private sector as an adjunct of government policy, with governmental directives guiding the development of the private sector. Second, some PRSPs approached subsidization of the private sector, or particular industries within it, as a key tool for poverty reduction. In either case, the resulting strategy is not consistent with either the historical record on the contribution of the private sector to poverty reduction or World Bank advice.
3. The most serious weakness in most PRSPs was the lack of concrete benchmarks or progress indicators for commitments with respect to the private sector. Only five PRSPs met modest standards in this area. The World Bank's new dataset on business conditions is an important tool for remedying this problem. Data from this new tool are not included in any of the PRSPs, but they have great potential to be used, along with other measures, to provide clearer progress indicators.
4. A few Joint Staff Assessments gave inadequate attention to PRSP weaknesses with respect to the private sector. The main cases in this regard were Burkina Faso, Malawi, Niger, and Senegal.

The full report, *Poverty Reduction Strategy Papers: Review of Private Sector Participation*,

### *Bureau Economic Analysts at the Development Information Services Project*



Bart Nemmers is an Economic Analyst in the Europe and Eurasia (E&E) Bureau of USAID. He provides analytic support to the Program Office through the Strategic Planning and Analysis Division. He works primarily on producing the Monitoring Country Progress in Eastern Europe and Eurasia report, which follows the economic, democratic, and social reforms that are taking place in the 27 countries of the region. This is the basis for a variety of other reports and presentations that are used by the E&E Bureau in interagency assistance reviews, coordination with the State Department, Mission strategic plans, and consultations with the European Union, as well as for consultations with host-country governments and for internal Mission planning. Bart also works with the Program Office in the production of the Bureau's Congressional Budget Justification and provides analytic support for the new joint State-USAID Bureau Strategy.

Jennifer Tikka is an Economic Analyst with the USAID Asia and Near East (ANE) Bureau. She provides economic growth support to the ANE Bureau's Office of Technical Support and ANE Missions in the areas of strategy design and packaging, trade capacity building, and the Millennium Challenge Account. She has supported ANE Missions through trips to Mongolia to consult with stakeholders across the country, provide recommendations for the economic growth sector, and draft the new country strategy; to Sri Lanka to prepare the country strategy; and to East Timor to assess the financial sustainability of the NCBA coffee cooperative project. Jennifer also participates in interagency meetings on trade capacity building and the economic pillar of the Middle East Partnership Initiative.

is available at [www.dec.org/pdf\\_docs/PNACU918.pdf](http://www.dec.org/pdf_docs/PNACU918.pdf).

In November 2003, the report was presented at the "Forum on Alignment Challenges in Program Based Approaches: Enhancing Implementation Effectiveness of Program Based Approaches (PBAs)

through Program and Stakeholder Alignment" organized by the Learning Network on Program-Based Approaches at the GTZ House in Berlin, Germany.

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**I**n 2004 DevTech Systems celebrates 20 years of providing development assistance to governments and organizations around the world. In recognition of DevTech's accomplishments over the last two decades, we will be sponsoring a series of public events and publications in the months ahead. All of the 2004 issues of *Sphere* are dedicated to our twentieth anniversary. If you have any ideas or stories to share about DevTech's contributions, please contact us at [sphere@devtechsys.com](mailto:sphere@devtechsys.com).

20 years

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**The DevTECH Sphere**  
is published quarterly by  
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