



# en breve



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## URUGUAY: CONSULTATIONS WITH CIVIL SOCIETY AROUND SOCIAL PROGRAMS IN STRUCTURAL ADJUSTMENT LOANS

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### Background

Uruguay is a small open economy with one of the highest GDP per capita ratios in the region. The country's recent poor growth performance has been strongly correlated with neighboring Argentina's economic crisis. In 2002, Argentina's GDP contracted by 10.2 percent, and Uruguay's by 10.8 percent. This recession has hurt the country's social welfare and increased both poverty and unemployment sharply<sup>1</sup>.

In 2001 the government of Uruguay decided to undertake spending cuts as a crucial step towards recovering macro-economic balance. As a result of these fiscal adjustments, total public expenditures, including social programs, suffered significant reductions. In this context, the government negotiated a massive emergency rescue package with the international financial institutions (IFIs) for US\$3.9 billion, or approximately one-third of its GDP. The package was tied to structural reforms aimed at turning a primary deficit of 1.2 percent of GDP in 2001 into a primary surplus of 3 percent of GDP by 2003. The package also protected several social programs against budgetary cuts, particularly those focused on the most vulnerable groups in society: children, female-headed households, the unemployed and the elderly. This note specifically examines the 2002 Structural Adjustment Loan (SAL) which supported reforms necessary to restore economic growth and improve the competitiveness of the Uruguayan economy while safeguarding these "protected social programs" (PSP).<sup>2</sup>



This adjustment operation was part of a concerted effort by

multilateral institutions, including the World Bank (WB), to help Uruguay withstand the impact of strong external shocks, without undermining its public and social services.

### Inclusion and Dialogue

To promote greater citizen participation in reform policy design, implementation and impact monitoring, the Bank, in cooperation with the Government of Uruguay, *Foro Consultivo Económico Social del Mercosur*<sup>3</sup> – *Sección Uruguay* (FCES-SU) and UNDP designed and implemented a public consultative process involving a broad array of civil society organizations (CSOs). The consultations elicited feedback from civil society on the social programs and services protected under the reform agenda, including a strategy and monitoring plan to track goals at the regional and national levels. The consultations provided useful information to government and CSOs on: 1) the coverage of social protection programs (and any overlaps or duplications); 2) the degree of coordination between central and departmental administrations; and 3) the efficiency of public spending on these programs.

The specific objectives of the consultation were:

- To enhance the sustainability of the reform program by helping CSOs to understand their rights and responsibilities, and to facilitate public oversight by giving users/beneficiaries a voice in the analysis of social policy priorities.

- To analyze the opinions of relevant national and regional actors on the pertinence of continuing to protect these social programs in the face of the socio-economic crisis.
- To design and pilot a social monitoring system using selected indicators to track performance of program goals at the regional and national level.

Several activities have been carried out to date, through a series of national and regional meetings. A background document, which sets out the rationale and objectives of the consultations and criteria for institutional response, was provided in all meetings.

National level consultations were launched in Montevideo in October 2002, involving representatives from 25 national trade unions as well as entrepreneurial, professional, cooperative and non-governmental organizations. In November 2002, a second meeting was held jointly with the *Consejo Económico y Social de Paysandú*, a coordinating institution for the economic and social development of the Paysandú department. Representatives from local organization from other provinces of the western littoral region of the country also participated. In May 2003, another consultation was conducted in Florida City, with 60 CSOs representing Florida and other provinces from the center of the country. These events were covered by the media (radio, newspapers and TV), and concluded with a press conference in which all actors participated and commented on the process and its outcomes.

### **Inclusion and Participation**

One of the principal aims of the initiative was to encourage the active participation of organizations representing different economic and social sectors in the discussion of the impact of the reform policies. Participants in these dialogues included: labor unions, industrial and trade associations and other social actors such as the *Mesa de Emergencia Alimentaria*, the Social Security Commission, religious organizations and different grassroots organizations. Afro-descendant organizations were also invited to participate.

### **Access to Information**

During the Florida meeting, a number of CSOs noted that consultations are particularly useful in clarifying the background of programs and activities. They considered information key for empowerment and wanted the media to contribute consistently to this initiative, particularly by reporting on program implementation (including budget execution) and outcomes. They also suggested that increased access to information is crucial to build consensus around common

action plans that combine existing individual efforts. Network building was seen as a positive by-product of the consultative process.

### **Opportunities Identified**

A number of additional strategies have been identified to strengthen the role of civil society in development and in the implementation of Bank projects. *Social accountability mechanisms*<sup>4</sup> have come to be seen as the natural next step in the consultation process. To this end, the Bank has helped to support the development of the "Social Monitor". At present, two CSOs have been selected to co-implement this program.<sup>5</sup> These CSOs will develop a strategy and indicators to monitor the performance of Uruguay's Budget-Protected Social Programs'. Other tools will be implemented, including: i) the collection and analysis of relevant information on the main goals of the PSP's and their achievements; ii) consultations with government technical experts to register their perceptions of project implementation; iii) surveys of beneficiaries; and, iv) mapping of PSP coverage in each area of intervention. This information will be compiled in periodic reports submitted to the World Bank, UNDP and FCES and will, in

turn, be publicly distributed as an effort to offer updated verifiable information on programs' performance to civil society at large.

*Surveys* of CSOs have been identified as one of the most important instruments which can be used to strengthen the capturing

of perceptions and subsequently improve the quality of horizontal dialogue with the multilateral organizations as well as with government at the federal and local level. In future consultations, all participating organizations could be surveyed by trained staff before the process begins to provide an overview and ranking of key issues by category or sector, and to encourage participation in the meetings by a larger number of the organizations invited.

A third opportunity is *the role of the media* in publishing and disseminating information on the initiative and the SAL itself. Media coverage is especially important during consultative meetings to, (i) engage the wider public on the outstanding issues arising from the dialogue, (ii) to widen the process of decentralization in terms of information disclosure, (iii) to contribute to the empowerment of people who live outside the main urban centers and, (iv) to report on the process and its outcomes.

### **Capacity-building and Partnerships for Social Accountability**

Many uncertainties remain regarding the existence of the necessary political will, capacity and resources required to



incorporate citizens into the processes of public reform and monitoring. A number of weaknesses within civil society itself effectively limit their ability to play an active role in this and similar initiatives.

### Need for More Detailed Information

Some of the invited CSOs commented that the consultation background document provided economic and social information at a macroeconomic level, but did not include the *social and qualitative indicators* necessary to interpret the situation and provide useful suggestions or counter-proposals. Providing *global budget allocations*, without additional details, is not sufficient to form adequate judgments and opinions on the appropriation of resources. In the initial responses to the consultations, there were also frequent requests for additional information from the government, and inquiries about *allocations to institutions outside of publicly-funded programs*<sup>6</sup> that participate in the execution of projects.

### Horizontal Articulation of CSOs

A challenge for civil society groups is the *insufficient horizontal articulation found among CSOs*. Infrequent organized collaboration or dialogue among CSOs reduces their motivation to participate in the consultations, which are seen as relatively detached exercises by many organizations, remote from their day-to-day activities, interests and timeframes. The reality of poorly-funded and overstretched CSOs should be taken into account when designing methodologies for these types of consultations.

The *contacts between CSOs and national public institutions*, both regional and departmental, have traditionally been sporadic. It would clearly be desirable to try and enhance the dialogue between these institutions, particularly with the Oficina de Planeamiento y Presupuesto (Planning and Budget).

Finally, the dialogues should clarify expectations, particularly by stipulating which organizations will be *technical counterparts of the Bank* for follow-up activities.

## Next Steps: Towards Sustainability and Monitoring of Outcomes

The immediate next step is the official launching of the Social Monitor project. The *Social Monitor* has been designed to incorporate program beneficiaries/users in the assessment of the program's results, impacts, level of transparency and accessibility to information. One important sub-goal of the initiative is to ensure that the aims of the process and the substance of proposed activities are shared with society at large.

The consultation is expected to contribute to *strengthened strategic partnerships* among CSOs. As such, and unlike the situation in other Southern Cone countries, the Social Monitor in Uruguay will be implemented by two different CSOs, each of which will monitor programs in accordance with its

specialized expertise, while ensuring coordination.<sup>7</sup> Previous experiences suggest that this initiative should be complemented with capacity building exercises that strengthen the organization's ability to monitor, apply innovative instruments for social accountability, and which encourage interaction and interchange between the NGOs. This would help to solve one of the main difficulties facing the initiative, which is to advance a large agenda with a wide range of often disconnected CSOs.

The use of, and regular contact with, *regional NGO networks* through social auditing programs could help improve the quality and credibility of public administration. Information relevant to policy making could be collected during the local consultations and analyzed in the context of nationwide activities. Regional networks could also help to identify and solve overlapping authority problems at the municipal, provincial and national levels, among other issues. Questions of jurisdiction were identified by CSOs as a major obstacle to increasing the efficiency and returns to public spending in social programs. These are perceived as largely a consequence of insufficient territorial coordination among the different levels of government and administration, and the limited flexibility of programs to adapt to local contexts, problems and resource allocations.

In this regard, some of the ideas proposed by CSOs during the consultations included: collecting and disseminating good local data on population and socio-economic conditions; creating "program maps" that include information on coverage, beneficiaries, resources, personnel, etc.; integrating non-traditional actors in the design of employment and other social policies; and creating a coordinating team for monitoring social programs.

Given the potential impact of these SALs and the controversial view that many CSOs have of SALs as a lending instrument, the consultation initiative will benefit from an *extensive evaluation process* as a tool to deepen transparency and build trust among the various actors. This is particularly true given that, during the consultations, some CSOs were convinced that SALs address only short-term necessities and expressed the need to carefully rethink a long-term government strategy to face the crisis. Many participating CSOs were insufficiently informed about the World Bank's role in safeguarding social program spending within the SAL and other lending operations.

The evaluation exercise should also distill best practices to improve future adjustment operations and potentially *extend this type of consultation to other parts of the Bank's portfolio*, particularly operations with social and human development components, aiming for a clear and direct impacts on beneficiaries.

Finally, *information dissemination* will prove fundamental to ensuring the quality and effectiveness of consultations and social auditing mechanisms. It is particularly important to share international best practices and examples with a wide

audience to build greater consensus and support for these activities within Uruguay.

## Conclusion

The consultations with civil society around the Structural Adjustment Loan (SAL) will contribute to the effectiveness and sustainability of Uruguay's reform program. They broadened the understanding of the risks and benefits of the reform package, including the safeguarded social programs and provided donors and the government with crucial information on the performance of these programs. At the same time, the consultations improved civil society's understanding of multilateral lending operations and built trust among CSOs for the structural adjustment loans. Finally, the consultations helped to identify new areas of emerging opportunities for social accountability, capacity building for stakeholders and enhanced horizontal and vertical dialogue across the country concerning social programs.

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## Notes

<sup>1</sup> Uruguay Country Profile, The Economist Intelligence Unit, 22 November 2002.

<sup>2</sup> The Protected Social Programs (PSP) are: Asignaciones Familiares, Programa de Alimentación Escolar, Apoyo a Instituciones Públicas y Privadas, Programa Nacional de Complementación Alimentaria, Centros de Atención a la infancia y a la Familia, Mejoramiento de Calidad de la Educación Primaria and Programa de Capacitación Laboral.

<sup>3</sup> FCES is an agency within MERCOSUR's institutional framework, organized in permanent national sections composed of representatives from the following sectors: i) entrepreneurs, ii) trade unions and iii) other diverse sectors (NGOs, cooperatives, universities, professional associations, etc.).

<sup>4</sup> Accountability is the ability to call state officials, public employees, or private actors to account, requiring that they be answerable for their policies, actions, and use of funds. Access to information and analysis about the performance of services and policies builds pressure for accountability.

<sup>5</sup> These organizations are: PROINGO-Red Uruguay de Apoyo a la Nutrición y Desarrollo Infantil, and Equipos Mori.

<sup>6</sup> Publicly-funded programs covering basic needs, such as infant and mother health, food subsidies, etc.

<sup>7</sup> PROINGO-Red Uruguay de Apoyo a la Nutrición y Desarrollo Infantil will monitor projects focused on Food, Childhood and Adolescence, and Equipos Mori will focus on projects thought to reduce unemployment and dealing with subsidies.

## Development Policy Lending Replaces Adjustment Lending

### The World Bank overhauls its guidelines for policy-based lending to reflect 20 years of experience

**August 10, 2004** One of the World Bank's main lending instruments—Adjustment Lending—has been replaced by the new Development Policy Lending in a major overhaul of the Bank's operational policy.

Policy-based lending in support of a country's policy program accounts for about one-third of the World Bank's annual lending. The Bank's other lending instrument – investment lending – funds projects such as road and school construction.

The new policy is the culmination of more than two years of consultation with stakeholders—including governments, community representatives, civil society groups, academics and private sector representatives around the world. The framework unifies policy that applies to a whole range of instruments, including sectoral adjustment loans, structural adjustment loans and poverty reduction support credits. In addition, it deals with core issues of design, fiduciary arrangements, financing options, and dissemination and disclosure. James Adams, Vice President and Head of the Operations Policy and Country Services Network, says the switch to Development Policy Lending is much more than just a name change: It reflects how thoroughly transformed the instrument has become in the last decade or so.

For more information visit the Bank's website at: <http://www.worldbank.org> and look under "Projects" and "Financing Instruments"

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