



**Synopses of External Comments and Contributions
on the Joint IMF/World Bank Staff Review
of the PRSP Approach**

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The following synopses of external contributions have been prepared by Mr. Narendra Jadhav, a consultant appointed by the IMF Independent Evaluation Office. These synopses were derived from the submissions by external parties in response to the Bank/Fund request for written contributions to the joint staff review of the PRSP approach, as well as from a staff inventory of recent papers relevant to the topic.

TABLE OF CONTENTS

A. International Organizations	
Food and Agriculture Organization (FAO)	(Synopsis 1) 2
International Labor Organization (ILO)	(Synopsis 2) 5
United Nations Conference on Trade and Development (UNCTAD)	(Synopsis 3) 7
United Nations Development Programme (UNDP)	(Synopses 4, 5)..... 10
United Nations Development Fund For Women (UNIFEM)	(Synopsis 6) 14
World Health Organization (WHO)	(Synopsis 7) 15
B. Regional Development Banks	
African Development Bank (AfDB)	(Synopsis 8) 17
Asian Development Bank (ADB)	(Synopsis 9) 20
Inter-American Development Bank (IDB)	(Synopsis 10) 21
C. Bilateral Donors	
Bundesministerium fuer Wirtschaftliche Zusammenarbeit – Ministry of Economic Cooperation (BMZ)	(Synopsis 11) 24
Canadian International Development Agency (CIDA)	(Synopsis 12) 26
Danish Ministry of Foreign Affairs	(Synopsis 13) 27
European Commission	(Synopses 14, 15)..... 29
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	(Synopsis 16) 33
Organisation for Economic Co-operation and Development (OECD)	(Synopsis 17) 35
Strategic Partnership with Africa (SPA)	(Synopses 18, 19, 20, 21)..... 38
U.K. Department for International Development (U.K., DFID)	(Synopses 22, 23, 24, 25, 26)..... 45
U.K. Treasury	(Synopsis 27) 55
US Agency for International Development (USAID)	(Synopsis 28) 57
D. Research Institutions	
Institute of Development Studies (IDS)	(Synopsis 29) 59
E. Civil Society Organizations (CSOs)	
Action Aid	(Synopsis 30) 63
Asian NGO Coalition (ANGOC)	(Synopsis 31) 65
Bread for the World Institute	(Synopsis 32) 66
Christian Aid	(Synopses 33, 34)..... 68
International Cooperation for Development and Solidarity (CIDSE) and Catholic Agency for Overseas Aid and Development (CARITAS)	(Synopsis 35) 72
Catholic Relief Services (CRS)	(Synopsis 36) 74
Deutsche Stiftung für Internationale Entwicklung (DSE)	(Synopsis 37) 76
European Network on Debt and Development (EURODAD)	(Synopses 38, 39, 40)..... 77
Globalization Challenge Initiative	(Synopsis 41) 83
International Confederation of Free Trade Unions (ICFTU)	(Synopses 42, 43)..... 84
Jesuits for Debt Relief and Development (JDRAD)	(Synopsis 44) 87
Jubilee South	(Synopsis 45) 88

North/South Coalition/IBIS	(Synopsis 46)	91
Oxfam International	(Synopses 47, 48, 49).....	94
Save the Children, U.K.	(Synopsis 50)	102
Uganda National NGO Forum	(Synopsis 51)	103
WEMOS, Health for All	(Synopsis 52)	105
World Confederation of Labor	(Synopsis 53)	106
World Development Movement	(Synopses 54, 55).....	107
World Vision International	(Synopses 56, 57).....	112
F. Miscellaneous Comments	(Synopses 58 to 72)	116
BIBLIOGRAPHY	132

A: International Organizations

SYNOPSIS 1: FAO

“The PRSP Approach: A Preliminary Assessment”

(November 2001)

The FAO review is based on PRSP analyses underway at its headquarters and on direct country experiences in 14 countries (i.e. Cameroon, Ethiopia, Gambia, Guinea, Guinea Bissau, Honduras, Kenya, Mauritania, Mozambique, Rwanda, Tanzania, Uganda, Vietnam and Yemen).

Overall Assessment

The PRSP process seems to have already delivered a series of important benefits. The process appears to support and contribute to the building of national commitment and ownership around poverty objectives, to the increased participation of stakeholders in poverty analysis and policy making, and to the improved coordination amongst donors. However, in some countries, the commitment of the government in carrying on with the process of finalizing and implementing the PRSP is still uncertain.

PRSP Process

In some countries, the PRSP appears to be considered as a donor – driven process, with little in-country dialogue either between development agencies and/or between local stakeholders – line ministries, local administrations, private sector, and civil society. In Kenya and Vietnam, the process is seen as an exercise whose main purpose was to satisfy a requirement for budgetary support by the BWIs. In Rwanda, the process is seen as fully IMF/WB driven, with little in-country dialogue and even disagreement amongst some of the development partners. In Uganda, the line ministries and decentralized authorities are only marginally involved.

Some concerns are raised regarding the participation of representatives from NGOs, and civil society, and more generally of representatives of the lower strata of society. In certain cases, participation of these groups appears to have been limited to witnessing the formulation process, through attendance to workshops and forums of discussions, more than actively contributing to it. In some cases, it is not clear whether and how these consultations would feed the policy decision-making process. Possible explanations include: (1) the time constraints that many governments face in formulating strategies required for accessing funds from IFIs and (ii) lack of technical skills and capacity of civil society to actively contribute to both the formulation and the implementation processes.

Policy Content of PRSPs

Conventional policies for market restructuring and reform (e.g. liberalization and privatization) aimed at promoting the development of competitive and efficient markets and economic growth, cannot simply be assumed to be poverty reducing through an anticipated “trickle-down” process. Experience shows that difficulty of access to markets, high transaction costs and low prices resulting from inefficient markets have often resulted in a regression of small farmers to subsistence agriculture denying these poor farmers the growth opportunities the market was to offer them.

Both growth and distribution enhancing policies should be considered as means to achieve policy targets as an ultimate goal, and not as an end in itself. Too much emphasis is still given to economic growth as the “single most important factor” influencing poverty. Growth and distribution both matter when it comes to poverty eradication. Yet, there is neither agreement nor strong and sound evidence as to which of the two objectives is the most important one.

What still appears to be missing in many PRSPs is a direct and clear reference to human rights, despite the fact that enabling institutional and political frameworks are, together with sound macroeconomic stability, well recognized pre-conditions for achieving poverty targets. There is scant attention paid to the specific problem of food insecurity in the PRSP countries.

Implementation of PRSPs

In a few notable cases (e.g. Ethiopia, Mozambique and Tanzania) the PRSPs have built on existing national policies. In general, however many PRSPs tend to repeat existing strategies without giving them the expected pro-poor slant. Given that most of the poor in developing countries live in rural areas and depend on agriculture for at least part of their income, agriculture and rural development should have a more prominent place in PRSPs than what is currently observed.

The level of disaggregation is often insufficient to identify the different livelihood strategies of various groups of poor people. The proposed poverty reduction strategies, while not always sufficiently linked to the analysis of poverty in terms of assets, present rather similar patterns, ranging from macroeconomic and liberalization reforms to increased social sector spending, provision of safety nets, good governance and public sector management.

It is too early to evaluate whether the process will be delivering the expected poverty reduction outcomes. However, there is a concern regarding the gap between the financial resources required to implement an extremely wide range of policy measures and the funds available.

The lack of transparent prioritization and costing of policy measures can somehow undermine the implementation of PRSPs. For PRSPs to be powerful instruments for national planning and for coordinating donors’ assistance policies, transparent prioritization of programs and objectives appears to be fundamental.

Given budget constraints and multiple goals, there is a need to prioritize among policy alternatives, making explicit the rationale underpinning choices, and acknowledging the trade – offs as well as spill-over effects in terms of (a) multidimensional outcomes, (b) targeted categories of people, (c) favored sectors or sub-sectors and (d) processes involved. Many poverty reduction strategies have not been adequately budgeted. Much effort is still needed to adequately cost the proposed policy measures.

More emphasis needs to be given to the various dimensions of poverty. A wider use of social assessments as well as the development and integration of environmental and social target and monitoring indicators within the PRSP approach are strongly recommended

The methodology for assessing the dimensions of poverty as well as the causal relations, both at aggregate and disaggregate level, needs to be improved. Too often income and consumption indicators are the only proxies used while other dimensions of poverty are neglected. Well-being and social indicators – whether quantitative or qualitative, with the

exception of the HDI, are rarely used. More emphasis should be given to social assessments as well as quantitative and qualitative information and indicators for monitoring and evaluating the processes that underpin policy-decision making. There is also need for tools and analysis that look at and evaluate carefully the links between the livelihoods of the poor at micro level and the economic and social conditions and policies at meso and macro levels.

There is a lack of clear PRSP impact indicators and of adequate monitoring and evaluation systems, many of which are still very much work in progress. It is of paramount importance to build and improve stakeholders' capacity in monitoring and evaluation.

Donor Assistance

Country needs for technical assistance in the preparation and implementation of PRSPs are enormous. Some countries may lack effective donor coordination mechanisms. Although all donors would support poverty reduction, their contribution may not fit an agreed framework. National strategies and plans should be the foundations upon which external assistance is built. The PRSP provides an important opportunity for donors to plan and coordinate their assistance policies.

Financial resources are an extremely important factor for both the formulation and the implementation of PRSPs in many countries. First, funds are needed for supporting the process underpinning the formulation of PRSPs. Participatory processes are costly in terms of both finance and time. It may be questioned whether conditioning debt relief to the formulation of a PRSP somehow undermines the PRSP process itself. Second, the gap between required and available local resources would need to be bridged by external funds. The sourcing of these funds, whether from donors, international agencies, IFIs or the private sector, is a big challenge for most countries.

SYNOPSIS 2: ILO

The Decent Work Agenda and Poverty Reduction

(January 2002)

The ILO contribution is focused on the inclusion of employment and decent work concerns in PRSPs, drawing from experiences of countries such as Cambodia, Honduras, Mali, Nepal, Pakistan and Tanzania where it has been tracking the progress.

According to the ILO, the PRSP is a dynamic process providing opportunities for improved policy dialogue on poverty reduction and decent work. The ILO strongly supports the key principles of enhanced national ownership of poverty reduction strategies based on broad civil society participation in the process of preparation, implementation, monitoring and evaluation. Employment is seen as a principal means of social inclusion and integration. It feels, however, that it may take some time before the full potential of this major shift in policy becomes embedded in the governance of development.

Salient features of the ILO's assessment include the following:

- The first wave of I-PRSPs and PRSPs are disappointingly meager in their coverage of employment issues both in terms of quantity of jobs that need to be created and raising the quality of conditions of work;
- Tripartite social dialogue involving government, workers' organizations and employers' organizations is in general an under-utilized mechanism for extending participation and ownership of PRSPs. Trade unions and employer organizations have had difficulty in participating in the PRSP process, and labor or employment ministries have also been somewhat marginal actors in governmental networks. In many cases, the social partners have expressed concern and frustration that their views and potential support appear undervalued;
- Few PRSPs contain much analysis of labor market developments. As such, the contribution of increased decent work opportunities to poverty reduction is largely absent from policy proposals.

In the light of this assessment, the paper makes the following recommendations:

- The main priority is to foster confidence of developing country governments, the social partners and other civil society organizations that the approach is going to be sustained and will yield increased international support for more effective poverty reduction policies. Regular peer reviews of national strategies is particularly important in the critical area of participation;
- Capacity building for all concerned in the dialogues around PRSPs deserve increased attention. International agencies themselves need to train their officials to understand the culture and origins of the institutions of the countries with which they are working, especially so in and around the labor market;

- The effort being made by developing country governments to attack poverty directly by programs elaborated, implemented and monitored by a wide variety of non-governmental bodies, including the social partners, must be matched by an equivalent political drive in industrial countries to increase and make more stable and predictable the flow of concessional financial resources to the poorest parts of the global community.

SYNOPSIS 3: UNCTAD

The PRSP Approach and Poverty Reduction in the Least Developed Countries

(January 2002)

According to the paper, the PRSP approach is an extremely important and useful initiative. It provides a concrete mechanism to enable national ownership of strategies and policies in poor countries. For donors, it offers a framework for greater coordination, reduced transaction costs and thus an opportunity for more efficient aid. For national governments, it offers an opportunity for building national coalitions to support poverty reduction efforts.

The central issue is to make the PRSP approach work better in helping poor countries to break out of the cycle of stagnation and poverty. This can be achieved by: (a) building the PRSP approach on the basis of a good diagnosis of the strengths and weaknesses of past national and international policies, and (b) learning by doing and adapting the approach as it is applied.

Getting the Diagnosis Right

The notion that the right national policy environment is present in poor countries when governments pursue macroeconomic stability, open their economies to the rest of the world and liberalize domestic product and factor markets through privatization and deregulation, has not been subject to a thorough questioning. There has been a significant change in the policy environment of many least developed countries in the direction of economic liberalization. Yet, past adjustment programs have not delivered sustainable growth at rates sufficient to make a significant dent in poverty.

The poor growth performance associated with past adjustment policies can be mainly attributed to: policy design shortcomings; inadequate external funding; and inadequate debt relief.

The design of past structural adjustment programs did not pay sufficient attention to various structural constraints important in poor countries such as, the lack of social and economic infrastructure, the weakness of market development and rudimentary nature of division of labor, and the thinness of the entrepreneurial class and low private sector capabilities. It is necessary now to develop more growth-oriented macro policies and to complement these with specific meso-policies, which increase the investment, productivity and competitiveness of private enterprises within key sectors.

The weak performance is also a result of inadequate external funding. In per capita terms, net ODA to least developed countries dropped by 45 per cent in 1990s and is now back to the levels it was in the early 1970s. Reforms have not catalyzed private capital inflows that could have substituted for ODA. There are serious concerns regarding the lack of coordination of aid, the instability and unpredictability of aid flows, and a persistent bias towards under-financing in relation to assessed resource requirements. Diversity of aid delivery system, together with strict policy conditionality has eroded state capacities, leaving governments project rich but cash poor. Foreign aid has not alleviated short-term external shocks, and has, if anything, reinforced the effect of such shocks.

Finally, structural adjustment programs have been undermined because of the inadequacy of debt relief. The official donors, who are also the main creditors, are putting money in so that the debt can be serviced. This aid debt service system has seriously undermined the effectiveness of aid in promoting development in highly indebted poor countries.

Learning by Doing

There are a number of areas where renewed efforts have to be made to improve the effectiveness of the PRSP approach. These include the following:

- The process of enhancing country ownership of development strategies needs to be strengthened through more attention to policy conditionality, capacity within countries and donor alignment. There is clearly an inherent tension between country ownership and the need for the IFIs and other donors to be assured that their assistance will be well used to support what they regard as credible strategies. There is a risk that the PRSP countries may seek to second-guess what is endorsable. Ownership would actually then be deeper internationalization of the norms of the IFIs. True country ownership in the preparation of PRSPs requires that the IFIs have total open-mindedness as to what is regarded as a “credible strategy”. Moreover, it also requires that the countries themselves prepare strategies that they would seek to pursue whether or not they were externally funded. The relationship between the PRSP and the conditionalities specified in HIPC decision and completion point documents, PRGF and PRSCs also needs to be clarified.
- Capacity building within countries is essential for enhanced country-ownership. This requires mechanisms of learning, which should include South-South exchange of experience. In this regard, avant-gardism in poverty analysis should be avoided by the IFIs. Capacity building essentially requires re-building state capacities. Key areas include: capacity of national statistical systems, analytical capacity and forecasting capacity. It is regrettable that a huge amount of technical assistance being provided includes mostly replacing rather than building capacities.
- Enhanced country ownership also requires donor alignment behind the PRSP approach. Aid effectiveness has in the past been considerably undermined by coordination failures and it is in this area that the PRSP approach can make a significant difference. A concrete proposal to improve aid effectiveness is the introduction of donor performance monitoring indicators at the country level.
- The link between the PRSP and long-term development strategy is not as yet strong enough. The PRSPs need to be anchored in long-term national development strategies. A serious weakness here is that trade issues are currently not treated in depth in PRSPs.
- Under-funding in relation to resource requirements and predictability of aid flows create major dilemmas for governments in designing and implementing PRSPs.
- Economic growth and poverty reduction in poor countries is adversely affected by shocks beyond the control of governments. Lack of recourse to international capital markets makes these economies almost totally dependent on foreign aid. Under these circumstances, shocks can easily derail country-led poverty reduction efforts unless effective mechanisms to deal with them are put in place. In this regard, the possibility of

establishing a contingency financing element in PRGF arrangements should be considered.

- The debt problem in poor countries has not been resolved by the enhanced HIPC Initiative. Genuine long term sustainability requires further debt relief to poor countries. Renewed policy attention needs to be given to the links between the international commodity economy and unsustainable external debts in poor countries in order to move to a lasting solution to the debt problem.

**Papers by
United Nations Development Program (UNDP)**

Four papers by UNDP were reviewed including a formal submission for the Review. For analytical convenience, reviews of these four papers have been organized in two synopses and presented in the reverse chronological order.

SYNOPSIS 4: UNDP (a) and (b)

“UNDP Bolivia: Response to PRSP Questionnaire”

(November 2001)

“UNDP Review of the PRSP”

(December 2001)

The UNDP review is based on feedback from 21 of its country offices (out of 60 countries where it is active). These include eight in Africa (i.e., Burkina Faso, Cameroon, Ethiopia, Guinea, Lesotho, Rwanda, Uganda and Zambia), seven in Asia (i.e., Bangladesh, Cambodia, Laos, Mongolia, Nepal, Sri Lanka and Vietnam), three from Europe and Central Asia (i.e., Armenia, Azerbaijan and Georgia), two from Latin America (i.e., Bolivia and Nicaragua), and one from the Middle East (i.e., Yemen).

Overall Assessment

Notwithstanding several concerns and challenges, the PRSP approach has many achievements to its credit. These include:

- Helping to strengthen the focus of policy-makers on pro-poor strategies and policies;
- Advocating a participatory approach among stakeholders in the discussion of poverty and in the formulation of strategies and policies. PRSPs have initiated a dialogue among a wide range of national stakeholders, thereby sensitizing/mobilizing local communities, and in some instances local governments and parliaments;
- Providing a focus for strategic programming by governments;
- Highlighting the importance of accurate poverty measurement and monitoring and helping to identify data gaps and the need for statistical capacity building;
- Encouraging a closer alignment of donor assistance in individual countries; and,
- Helping to bring about the beginning of a fundamental culture change in the BWIs and donors in terms of pro-poor thinking.

PRSP Process

Generally speaking the preparation of PRSPs has been under the leadership of Ministry of Finance, but with endorsement by the Head of State (e.g. Azerbaijan, Georgia, Nicaragua, Sri Lanka and Uganda). Sectoral ministries have been involved in most countries through their participation in thematic groups and in the formulation of sector specific strategies (e.g. Azerbaijan, Bolivia, Burkina Faso, Georgia, Guinea, Lesotho, Mongolia, Nepal, Sri Lanka and Uganda). In most cases, however, parliaments do not appear to have played a significant role (e.g. Cambodia, Georgia, Lesotho, Nicaragua, Sri Lanka and Zambia).

Civil society involvement varies considerably from limited NGO participation (e.g. Azerbaijan) to a much greater involvement (e.g. Lesotho and Uganda). However, civil society in many countries have sought to play a greater role (e.g. Georgia-facilitated by Oxfam and Nicaragua-assisted by UNDP and DFID). The involvement of local government appears to have been limited and generally confined to attendance at consultations. Most countries do not appear to have instituted formal mechanisms for consultation and feedback.

Whenever participatory process was limited, so was its influence on the content of the PRSP (e.g. Azerbaijan and Sri Lanka). However, in countries where significant efforts were made to engage in a participatory process or countries where the PRSP built upon prior poverty reduction strategies, the content reflected some of the concerns voiced by civil society (e.g. Burkina Faso, Uganda).

In countries where national programs for poverty reduction were prepared, the government and civil society have been in the drivers' seat (e.g. Burkina Faso, Ethiopia, Mali and Uganda). However in some cases (e.g. Cambodia), the overall policy and planning processes, including work on the PRSP has remained essentially external expert-driven and in some cases has been subject to the syndrome of "hotel room manufactured documents". The process in these countries has been facilitated by a "one way explanation" instead of "dialogue and participation". Motivation for such an approach probably emanates from national capacity constraints.

The JSAs offered useful comments on the content of I-PRSPs (e.g. Azerbaijan, Georgia, Laos, Lesotho, Mongolia, Nicaragua, Vietnam and Yemen). However, there is scope for improvement.

Policy Content of PRSPs

Many PRSPs have not engaged in a discussion of key issues that are central to poverty reduction such as land reforms, employment strategies, gender concerns, decentralization/poverty linkages. PRSPs that address these central concerns should be rewarded for innovations and for having a holistic approach to development. Some policies adopted in PRSP countries appear to be inimical to poverty reduction (e.g. in Cambodia, the Integrated Framework on Trade and Poverty undermines key PRSP principles). As far as prioritization of public policy actions is concerned, costings of the PRSP are a rather weak element of the poverty reduction strategy as are the links between costings and development of the MTEF (e.g. Nicaragua).

Implementation of PRSPs

It is critical for PRSPs to assess systematically and critically the poverty/inequality impact of all key policy recommendations, especially those pertaining to structural and macro-policy reforms. There are significant differences among countries regarding data availability, reliability as well as frequency with which it is collected. Often a trend analysis of poverty is unavailable or data are suspect because household surveys conducted at different terms use different methodologies.

Mobilization of domestic resources (through tax reforms, user fees) cannot be relied upon to mobilize the volume of resources needed.

Variables external to a country's domestic environment (e.g. falling commodity prices, recession in industrial countries) can affect national poverty reduction efforts.

SYNOPSIS 5: UNDP (c) and (d)

“UNDP -- Lao PDR: Towards a Strategy of Consultation in PRSP”

(April/May 2001)

“UNDP Support for Poverty Reduction Strategies – The PRSP Countries”

(June 2001)

These papers essentially clarify the role of UNDP as a partner in the PRSP process. Briefly reviewing a spectrum of countries involved in the preparation of PRSPs over a period of 3-5 years, the papers identify a range of policy advisory services for PRSP that UNDP has been engaged in at the country level and its cooperation with governments and other development partners. These “upstream” services include feedback and support for I-PRSP and full PRSPs, sharing PRS lessons learned from the activities of the now-concluded Poverty Strategies Initiative and provision of funding support.

Synopsis 6: UNIFEM

“Contribution to the World Bank and IMF PRSP Review”

(November 2001)

This review by United Nations Development Fund for Women (UNIFEM) is based on assessments by NGOs, consultants and national women’s machineries. It covers the I-PRSPs for Ghana, Laos, Lesotho and Yemen and full PRSP for Bolivia.

Participation of civil society in the development of PRSPs is often limited. The lack of formal mechanisms to institutionalize the participation of civil society has weakened the actual influence and ownership of the strategies by CSOs. If PRSPs are to be nationally owned and driven, it is crucial to ensure widespread and full participation from all sectors of society throughout all of its stages, including formulation, implementation, monitoring and evaluation. PRSP participation process should be gender sensitive. To that effect, countries need a permanent institutionalized participation by ‘gender commissioners’ (both men and women) throughout all phases and in all bodies of the PRSP cycle, and should encourage cross-country and regional sharing of gender expertise.

PRSPs emphasize the market economy at the expense of the household economy, which is mostly female dominated, based on unpaid labor and has direct contributions to the market economy, especially during business cycle downturns.

Gender is rarely addressed in relation to macroeconomic and structural policies; these are assumed to be gender-neutral when in fact they are not. Discussion of gender issues is often limited to a few specific sectors such as health and education rather than as a cross-cutting issue. One important omission in PRSPs has been the very limited discussion of violence against women.

None of the PRSPs surveyed had established any kind of system for gender-sensitive data collection nor was there any evidence of different methods of data collection that would produce key indicators on the gender dimensions of poverty.

SYNOPSIS 7: WHO

“Health in PRSPs”

(December 2001)

This paper presents the results of a desk review of PRSPs from 10 countries: Bolivia, Burkina Faso, Cambodia, Ghana, Mauritania, Mozambique, Nicaragua, Tanzania, Uganda and Vietnam. The accent is primarily on the health sector.

Most PRSPs include pro-poor health activities. But in many cases, the bulk of interventions reflect existing health strategies.

There are several omissions:

- No plans to monitor the impact of PRSPs on the health of poor vs. non-poor groups;
- No discussion of health sector governance issues; (e.g. government doctors working privately);
- No analysis of the problems associated with cost-recovery programs;
- No exploration of the potential impact of decentralization on health services.

Ill health is linked to poverty, so better health can be an engine for prosperity-both for the individual and for the nation. PRSPs provide an opportunity to translate this recognition into action.

PRSP development has been led by a small team in an oversight of economic ministry, e.g. in the finance ministry or the President’s office. Like other line ministries, Ministries of Health are often only marginally involved in the PRSP process.

B. Regional Development Banks

SYNOPSIS 8: African Development Bank (AfDB)

“Contribution to the PRSP Review”

(December 2001)

The AfDB paper presents a comprehensive discussion of a range of outstanding issues relating to country ownership, participatory approach, content of PRSPs, donor coordination and implementation of PRSPs.

Overall Assessment

The PRSP is an evolving process. The approach has enabled many countries to be more focused in terms of their efforts towards achieving specific and monitorable poverty reduction goals. It has also enabled many countries to galvanize support from the development community on the basis of a shared objective of poverty reduction. These positive developments offer an excellent opportunity for maximizing the impact of programs and projects on poverty reduction, especially for achieving the Millennium Development Goals (MDGs).

PRSP Process

The experience of the last two years suggests that many countries are “owning” their poverty reduction programs. The PRSP process is evolving in ways that strengthen further the involvement of civil society not only in the design, implementation and evaluation of projects at the local level but also in the formulation of national policies for poverty reduction. One of the major achievements of the PRSP approach has been the adoption of the consultative process.

Notwithstanding these welcome developments, there are a number of concerns:

- Some governments appear to pay only lip service to PRSPs. In such cases, ownership and international support can be problematic;
- Ensuring ownership of the PRSPs by *all* ministries, regional administration and local communities is an important but challenging task;
- The trade-off between the speed and quality is being debated. In some cases, even full PRSPs may have been prepared at the expense of a good anti-poverty strategy;
- The participatory approach may be difficult to implement in countries where the literacy rate is low and the majority of the poor live in remote and inaccessible areas;
- The participatory approach may need to develop an effective mechanism for facilitating the development of consensus on concepts, policies and intervention;
- NGOs and civil society organizations may not have the capacity to engage in the formulation and implementation of macroeconomic policies and other national poverty reduction strategies;
- The extent to which the participatory approach can be applied in quasi-democratic societies is a major issue.

Policy Content of PRSPs

The development of practical methodologies for ensuring coherence of policies across important sectors to facilitate implementation as well as monitoring and evaluation is an important challenge. This requires a second analytical basis and agreement among the various actors on outcome indicators, policies put in place to achieve selected targets and the cost of the corresponding strategies. Work in this area is still at a relatively rudimentary stage. It would perhaps be useful to emphasize the need to identify best practices along these lines and suggest mechanisms for wider dissemination.

Tracking of public expenditures, especially for money saved under the HIPC Initiative requires an overhaul of the public financial management systems (PFM) in many countries. Without an efficient and transparent public finance management system, the instruments such as budgetary support may not be widely adopted in the near future.

The need to include issues such as governance, the environment, gender and HIV/AIDS in full PRSPs is just being recognized. Addressing these issues systematically is still a challenge.

Implementation of PRSPs

An important challenge in implementing the PRSPs is estimating the cost of achieving selected poverty-related outcomes. The task of estimating the cost of improvements in the incomes of the poor through increases in crop yields, land and labor productivity as well as infrastructural development (especially in rural/remote areas) can be enormous. Estimating the cost of enhancing gender equality, reducing maternal mortality and increasing life expectancy can be equally challenging.

Work on the diagnostics of poverty, the formulation of coherent socio-economic policies and establishment and maintenance of the monitoring and evaluation systems is data and skill-intensive. Unfortunately, many countries suffer from the unavailability of recent and comprehensive household survey data. The analytical and institutional capacity for economic and sector work is also weak. Furthermore, linking the information on the incidence and depth of poverty with policies is a major challenge.

Donor Collaboration

Given the financial constraints, the role of donors in capacity building is crucial.

Different donors have different intervention mechanisms. The challenge for donors is to harmonize their intervention mechanisms and procedures on the basis of the shared objectives of poverty reduction in a country-led environment.

Other Issues

The paper has also flagged several other issues:

- Some countries are concerned that debt relief may mean less aid;
- If both multilateral and bilateral pool resources to fill the financial gap stipulated in full PRSPs, the role of other donors in the assessment of the PRSPs remains unclear;
- The relationship between PRSPs and the World Bank's Comprehensive Development Framework (CDF) is still not clear;

- The reduction of trade barriers in developed countries should facilitate growth in PRSP countries. In this regard, the EU's "All But Arms" Initiative is an important step;
- ODA rescues have been declining. Unless this trend is reversed, the PRSP process may be undermined.

SYNOPSIS 9: Asian Development Bank (ADB)

“Poverty Reduction Strategy Program”

(November 2001)

This brief paper is essentially a compilation of ADB staff comments which vary according to country and region.

In the case of the Central Asian countries, the PRSP process is considered to be more timely and to be of great benefit. On the other hand, in the case of “region-west” – especially Cambodia, Lao PDR, Pakistan and Vietnam, there are concerns whether the PRSP process has worked well. If the question is whether introduction of PRSP process has helped to change government’s approach to social and economic development for the better, the answer in these countries would probably be negative.

In “region west”, especially Cambodia, Lao PDR, Pakistan and Vietnam, ownership and participation is largely confined to the Ministries of Finance and other central government agencies dealing with donor assistance. Ensuring ownership is difficult because the timing of participation is driven not by the country’s broad development needs but by the desire to obtain continued concessional assistance from the IMF/WB and other donors.

Many Asia-Pacific developing countries have a long-standing tradition of national development plans. The PRSP process however does not accept these documents as the poverty reduction strategy, requiring instead a new, additional set of documents, which are largely designed and drafted by an external donor. It is therefore not surprising that PRSP has little or no country ownership.

In the case of Central Asian countries, there is generally an increasing receptiveness of government to participatory approaches. But there is a dearth of strong civil society groups which can actively participate in the strategy formulation process and get directly involved in monitoring and evaluating the performance of the interventions in addressing the poverty issues. There is also a lack of technical expertise within governments and civil society that can identify focused poverty reduction strategies and implement the relevant measures.

SYNOPSIS 10: Inter-American Development Bank (IDB)

“IDB Contribution to Review of the PRSP Approach”

(October 2001)

This paper is a direct response to the Fund-Bank questionnaire, and constitutes the Inter-American Development Bank (IDB) input to the PRSP Review. It is based on experience of IDB in four countries where it has been supporting the PRSP process (i.e. Bolivia, Guyana, Honduras and Nicaragua).

While remaining fully supportive of the PRSP process, the paper highlights the following concerns:

- Making PRSPs a condition for debt relief imposes a timetable that is technically and politically sub-optimal; it undermines the quality of the document and compromises the social marketing of its content. In their hurry to complete HIPC requirements, the PRSP documents have been rushed without fully incorporating the civil society consultations. The requirements of I-PRSPs to qualify for decision point makes little sense; these documents are weak with little more than a diagnosis and a list of good intentions;
- Irreversibility of debt relief at the completion point removes a key incentive for the long term implementation of the PRSPs;
- While the PRSP documents can be perfected over time, the countries lack a clear sense of what constitutes minimum technical standards for poverty reduction strategies. Sometimes it has been difficult for the international agencies to help country authorities with what appear to be obvious shortcomings of the strategies. The lack of strong linkages between the diagnoses, programs, inputs and expected outputs as well as clearly specified plans for implementation remain recurring shortcomings.
- The emphasis on stakeholder consultation and participation is a big plus but it comes with pitfalls. The PRSP has become a shopping list of problems. The concept such as privatization and trade-offs are hard to sell in these fora. Striking a balance between genuine consultation and input and the inevitable shopping list remains a challenge. Time, patience and continued support of the IFIs are key inputs to consolidating and improving the consultation process;
- Sustainability of the PRSPs requires committed implementation with careful and well-coordinated actions of many weak public sector entities. New requirements to gather, process and analyze information needed to manage and assess programs at the local level pose an important challenge which does not seem to have been adequately addressed. The preparation of PRSPs may be oriented more to debt-reduction objectives than to a genuine commitment to orient country policies towards poverty reduction. Perhaps, the best response to these issues is a reiteration of the long-term commitment of IFIs to

poverty reduction. Implementation of the PRSP strategies will require concerted and long term lending and technical assistance targeted to the continuation of these processes.

- The preparation of PRSPs takes too long and is too costly. For non-HIPC countries – i.e. those without the debt-reduction imperative, adequate incentives are lacking. Perhaps, less time could be spent in preparing diagnoses and more time in designing appropriate response to the country's most pressing problems.
- There is a concern on the part of non-BWI institutions that their inputs into key decisions are not fully considered in the HIPC and PRSP processes.

Responding to specific questions on the PRSP process, the paper points out that the countries under consideration have clearly taken the lead in the preparations of the PRSP. The process has been open and participatory. Extensive consultations helped validate and in some cases, modify priorities. The poverty diagnosis was adequate but monitoring and evaluation did not receive adequate attention. The IFIs, including the IDBs have been helpful in offering technical assistance and financing for the consultation process. There was no consensus however, on whether an appropriate balance has been achieved between country ownership and the need for donors to be held accountable for the use of their resources.

C: Bilateral Donors

SYNOPSIS 11: BMZ

“Contribution to PRSP Review”

(December 2001)

This paper presents the views of the German Government on the PRSP approach, expressly welcoming it and supporting its implementation bilaterally and multilaterally.

Overall Assessment

The PRSP approach already amounts to a constructive step forward. It offers a concrete opportunity to design national and international efforts for poverty reduction in such a way as to make them a joint and partnership-based endeavor. To date, the PRSP approach has already visibly increased the poverty orientation of many developing countries' policies, and has provided impetus to more effective external support. Not only did developing countries accept their ownership of their own development in, and through, the PRSP process, but this ownership has, in particular, initiated concrete political processes and a change of awareness, as a result of increased civil society participation in formulating the strategies. In many countries, the PRSP process has established poverty as a central policy issue.

PRSP Process

The need for participation has not been recognized universally yet; some continue to view this as an unavoidable provision imposed by donors. PRSPs pose a risk of centralization. In most cases so far, it has not been possible to give sufficient attention to the importance of capacities of sector ministries and devolved units or decentralized levels in the process of drafting and implementation. The sustainability and institutionalization of participatory processes continues to pose a challenge, especially in the transition from the drafting to the implementation phase. Even in countries where governments have reservations about stronger participation by broader sections of the population, PRSPs have given additional political scope to civil society, thus generating new dynamism. The instrument of I-PRSPs helped reduce time pressure, which had been a problem.

PRSP Content

In some cases, PRSPs are still mistaken for a blueprint for development overburdened with goals. PRSPs cannot address all central development problems simultaneously. A renaissance of the planning euphoria of the 1970s needs to be avoided. Appropriate prioritization of public spending and policies, as well as a realistic assessment of what is feasible should continue to be the main guiding principle. PRSPs are no longer exclusively associated with HIPC. They offer an opportunity for crosscutting development issues such as good governance, participation, gender and environment to become more firmly established.

Implementation and Donor Assistance

The PRSP approach has given fresh impetus to closer and continuous monitoring of the impacts of poverty strategies and of donor's assistance (e.g. Uganda and Ethiopia). Monitoring within the framework of PRSP processes also offers great opportunities to parliament for keeping better track of, and assessing, government plans and activities. However, this would only be possible if a limited set of clearly defined indicators is developed which are kept simple. Experience indicates that donors, too, often overtax the structures existing in these countries with their assistance by proposing too many, and too complex, indicators and monitoring systems (e.g. PSIA). Second-best solutions that work are often more useful in practice than ambitious concepts that can only be implemented with enormous external assistance. The inclusion of civil society may also help to complement purely quantity-based method with quality-based and participatory methods of monitoring. The link between goals and indicators at the level of PRSP and of sector strategies can also be strengthened further. However, if the goals have been formulated too vaguely in the PRSP, it will be difficult to make up for that at the level of monitoring.

PRSPs have given new momentum to action amongst donors; coordination and coherence with a view to countries' national poverty reduction strategies have become more important; the discussion on harmonization and new instruments of cooperation have been advanced. However, insufficient attention has been given so far to the limited capacities of countries- not only at the central level, but especially at levels below that. The process of coordination between multilateral donors on one hand and large and smaller bilateral donors on the other has been difficult. The Poverty and Social Impact Analysis (PSIA) used by the WB constitutes important progress in harmonization efforts among donors. It would however, be desirable to link PSIA to the monitoring system.

Experience shows that in order to achieve tangible qualitative progress, there is need for reaching clear local agreements- benchmarks for donor coordination. The following questions arise:

- Have donor contributions in support of the PRSP been presented and coordinated in the Donor Assistance Group in the partner country?
- Who arranged for this coordination, a "lead donor" or the government?
- Is there a list of support measures?
- Is there a joint financing basket for support to the PRSP process?

One central aspect will be whether donors and partners develop the ability to pursue a pragmatic strategy that is suitable for the situation in the partner country. There should be binding agreements between the two sides to avert the risk of getting bogged down in discussions on structures and resources and losing sight of realities.

SYNOPSIS 12: CIDA

“Experience with the PRSP Process in Bolivia “

(December 2001)

This paper which essentially documents the Canadian International Development Agency's (CIDA) experience in Bolivia also represents CIDA's "overall contribution" to the PRSP review.

The following observations merit attention:

- (i) Bolivian experience shows that the government has exhibited considerable ownership so far in the way it ran the process and has continued to give leadership to donor activities.
- (ii) Bolivian case also shows the tensions and contradictions which appear to be an inherent part of the PRSP process- between the requirement for extensive participatory processes and the right of a government to govern, between the technical demands the preparation of a PRSP makes and the capacity limitations of developing countries, between the principle of country ownership and what donors may for various reasons insist upon. Thus, the Bolivian experience illustrates the very real dilemma extensive participation can pose for a government pursuing a difficult reform agenda.

SYNOPSIS 13: Danish Government (a) and (b)

“Experience of Implementing the PRSP Process”

(December 2001)

“Review of the PRSP Processes in Tanzania”

(December 2001)

These papers present in a summary form the responses to the IMF/WB questionnaire by Danish embassies in nine countries (i.e. Bangladesh, Benin, Bolivia, Kenya, Malawi, Mozambique, Nicaragua, Uganda and Vietnam) put together by the Danish Ministry of Foreign Affairs.

Overall Assessment

PRSP processes seem to be conducive to an improvement in most indicators. For countries that have completed PRSPs, a higher priority seems to have been accorded to participation and data quality. There is a greater awareness among the I-PRSP countries to integrate the PRSP priorities into the national political process, and particularly into a national budgeting process. Although most countries are engaging in some sort of formalized consultation with donors on monitoring of PRSPs, creation of public monitoring mechanisms seems to be given less priority by governments in general.

PRSP Process

In Bolivia, Mozambique and Uganda, governments have assumed full leadership and ownership of the process. Line ministries have been involved to a varying degree, while local institutions were not genuinely engaged. The IFIs seem to have played constructive role, keeping a low profile, and have not generally obstructed country-led processes except in Bolivia.

Participation of all stakeholders, including civil society seems to a large extent depend on the political will of the government to allow an open process. A key question is whether the government supports a political discussion. In cases where the PRSP process is considered primarily a technical matter the process has a tendency to be run by key institutions in central governments without much attention from civil society. Bolivia seems to have been most successful in mobilizing civil society and local government in a dialogue focused on the political priorities of PRSP.

PRSP Process

Of the countries surveyed, only in Uganda the PRSP has been fully integrated into the mid term expenditure framework and sector planning, especially the social sector. The discussion on how to integrate PRSP priorities into core processes of policymaking and expenditure planning have only just started in the remaining countries.

In all countries, the PRSP represented a profound improvement. In all PRSP countries, the institutional capacity and issues of good governance in general were identified as being main factors affecting the formulation and implementation of PRSPs. Some governments are applying a realistic cost estimate (e.g. Bolivia, Mozambique, Uganda) although financing gaps are expected.

Implementation and Donor Assistance

Among the nine countries surveyed, weaknesses were identified in poverty data in all countries, except for Bolivia. There is considerable room for improvements regarding data and analysis. Targets, indicators and monitoring systems are generally not well developed.

All countries received adequate donor support. Only in two countries (i.e. Mozambique and Uganda) have donors to some degree aligned the support behind the PRSP. Less progress has been observed in the remaining countries.

**Papers by
European Commission**

European Commission has three papers on the subject. For analytical convenience, they have been reviewed in two synopses, presented in the reverse chronological order.

SYNOPSIS 14: European Commission (a)

“PRSP Review: Key Issues”

(October 2001)

The paper is upbeat on PRSPs stating that the process has brought a clear central focus to development policy, providing a single strategy around which development partners can be organized, and affording an opportunity for greatly enhanced participation in public decision-making. The paper focuses on identifying areas of relative weakness in the spirit of constructive criticism.

PRSP Process

Unlike I-PRSPs, many of which were produced within government, full PRSPs should be well grounded through wider processes of consultation. The participatory process should be linked with normal democratic governance, assigning a key role to Parliaments. Participatory processes reduced to a tokenistic exercise would be a disservice to the aim of country-ownership. As to the content, common themes running through most areas of policy should include how to involve poor people more fully in the working of markets, and how to make institutions more responsive to poor people. Care should be taken to ensure that technical assistance received, if any, does not undermine country-ownership. Realistic timeframe for the implementation of PRSP policy measures should also be included in full PRSPs. In order for readers to appreciate the redirection of policy, it would be helpful for PRSPs to contain a short summary of what has changed as a result of the PRSP process.

Policy Content of PRSPs

In many cases, I-PRSPs included extensive lists of goals, and often even longer lists of actions towards those goals. Consequently, these documents have been weak on prioritization, with trade-off rarely if ever spelt out explicitly. PRSPs need to summarize key strategic decisions on priorities. This will be vital not only for overall credibility and donor support, but also to integrate the PRSPs, in due course, into medium term resource allocation and annual budgets. For credibility and effectiveness, the PRSPs need to contain explicit strategies for better management of government resources (including donor funds). Improvement of public financial management is a key area for capacity building in support of PRSPs. This should include measures to prevent misuse of funds by improving control mechanisms and updating the rules and regulations. ‘Reality checks’ should be conducted to confirm how systems and changes being introduced are actually working. Another key aspect of improved public resource management is the fight against corruption, which requires a far broader approach drawing support from a wide coalition of forces.

Implementation of PRSPs

Much of the focus so far has been on developing the full PRSP. What is needed now is a move to the stage of implementation. This implies delineation of a consultative PRSP cycle involving civil society, and linking the PRSP strategy with an annual policy matrix, resource allocation, effective deployment and transparent monitoring. The need for capacity building emerges as a key issue here.

Most I-PRSPs suffer from the absence of so-called ‘missing middle’ – i.e. the gray area between the short-term action and long-term goals. Full PRSPs need to contain indicators of results at interim levels and in interim timeframe. Such indicators are important both as accountability mechanisms as well as course correction markers for governments and should ideally be assessed in ways that give adequate weight to the voices of poor people. Experience to date in this regard has not been as strong as was hoped. High priority needs to be accorded to such indicators and governments should be willing to be accountable to such terms. Without a set of comprehensible and meaningful indicators, PRSPs will not be the transformational tool as aspired.

Donor Support

The role of donors in the PRSP process needs to be carefully judged. Since donors provide significant sources of funds for development programs, their confidence in the quality of the process and the PRSP document is important. It is desirable therefore to ensure that there is an appropriate forum where donors’ voices are heard. At the same time donors’ own approaches need to develop. They should subordinate individual conditions and reviews to common process around the PRSP cycle.

SYNOPSIS 15: European Commission (b) and (c)

“Comparative Review of I-PRSP Targets and Conditionalities for HIPC Completion Point”

(October 1, 2001)

“Comparative Review of I-PRSP Targets and Conditionalities for HIPC Completion Point”

(April 30, 2001)

These two papers, taken together, examine the typology of conditions set up for the each participating country in order to achieve debt relief under the HIPC initiative and examines coherence between them and the targets outlined in corresponding I-PRSPs. The April 2001 Paper covered 10 countries while the October 2001 paper deals with the remaining 14 countries, thus covering all the countries that reached Decision Point before September 2001.

Regarding the link between HIPC Conditionality and the country’ I-PRSP, the following conclusions were reached by the earlier paper:

- a wide variation existed between type, scope and measurability of HIPC conditionalities;
- policy requirements were predominant and outcome indicators were concentrated only in the social sector (health and education);
- greater transparency, more measurability – and perhaps less variability – in the selection of HIPC conditions, was desirable;
- greater use of outcome indicators was called for.

In the light of the latest paper (October 2001), some of these conclusions were modified, as under:

- Variability as regards the type, scope and measurability of the selected indicators has now come down, thanks to the issue of Bank/Staff guidelines on I-PRSPs and HIPC assessments. Moreover, HIPC conditions are now more comparable across countries in terms of type, number and “weight”.
- Policy measures and input requirements continue to dominate HIPCs. Not much effort has been made to include more outcome requirements beyond the social sectors.
- Several discrepancies continue to exist in the selection of outcome indicators among I-PRSPs and HIPC documents.

SYNOPSIS 16: GTZ

“Institutionalized Participation in Processes Beyond the PRSP”

(September 2001)

This paper is an outcome of a study prepared by Institute for Development and Peace (Gerhard-Mercator University, Duisburg Germany). The study was commissioned by GTZ, Germany to “serve as a basis for advisory services to be delivered by German Technical Cooperation (TC) to partner countries undergoing the PRS process”. It also makes a useful contribution to the international debate among donors concerning the future promotion of PRS process, especially in the context of the Strategic Partnership with Africa (SPA).

This paper presents an assessment of participatory structures in the prevailing poverty reduction strategies and aims at developing a framework for institutionalization of participation in the PRSPs.

The main findings of the paper are as follows:

- Participatory elements play an important role in the theory and practice of developing PRSPs. Most Poverty Reduction Strategy (PRS) processes to date, however, have been founded essentially on an *ad hoc* basis. The institutionalization of participation is still in its infancy. As such, there is considerable scope for improvement, consolidation and expansion;
- In majority of cases, participation is confined to ‘consultation’ designed to allow an exchange of opinions and information between government and non-government national actions. On the other hand, ‘collaboration’ has been less frequent and ‘joint decision making’ on relevant aspects of pro-poor policy extremely rare;
- Political participation in the form of joint decision making raises the issue of the legitimation of the participating actors. Parliaments – which in many countries of sub-Saharan Africa are institutionally weak, but usually possess at least a formally legitimate mandate. In most cases, however, they are only marginally involved. On the other hand, civil society and private sector actors do not possess the democratic legitimation to determine political decisions that are binding upon government;
- While the parliaments should play a significantly greater role, participation by civil society and private sector remains an absolutely essential element in the development and implementation of PRSPs. The ideal scenario would therefore be a closer cooperation between participants and the respective societal actors vis-à-vis the governments;
- Institutionalized participation creates country ownership wherein the majority of a society participates directly or indirectly, identifies itself with goals and elements of the finally

formulated strategy and participates in implementation and ongoing strategy development;

- Institutionalized participation reflects an open and learning society which develops its own potential. The following dimensions of institutionalized participation have been identified: sustainable, structurally integrated, thematically embedded, politically relevant, qualified, representative, broad-based and inclusive, decentralized, conflict aware and safeguarded by the rule of law;
- Institutionalized participation needs to cover five political processes relevant to poverty reduction. These include: PRS cycles, budgeting cycles, macroeconomic policy making, development and implementation of sector policies, and political processes at sub-national level.

The options for development cooperation to promote political participation are more diverse today than ever before. In this regard, the paper recommends: clarification of roles and improvement of donor coordination; organization of systematic learning processes; promotion of participatory governance; supporting parliaments and societal actors; and creating networks between parliaments and civil societies.

SYNOPSIS 17: OECD

“The PRSP Review Process”

(November 2001)

This paper presents a response to the Fund-Bank questionnaire based on “widely shared views” among Development Assistance Committee (DAC) Members of the Organization for Economic Cooperation and Development (OECD).

Overall Assessment

OECD has welcomed the PRSP as a powerful mechanism for rallying the international community behind the Millennium Development Goals (MDGs) and for galvanizing efforts and resources to that end. While strongly endorsing the PRSP process, the OECD has reiterated a commitment to improving its development effectiveness.

PRSP Process

Countries need time and space to truly own their development visions and strategies. With the pressure for rapid action to obtain HIPC debt relief, ownership cultivated through participatory processes has unfortunately been seriously absent in some PRSP countries. A homegrown locally owned PRSP may in some ways be of lower technical quality, but it has a higher likelihood of being implemented and sustainable- thus increasing the probabilities of successful poverty reduction and of avoiding further debt crises. This reinforces the importance of allowing time for appropriate exchange of ideas and dialogue within the country, as well as with external partners.

Country ownership and leadership are affected by capacity and power imbalances among PRSP process stakeholders, including local actors. Many PRSP countries have fragile political party systems and civil societies. An excessive focus by external assistance agencies on the technocratic aspects of PRSP to the detriment of political determinants may erode, and perhaps ultimately compromise, development effectiveness.

Parliaments and elected officials have not yet been actively involved in the PRSP processes. Also, there has been scant meaningful participation by the private sector in strategic formulation processes. Involving poor people either directly or through institutions that genuinely represent their interests (e.g. NGOs, church groups) remains a key challenge.

There is scope for more enlightened attention to the “political” dynamics of the consultation process itself, which is an important mechanism for marshalling and channeling country ownership of development policies and actions and, in particular, social solidarity for the fight against poverty. There are risks implicit in this process- not only those posed by inherent challenges to vested interests, but also those giving rise to unrealistic expectations that might eventually sour essential public support for PRSPs. Some PRSPs appeared to be in danger of becoming an all-embracing government planning exercise, reminiscent of state-run development

planning of the 1950s, rather than a genuine participative process. This could create a tension with the open, transparent enabling environment needed to encourage private sector growth.

In order to contribute to broad consultation and encourage efficiency, it would be useful if an initial sketch or PRSP process “map” were set out to inform stakeholders, partners and civil servants of the PRSP trajectory and end point.

Policy Content of PRSPs

Many PRSPs lack a comprehensive, long term strategic orientation. The links between phased integration of different elements of PRSPs and follow on, more detailed, implementation plans are rarely spelt out, especially as regards public investments and actions in key poverty reduction sectors such as health, education, sanitation and rural development. Alternative policy choices and trade-offs could be made more explicit, and greater effort could be expanded to ensure that a chosen poverty reduction strategy is grounded in a long-term perspective.

PRSPs do not seem to be adequately addressing crosscutting issues such as gender equality, sustainable development (going well beyond just environment), conflict prevention and rehabilitation and good governance (including corruption and civil service reform). Greater attention needs to be given to assessing the nature and policy requirements of pro-poor growth, including private sector led employment generation. Trade issues need to be integrated into the PRSP process, especially the importance of addressing supply side obstacles to trade. There is also a need to look at the realism of the poverty strategies and their financing.

There is a question whether we are asking countries to do too much and whether more needed to be done to “prioritize” and adopt a unified approach to strategic development planning. Many I-PRSPs look like “wish lists” and turning them into reality is going to be a difficult process.

Implementation of PRSPs

Poverty monitoring is yet to be integrated as a cornerstone of PRSPs. Measurable poverty indicators linked to the Millennium Development Goals (MDGs), intermediate measures for assessing institutional progress, and PRSP “process” benchmarks should be specified in PRSPs. The emphasis should be on developing and agreeing on a limited set of country-relevant, measurable indicators appropriate to short, intermediate and long-term time-frames adequate to the task without overburdening national statistical capacity. Monitoring and evaluation of country policies and programs should be integrated into national strategies – not added as an afterthought. PARIS 21 is a vehicle through which countries and donors can work to make this happen.

It is important that statistical capacity-building be accorded a step increase in funding and directed at developing sustainable statistical systems, attuned to the needs of policy makers for reliable and timely statistics to assess progress in reducing poverty. There is a need to focus on the lessons learnt on how to link poverty reduction strategies, the selection and monitoring of targets, and budget and expenditure planning. PRSPs contained too many indicators, and there was a need for more selectivity in targets.

Capacity building is central to the development and implementation of PRSPs. Capacity building for financial management systems is crucial. An important issue here is whether technical assistance is being provided for in a way that enhanced local capacity building and ownership. The key is to build ownership and not provide “ technical assistance in a capacity destroying way.”

Donor Assistance

Multilateral and bilateral donors tend to dominate the conceptual and analytical framework relative to national governments and, in particular, civil society. Government accountability is accordingly, often directed more to donors than to its constituents. This is a conundrum for which there is no clear solution. It may however, be helpful if the roles and responsibilities of different development partners are established at the outset in the PRSP process.

Current constraints on capacity building are often underplayed in PRSPs, and the capacity implications of policy choices are not made clear. Greater realism in setting of goals and more forthright recognition of implementation difficulties could be encouraged. At the same time, the PRSP process itself builds capacity through participation of groups and people who were formerly left outside the policy process.

Providing targeted assistance for the tasks at hand and maintaining sustained, phased support over an extended time frame is important. Careful use of extra-governmental technical capacity and well-managed external assistance is essential, as is close coordination among external partners to identify gaps, provide resources in ways that increase capacity rather than destroy capacity, and reduce duplication.

Closer coordination among external donors is often *ad hoc*. Despite recent efforts, donor agency institutional practices, procedures and “cultures” often discourage collaboration. Donors need to work together with greater initiative and commitment on coordinating with one another. Strategic areas of action include:

- Joint research and analysis (assessments, evaluations),
- Joint operations (missions, country dialogue),
- Joint support (pooled funds at the sectoral or global level with closely coordinated project assistance and technical cooperation),
- Joint approaches (common conditionalities and/or disbursement indicators)

**Papers by
Strategic Partnership with Africa (SPA)**

There are six papers on the subject by SPA including a formal submission by the SPA Technical Group. For analytical convenience, they have been reviewed in four synopses and presented in the reverse chronological order.

SYNOPSIS 18: Strategic Partnership with Africa (a)

“An Input from the Co-chairs of the SPA’s Technical Group”

(January 2002)

This paper presents a resume of overarching concerns raised within the SPA regarding PRSPs. The paper categorically states that the PRSA approach will not succeed if the international community does not make a determined effort to help partner countries implement the PRSP principles.

PRSP Process

More than lip service needs to be given to help realize the ownership objective. Active steps need to be taken by the donor community (including the IFIs) to allow partner governments the space to develop homegrown solutions.

PRS processes are intensely political. PRS-formulation and implementation that bypasses domestic political structures, issues and practices are unlikely to produce lasting results. Moreover, policy reversals are possible, indeed likely to arise.

Policy Content of PRSPs

The relationship between sector programs and PRSs is not unambiguous. It is essential that sector initiatives become subordinate to PRSs. The process of moving from already existing sector programs to supporting PRSs through central budget systems is unlikely to be smooth. Apart from involving weighty institutional issues, e.g. changing relations of authority between sector and finance ministries, there are issues about donors’ interaction with government.

In order to encourage more external finance to be channeled through national budgetary systems, rapid and substantial progress needs to be made in improving the standard of public financial management in partner countries. Since this issue seems to be attracting the attention of many international bodies, there is a real danger of initiatives overlapping, potentially leading to conflicting recommendations.

Separate accounting for HIPC debt relief runs the risk of distorting good budget management practices. It is essential to ensure that HIPC related expenditure is planned, and accounted for, as integral component of the overall budget. Programmatic support to PRSs cannot therefore be based on traditional stop-go mechanisms. Over-elaborate assistance packages do not help to build ownership.

The PRSP approach is helping to strengthen participatory processes. But, there is a danger that as the imperatives of the HIPC Initiative starts to diminish in significance, the current emphasis given to participatory decision-making may weaken.

Governments and donors need to widen the scope for participatory process. In some cases, IFIs are being “short term and instrumentalist about the role and significance of participatory processes”. Attempts to circumvent political processes are unhelpful and unlikely to succeed.

Implementation of PRSPs

PRSP implementation will be difficult if key cross cutting reforms are delayed by government. In order to assist partner countries implement their PRSPs, the international community needs to switch quickly to providing predictable, and more, medium term on budget finance.

Partner countries need to improve substantially the analytical basis of cost estimates for PRSPs. This is relatively new, but immensely important area of work.

The selection and adoption of indicators of progress should, as much as possible, be arrived at through a transparent and participatory process. Indicators of progress need to be jointly agreed with national authorities and these must be derived out of the PRSP. Setting up parallel mechanisms can only serve to usurp ownership.

Serious attention to PRS related capacity building programs is required, with donor supported TA implemented in response to clear demands articulated for capacity development by partner governments.

Donor Collaboration

Reporting and monitoring systems are still being shaped by donors. The PRSP process ought to be helping countries to change reporting systems so that these account to citizens and subjects rather than to donors alone.

Development partners need to set realistic expectations and time scales, if only to avoid disillusionment. Donors need to improve their financial reporting systems, and to provide partners with good information about future commitments. Without predictable flows of external finance over medium-to-long term, governments are unlikely to have the flexibility to make adequate budget allocations for poverty reduction.

Overall Issues

The paper has flagged several other issues:

- The total burden of conditionality needs to be reconsidered.
- Priority needs to be accorded to adopting a common review process that is acceptable to donors, but based around the recipient government’s review cycle and procedures.

The common review cycle should consider the government’s policy matrix, the resource allocation framework, and the performance monitoring and review mechanisms.

SYNOPSIS 19: Strategic Partnership With Africa (b)

“Donor Engagement with National PRSP Process”

(October 2001)

This paper aims at identifying the extent of donor engagement with national PRSP processes on the basis of a survey conducted by e-mail questionnaire to which 15 countries/groups responded (i.e., Belgium, Canada, Denmark, the E.U., Finland, Germany, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, U.K. and U.S.A.).

The main findings of the survey are as follows:

- Donors are cautiously optimistic about the PRSP initiative and believe that PRSPs are moving in the right direction, albeit slowly. They are taking advantage of the PRSP as an opportunity for new ways of working;
- Donors are more fully engaged with the PRSP initiative of late. Most agencies have a general policy to take the PRSP into account when creating country strategies, and many have or expect some degree of concrete linkage between the PRSP and a given country strategy;
- Donors are supporting wider participation (by civil society and broader government) in the PRSP process by both direct and indirect means. Capacity building support is a priority for most donors, with most attention given to public expenditure management; sectoral planning and prioritization; and analysis monitoring and evaluation activities;
- PRSPs are providing a useful focus for some donors in moving towards general budget support. However, concerns regarding corruption, accountability and transparency are some prominent reasons for donor caution in providing budget support;
- The PRSP creates a useful focus for donor coordination, with most donors taking part in joint reviews of the PRSP and participating in joint donor fora around the PRSP. A sizeable number of donors indicated that they would like to see the creation of common monitoring frameworks, based on the PRSP.
- The role of the IFIs remains a cause for concern, with a perceived need for improved respect for national ownership. There are perceptions that PRSP principles are not being implemented at country level despite commitment from headquarters. Donors also continue to be concerned about tight deadlines and the requirement for several distinct (but similar) documents.

SYNOPSIS 20: Strategic Partnership with Africa (c) and (d)

“Desk Study of Good Practice in the Development of PRSP Indicators and Monitoring Systems – Initial Review of PRSP Documentation”

(May 2001)

“Desk Study of Good Practice in the Development of PRSP Indicators and Monitoring Systems – Initial Review of PRSP Documentation” - Draft Final Report”

(October 2001)

These reports examine monitoring systems and indicators in the context of I-PRSPs and PRSPs for sub-Saharan Africa. A broad conclusion that emerges is that while some of the guidance material currently available on monitoring and evaluation is focused and realistic, other fails to account for the ways in which policy processes work.

The main findings from the reports include the following:

- PRSP monitoring should cover the full range of processes and indicators – from inputs, through intermediate outputs and outcomes, to results in terms of poverty reduction goals (final outcomes or impacts);
- There has been a commendable revival of interest in final outcome poverty monitoring and the corresponding data-collection instruments. But, inputs and especially intermediate implementation issues are being relatively neglected. Consequently, vital questions about the usefulness of different data sources are being ignored;
- The approach to indicator selection is also biased, with rather indiscriminate listings of standard indicators taking the place of careful thinking about steps that will need to be taken if PRSP goals are to be reached. New mechanisms for encouraging information-use are becoming visible, but thinking on this, too, is still at an early stage;
- In putting together a set of workable monitoring arrangements for a PRSP, three basic questions need to be addressed:
 - what to monitor (and why);
 - how to obtain relevant worthwhile information; and
 - who may be expected to use it and for what purpose.

These questions can be addressed at three levels: final outcomes/impacts, intermediate outputs and outcomes and inputs.

SYNOPSIS 21: Strategic Partnership with Africa (e) and (f)

“PRSP Institutionalization Study (Scoping Phase)

Report on Progress and Preliminary Findings”

(November 2000)

“PRSP Institutionalization Study Third Progress Report”

(May 2001)

These two papers constitute the second and third progress report, respectively, of an ongoing study aimed at investigating the extent to which PRSPs are being institutionalized in eight African countries, viz. Benin, Ghana, Kenya, Malawi, Mali, Mozambique, Rwanda and Tanzania. The main findings of the reports are as follows:

Attitudes and Commitments

The initial phase of the study had found little outright opposition to PRSP approach but perceptions regarding its implementation varied a great deal across the countries. The latest phase indicated that the differences are now less striking. Irritation in some cases at having to ‘start over’ has also become more muted, thanks at least in part, to a much more subtle posture by the IFIs in guiding the process and content of full PRSPs.

Governments were seen taking the PRSP preparations very seriously. However, the process overload appeared to be threatening to swamp the gains that have been made. The capacity that exists to undertake more effective anti-poverty planning and coordinate external assistance was seriously over-stretched almost everywhere by the multiplicity of review processes, and the uncoordinated timing that appears to characterize them. Enhancing capacity (through technical assistance, for example) without compromising ownership remains a challenging task.

Bilateral donors have become more closely and constructively engaged with PRSP process. However, the preparedness of donors to actually change the pattern of their aid delivery in respect of PRSP remains an issue.

Potential for Institutionalization

The study also examined how widely and deeply institutional changes are being introduced as a result of PRSP-related initiatives.

The study confirms that the ability of the PRSP initiative to shift national poverty reduction policies in the direction of better design and implementation is critically influenced by the density of earlier reform effort. The latest study in fact goes further and concludes that

PRSPs are unlikely to achieve very much on their own. Their impact depends upon the existence of parallel changes in government financial management and accounting arrangements.

The latest version of the study also confirms that apart from 'mainstreaming' poverty, the PRSPs are seen to be providing the essential vision on how the government proposes to be more effective in tackling poverty with existing and potentially available resources. More importantly, PRSPs are seen to be opening public debate on the ways economic policy is made and implemented. In the process, the PRSPs can create policy spaces in which more voices can be heard and chronically neglected policy bottlenecks can be exposed to a wider national constituency.

The study also confirms the tendency for PRSPs not to involve parliaments, as institutions, in a major way. It is argued however that it should not be a question of principle, mechanically applied, that national ownership implies parliamentary scrutiny at the planning stage, regardless of the quality of the institutions concerned. The study argues that in most cases, it would be unwise to allow parliaments to be as uninvolved as they have been until now. Nevertheless, a good mix of creativity and realism is called for.

Papers by

U.K., DFID

There are in all, five papers on the subject, including a formal submission for the Review. Since they cover different aspects, there are as many synopses.

SYNOPSIS 22: U.K., DFID (a)

"Poverty Reduction Strategy Review"

(December 2001)

This paper is a direct response to the Fund-Bank questionnaire. It highlights some of the U.K.'s main reflections to date.

Overall Assessment

The PRSP process has a great strategic importance. It offers a chance to develop a genuinely different kind of development cooperation, one that will lead to more success in poverty reduction than has been achieved in the past in many countries. Several significant changes are occurring in the right direction. Evidence from seven Sub-Saharan African (SSA) countries suggests that the PRS process has the potential to strengthen the poverty reducing impact of aid through providing a new set of incentives that will enable partner governments to develop stronger institutions and prevent the aid relationship from eroding the capacity of partner governments and other national institutions to act for themselves. In many countries outside SSA, however, PRS processes have not been at center stage and to date, have not significantly challenged the dynamics of the aid relationship. For example, the uptake of PRSs in Asia has generally been slower, partly because some of these countries already have poverty reduction strategies and there is less aid dependence.

PRSP Process

In a number of countries PRS consultative processes have produced changes in the policy-making environment. They have raised the political profile of poverty issues in the public debate and served to mobilize NGOs and CSOs to be more policy focused. In the last two years, some voices have been heard that would have otherwise been ignored by government. There is a need to build on what has been achieved to ensure that the capacity to hear the voices of the poor is broadened and deepened while reinforcing the evolution of democratic processes and institutions.

The participation process should not over-privilege NGOs at the expense of local political institutions. At the same time, the quality of the outputs produced through consultation processes, and their consequent impact on policy-making is a real concern. For the PRS to be genuinely nationally owned, IMF supported programs and instruments must be accessible to, and understood by, all national stakeholders. This would also enhance the accountability of Bank and Fund's role in the process. Improving the quality of PRSP consultation and participation is a key area for future attention by the World Bank and IMF in collaboration with other development partners.

Policy Content of PRSPs

Some national governments were found to be unsure about the requirements and details of the PRS process.

The weakness of the macro framework and growth strategy contained in poverty reduction strategies to date is worrying. The main areas of concern include:

(i) Insufficient attention to micro-macro linkages

The linkages between sectoral sources of growth and raising household income of the poor are weakly elaborated, if they are elaborated at all. The analysis of transmission mechanisms from growth sectors to incomes of the poor is absent.

(ii) Insufficient growth orientation

Macro stability, greater export orientation and withdrawal of government from productive sectors tend to dominate the strategies. Less attention is given to other aspects of the supply side response including those of particular relevance to increasing the contribution of poor people to growth (e.g. private sector development, interest rates, credit availability, labor markets) and generally, how to reform and create the institutions needed for sustainable growth.

(iii) Gender blind approaches

PRSPs should take into account the roles and responsibilities of men and women in the productive and reproductive economic spheres at macro, Meso and micro levels. The World Bank's considerable capacity in gender analysis needs to be effectively used.

(iv) Neglect of the environment

For lasting growth and poverty reduction it is critical that relevant poverty environment issues are given priority in PRSPs, and that those dealing with the environment in country are actively engaged in the PRS process.

(v) Lack of innovation

More innovative and rigorous thinking is needed on conceptualising alternative, more flexible post-stabilization macro frameworks, based on normative assessments of social need and growth (e.g. the IFI acceptance of continued protection for cashew nuts in Mozambique, and the abolition of school and health fees in Tanzania and Uganda respectively).

(vi) Underestimating the capacity constraints

Capacity needed to develop PRS that are sufficiently rigorous to offer a real and improved alternative to the economic reform and adjustment policies of the past has been severely underestimated.

Implementation of PRSPs

Following the recent moves to streamline conditionality the Fund and the Bank should examine the implications of PRS assessment and review procedures with a view to achieving internal rationalization and streamlining them with the partner government's own domestic schedule and processes. Other donors will have to address this issue in their own procedures too.

Slow progress on Poverty and Social Impact Analysis (PSIA) to date is a cause of great concern. The commitment to PSIA is now well understood in the Fund. But in the Bank, understanding is still patchy. The Bank and Fund should set a clear timetable for producing the analysis that can be used on the PRGF.

Donor Assistance

On order to tackle poverty more effectively, it is critical for all development agencies-bilateral and multilateral, to align their programs and activities behind the PRS approach. Parallel and competing frameworks should be avoided. The Bank's leadership role on the MDB Harmonization task force is welcome.

The terms and mechanisms for PRS assessments and annual reviews should be inclusive of a broad range of concerns, cooperating partners and other stakeholders, including civil society. This would enhance the quality of the assessment and encourage greater buy-in on the part of other donors (e.g. in Bolivia and Nepal, 50% time of country managers was dedicated to PRS donor coordination efforts).

While there is a fine line between donors driving the process and donors providing clarification on expectations, sometimes in the name of promoting national ownership, the international community has not made relevant information clear to government.

In the short term the PRS process has increased the transactions costs of doing business with donors for partner governments.

For the PRS process to mark a significant change from the past and move towards new, more effective aid delivery modalities, the donor community needs to make a more decisive shift towards financing poverty strategies with more predictable and longer term financing, linked clearly to performance frameworks taken from the PRSP. The WB should move forward quickly with the PRSC in 2002 and use CASs to explain carefully how it will finance poverty strategies. Ultimately, we should be moving forward to an approach for international support to PRSPs, whereby those countries with serious commitments and efforts, should not be denied the resources they need to implement their plans and achieve MDGS.

SYNOPSIS 23: U.K., DFID (b)

“Assessing Participation in PRSPs: A Desk-based Synthesis of Experience in Sub-Saharan Africa”

**Draft Report
(October 2001)**

This paper, commissioned by DFID and prepared by Rosemary McGee with Josh Levene and Alexandra Hughes for the Institute of Development Studies (IDS), presents results from a desk review of practice and experiences of civil society participation in the development of PRSPs.

The paper's findings are as follows:

- Civil society participation can add considerable value to PRSP processes and to transforming policy environments in ways, which are beneficial to the poor and supportive of better governance and more responsive behavior by governments and donor institutions. The fact that participation can add value however does not mean that in all countries significant value has been added. Much remains to be done to consolidate and sustain the advances made so far;
- While both civil society and, to a lesser extent, governments are much better equipped to engage with each other fruitfully in future iterations of their PRSP processes, for the full potential of civil society participation to be realized considerable higher intensity and better quality will be needed;
- Interpretations regarding participation seem to vary between IFIs, civil society and governments. A diversity of understandings emerges about how far to extend participation and whether and how parliaments should be involved. Different participation have assumed different roles according to their interpretation and expectations;
- In the first round of PRSP formulation, participation was generally confined to consultation. Moreover, consultation practices were flawed in many respects, especially in terms of weak information provision thereby limiting the value of consulting;
- Participatory Poverty Assessments (PPAs) is a welcome development, but efforts will be needed to ensure that PPAs go beyond more consultation;
- Civil society lobbying has secured a more holistic, better quality approach to participation than could have been expected otherwise. It has widened public awareness of the process and helped to orient the PRSP process and its leading actors better towards the realities of poverty on the ground. Moreover, there is some evidence that civil

society's efforts have influenced PRSP content, particularly in drawing attention to issues of marginalization, exclusion, regional differences in deprivation and in highlighting the impoverishing effects of corruption and poor governance;

- Civil society participation in PRSP processes has broadened the poverty policy community. This opening up of the policy process to a wider range of interlocutors, including advocacy organizations, is a progressive outcome which suggests improvements in government responsiveness and in the chances that concerns of the poor will be voiced and heard;
- Participatory processes appear to have had some effect on donor-government dialogue. There is a cause for concern, however, that by casting donors in the role of 'brokers of participation', PRSPs have increased donors' mandate to get involved in domestic social and political processes, thus accentuating their power over governments in ways which are not conducive to strengthened country ownership.

SYNOPSIS 24: U.K., DFID (c)

“Spatial Considerations in National Poverty Reduction Strategy Processes – A Working Paper” (October 2001)

This paper prepared by Alison Evans for U.K., DFID, is focused on spatial issues in the context of PRSPs.

National strategies for poverty reduction are considerably enhanced if they are grounded in a comprehensive understanding of where the poor are and how they construct their livelihoods. Location and local context influence the nature and composition of poverty in low-income countries and the relevant policy levers and public actions for tackling it.

The main message of the paper is that a national PRS entails tackling a myriad of issues within and across sectors and integrating them into a coherent national policy framework for poverty reduction. Two important elements in the process are:

- developing a comprehensive and inclusive diagnosis of poverty that incorporates spatial dimensions; and
- assessing the effectiveness of public policy and planning processes in addressing spatially diverse realities of the poor and opportunities for economic development.

SYNOPSIS 25: U.K., DFID (d)

“Health in PRSPs -- An Introduction and Early Experience”

(August 2001)

This paper, commissioned by U.K., DFID and prepared by Veronica Walford for Institute for Health Sector Development, reviews the guidance on PRSP preparation related to health and examines some recent experiences.

Development of PRSPs has not led to radical improvements in health policy or budget allocations. PRSPs do not clearly prioritize or force hard decisions.

PRSPs provide an opportunity for the health sector which has developed policies and strategies that are pro-poor, to communicate these to central ministries and politicians and get them reflected in budget allocations. It also provides an opportunity to agree on same key milestones and indicators for sector progress and priorities.

The PRSPs should include the resources allocations for health and this should provide an opportunity to get agreement from central decision makers and the multilateral agencies on the level of funding and spending priorities within the sector. There is very little on allocations in the recent I-PRSPs.

PRSPs are not highly specific about the monitoring approach to be used, although there is a tendency to plan for household surveys. It is an important question how far to rely on cross-sectoral efforts such as integrated household surveys instead of carrying out specific studies.

The relationship between the PRSP and the existing poverty reduction plans is not always clear. In Zambia, the PRSP will be a more financially realistic version of the national plan whereas in Uganda, the existing plan effectively became the PRSP.

As to the health sector, it would be highly desirable for the PRSP process to build on the existing efforts to address the priorities and plans for the sector, rather than to start afresh.

SYNOPSIS 26: U.K., DFID (e)

“Sub-Saharan Africa’s PRSPs from Social Policy and Sustainable Livelihood Perspectives”

(March 2001)

This paper, commissioned by the U.K., DFID and prepared by Neil Thin, Mary Underwood and Jim Gilling for Oxford Policy Management, aims at providing insights into the ways in which social policy and livelihood issues are being addressed in PRSPs. The paper is focused on sub-Saharan countries that produced I-PRSPs and PRSPs by the end of the year 2000 (i.e., I-PRSPs for Benin, Cameroon, Chad, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal and Zambia and PRSPs for Burkina Faso, Tanzania and Uganda).

The main message of the paper is that (i) all the PRSPs show a clear sign of nascent participatory consultation and commitment to broaden the concept of poverty and diversify strategies beyond a narrow income focus, but that (ii) future versions would benefit from much more careful and comprehensive attention to sustainable livelihoods and to social dimensions of anti-poverty strategies.

There is scope for further international dialogue on what is realistic to expect of PRSPs in terms of data, analytical rigor and strategic detail. Neither PRSPs nor the associated World Bank/IMF Joint Staff Assessments (JSAs) seem to make significant use of terms such as ‘sustainability’, ‘vulnerability’, ‘security’, ‘inequality’, ‘social integration’, ‘rights’, ‘empowerment’ and ‘ethnicity’. This may indicate a need for technical assistance to strengthen the conceptual approaches associated with these terms.

On policy processes and content the findings of the paper are as under:

- PRSPs generally express social proprieties in too broad and standardized terms, such as ‘social’, ‘rural’ and ‘informal’ sectors, which tend to be evasive. Such definitions are unlikely to help guide the allocation of resources or gauge their pro-poor impact. More tightly defined sub-categories are essential for prioritizing pro-poor activities and investments;
- PRSP documents seem to pay little attention to workplace and domestic health and safety;
- While external debt figures prominently in PRSPs, debts owed within countries—such as debts owed by the poor to money lenders and those owed by government, which are major causes of poverty—are usually ignored;
- Discussion of concepts like ‘social capital’ and ‘social integration’ are weak in PRSP documents;
- PRSP documents conspicuously lack livelihood analysis. The term livelihood, when used, typically applies to agriculture while urban livelihoods are barely analyzed at all despite most countries exhibiting rising levels of urban poverty. Urban-rural linkages

such as migration and remittances are under-analyzed likewise. PRSP documents do not seem to reflect appreciation of the multidimensionality of livelihood strategies. PRSP documents are also weak in their analysis of the sustainability of anticipated improvements in livelihoods.

I-PRSPs are supposed to show how governments will develop full PRSPs. Most I-PRSPs however, appear more like draft PRSPs.

As to poverty profiling and learning strategies, the paper's assessment includes the following:

- The pro-poor strategies generally do not seem to accommodate disaggregation. Future PRSPs should be encouraged to show how the proposed interventions are underpinned by information on poverty and by analysis of opportunities for specific kinds of improvement among specific categories of people;
- PRSPs generally exaggerate the reliability of income and consumption measures as proxy indicators of well being. A major challenge in assessing poverty trends is to include well being indicators in poverty profiling. This would require enhanced emphasis on qualitative assessment and participatory learning strategies;
- The use and national ownership of participatory data collection appears to be limited so far and over-reliant on donor-funded exercises. Critical engagement between government, civil society and the private sector is yet to develop, and consultations are yet to feed into the political activity of prioritizing among a range of policy options.

SYNOPSIS 27: U.K. Treasury

“From HIPC Debt Relief to Poverty Reduction Getting the Process to Work – Some Ideas on Priorities”

(April 2001)

This paper is an outcome of discussions with the U.K. Treasury, U.K. Department for International Development (DFID), World Bank and NGOs. It offers a brief overview of the key successes and failures of the PRSP process so as to identify the most important and immediate challenges to make it more effective.

The key conclusions of the paper include the following:

- The PRSP process has been remarkably successful in raising the profile of critical issues such as poverty reduction, country ownership, participation within country, donor behavior and the linkage of debt relief savings to budgets;
- The recent success in raising expectations about participation needs to be built upon. Ownership needs to be broadened within government to include sector ministries and local governments. Civil society participation needs to become more effective;
- Greater emphasis on poverty assessment, poverty monitoring and costings of policy options are all vital both to improve the quality of policy and budget decisions and to develop broader and more effective participation;
- There is a need for marked improvement in the quality of financial management in PRSP countries and greater availability of sector/budget support from donors so as to reap the full benefits of PRSP approach;
- The quality of PRSP partnership will continue to be critically dependent on the quality of donor staff in country and the region;
- The greatest long-term challenge is how to establish PRSPs as an ongoing process. There remains a risk that interest will flag after HIPC completion point and momentum will be lost. Donors’ focus needs to shift quickly from the content of individual PRSPs to broader issues of implementation.

The paper identifies the following imperatives for PRSP countries, donors, the World Bank and the Fund:

For PRSP Countries

- Improving PRSP ownership and participation;
- Making PRSPs more result oriented;
- Accelerating progress on costings and budget issues;
- Detailing proposals for poverty monitoring.

For Donors

- Increasing resources available to PRSP countries by reducing trade barriers and increasing development assistance;
- Focusing development assistance on poorest countries and best performing countries;
- Making development assistance more effective;
- Strengthening country policy dialogue by decentralizing operations/staff.

For the World Bank

- Helping developing countries make poverty analysis in PRSPs more focused;
- Moving faster to develop Country Assistance Strategy (CAS) and Poverty Reduction Support Credit (PRSC) to provide appropriate financing for PRSPs;
- Placing greater emphasis on the quality of public expenditure management and financial accountability;
- Helping countries cost “Poverty Gap”;
- Decentralizing functions to countries and regions to improve partnership with governments and other donors;
- Working closely with IMF to understand impact of PRGF reforms on the poor.

For IMF

- Improving the information needed to generate better public debate on the macro program;
- Increasing the targeting of public spending on priority sectors;
- Enhancing transparency to tackle corruption.

SYNOPSIS 28: USAID

Presentation to the International Conference on Poverty Reduction Strategies (January 2002)

The paper views the PRSP as a genuine expression of country poverty reduction commitment and objectives, and offers comments based on the experience of its resident field missions closely engaged with the PRSP process.

The USAID assessment and recommendations include the following:

- The emphasis on country ownership is welcome, but it should go beyond country *government* ownership so as to include civil society and private enterprise;
- The success of the PRSP as a donor coordinating mechanism is independent on its inclusiveness and quality;
- While the difficulties for the recipient countries in constructing a coherent program from a patchwork of donor assistance modalities are noted, the linkage of PRSP implementation with the use of budget support can only be deleterious to PRSP acceptance. Accountability requirements imposed on USAID itself make it difficult to move quickly toward a budget support approach. Moreover USAID provides about one-third of its annual resources directly to the civil society. If a budget support approach were used, this direct support would become indirect, which may not be acceptable to CSOs. Ideological consequences of the linkage and a separation of the two issues need to be carefully considered.
- PRSPs should show evidence of sound analysis of the economic growth potential of the country and that measures to bring about poverty-reducing growth are reflected in the proposed strategy.
- Finding reasonable measures of progress toward poverty reduction, establishing targets and indicators and strengthening monitoring capacity are critical to moving away from separate donor programs with separate conditionalities.

D: Research Institutions

Papers and Notes

by

Institute of Development Studies (IDS), U.K.

IDS has three papers on the subject. Since all these papers deal with the same theme – i.e., participation of civil society in PRSPs, they have been clubbed together under a single synopsis.

SYNOPSIS 29: Institute of Development Studies (IDS) (a), (b), and (c)

“Participation in Poverty Reduction Strategies: A Synthesis of Experience with Participatory Approaches to Policy Design, Implementation & Monitoring”

(2000)

“Poverty Reduction Strategies: A Part for the Poor”

(April 2000)

“PRSP: What’s in an Acronym”

(April 2001)

These papers review the experience in implementing participatory approaches to policy processes at the macro level with a view to facilitate all inclusive and effective participation in the PRGFs. The experiences are drawn from research initiatives, donor strategies, aid coordination processes, policy advocacy campaigns, institutional change processes, budgetary analysis and formulation, and citizens’ monitoring mechanisms.

The papers make the following observations:

- The PRSP is a triumph for the civil society. It offers an unprecedented opportunity for development efforts to re-focus on poverty reduction, and for civil society to influence anti-poverty policies;
- The good intentions enshrined in the PRSP document may not be achieved if the time table is rushed or if excessive emphasis is placed on the document rather than on the underlined strategy or if poor countries see it as yet another imposition from abroad;
- If the PRSP approach is to succeed in its ambitious objectives, the key lies in building effective and all-inclusive participation process;
- In order to identify opportunities for participation, the PRSP process can be divided into five basic stages: (a) analytical and diagnostic work, (b) formulation of strategy, (c) approval, (d) implementation, and (e) impact assessment. While there is no fixed blueprint to follow, at each stage different participatory inputs may be appropriate;

There is valuable experience to build on from previous efforts to build participation into policy: First, for meaningful participation those involved need to feel that they ‘own’ the process to a significant extent. This is not easy given the origin of PRSP in Washington as also the broad scope of PRSP documents. In order to avoid undermining local ownership, donors and creditors will have to learn to step back from their traditional dominant position. Secondly, good information flows, both upward and downward, are essential. Upward flows are needed to help policy makers understand better the realities and perspectives of those living in poverty. Downward flows are needed to inform people of their rights and to let them know what policies are being enacted on their behalf. Governments should announce early on that a PRSP is being

developed, explain the stages involved, and highlight where civil society can take part. Thirdly, participatory approaches can be used to make government and service providers more accountable. This calls for establishing realistic mechanisms so that people can hold government and service providers answerable. Finally, participation needs to be viewed realistically. Expecting all stakeholders to be involved at every stage is neither feasible nor desirable. Decisions as to who participates, when and how, are therefore crucial. These decisions need to be made transparently, and in a way that commands the respect of civil society organizations and the broader public.

E: Civil Society Organizations

SYNOPSIS 30: ACTION AID

“Inclusive Circles Lost in Exclusive Cycles”

(January 2002)

Acting Aid contribution offers a detailed review based primarily on its involvement in seven countries, viz. Haiti, Kenya, Malawi, Nepal, Rwanda, Uganda, and Vietnam.

Overall Assessment

While space for public participation in policy formulation has been opened up in several countries, three critical barriers in the comprehensive policy cycles have emerged which, if left unattended, will render the circles of inclusion impotent and ineffective. First, there is insufficient space for discussion and approval by parliaments and endorsement by interest groups on the content of the final PRSPs. Secondly, there is an inverse relationship between the degree of domestic public accountability during the formulation process and the negotiation process with the BWIs. The closer the documents gets to finalization, the more it recedes into the opaque Boardrooms of the BWIs. More “process conditionality” on the part of BWIs and donor community undermines an already fragile domestic process. Thirdly, core macroeconomic and structural adjustment policies have disappointingly been retained in the “post-adjustment phase”.

PRSP Process

Robust participation in policy making depends on the political will of government to engage, the capacities of government, donors, and civil society to develop and implement an acceptable framework for participation, and the strength and vibrancy of the national civil society movement.

Of the four key elements of participation, viz., information-sharing consultation, joint decision-making and initiation and control by stakeholders, only one, i.e., consultation has been followed effectively. Information sharing in relation to PRSCs, PRGFs and national budgets remains highly unsatisfactory. Civil society was not involved in any systematic way in laying out the framework for PRSs formulation or made a part of key decision-making. In all cases, the final drafting committee was considered exclusively as the domain of national governments assisted by BWI appointed consultants. Both the IMF and World Bank continue to have direct influence and control over the process and content of the PRSs and related processes.

There is a startling lack of a framework within which democratic, popular and public debate can be facilitated around which policy options could be pursued, who will bear the costs of this burden, for how long and with what short and long term benefits. Important constituencies are being excluded through the consultation design or their own lack of capacity. This has led to:

- a) cynicism that PRSs are SAPs by other parallel means,
- b) space for government officials to hide behind the shadow of IFIs when challenged,
- c) a disconnect between realizable resources and goals to be addressed, and

- d) the Fund and Bank to retreat back into past prescriptions without subordinating them to the poverty and growth goals.

It is betrayal of the vision of the PRS that the first generation of PRSs, PRGFs and PRSCs do not reflect a departure from their elder siblings—the PFPs, ESAf and Adjustment Loans. The largely discredited adjustment instruments and targets have reappeared in the context of PRSs. This opens the PRSs to the charge of new form, same substance and same impact, on the working poor and excluded.

There is scant evidence to suggest that PRSs have generated any substantive in-country ownership except perhaps among the bureaucracies that implement them. While there may be a semblance of government ownership of PRSs, one cannot presently claim country-ownership for the process itself.

The recommendations that sought to subject the impact of previous macroeconomic policies to poverty analysis (e.g. social and livelihood impact assessments of trade liberalization, retrenchment of rural agricultural extension civil servants) fell on deaf ears. Little impact has been made by governments to make the linkages between the PRS and the national budget. Calls for enshrining rights to essential services and assets such as land were not carried through the PRS drafting process. In sum, the old paradigm of the Washington Consensus is alive and well, thus undermining ownership.

According to the paper, based on the findings, the following charges would be critical:

- Poverty assessments should have a stronger focus on impoverishment and wealth generation than poverty *per se*. They should identify the poverty and social inequity impact of past policies and outline alternative options and implications for enshrining certain basic entitlements and rights for all citizens;
- Public action choices contained in PRSs should be drawn up by a process of consultation, joint drafting and endorsement by national and local organized interests;
- IPRSs and PRSs should no longer be approved by the BWIs. Instead, the Boards should be informed of their contents and should utilize them to approve Country Assistance Strategies and attendant policy processes;
- Participation Action Plans and route maps in IPRSs should be publicly negotiated and endorsed;
- CAS, PRGF, PRSC and any other external loan negotiation processes should be discussed by country representative structures. Joint Boards should approve these policies after satisfactory and iterative public in-country discussions of public expenditure and adjustment performance experience;
- The Fund should continue to scale back its interventions to external debt and balance of payments management strategies;
- Donor assistance strategies should be subject to the growing ownership that has emerged around the PRS process with reduced emphasis on project based grant support;
- Supported by the Fund, donors should provide resources for the building capacity in key institutions both within states and in wider societies to develop scenario and trade-off analysis options.

SYNOPSIS 31: Asian NGO Coalition (ANGOC)

“Rapid Assessment of the PRSP Formulation Process – Working Towards Reducing Poverty: The Case Study of Vietnam” (2001)

This paper, written by Dany Ngoc Quang and Nghiem Hong Son of Rural Development Services Centre, Hanoi, presents an analysis of the I-PRSP formulation in Vietnam. The findings of the study include:

- Given their earlier experience and expertise, the Vietnam government poverty specialists had no difficulty formulating the I-PRSP;
- The I-PRSP formulation process was fully participatory, highlighting the strong partnership among government, donors and NGOs. However, throughout the process the government remained in the driver’s seat;
- The participation process was impeded, to an extent, by the lack of legal framework for local NGOs and their limited capacities.

SYNOPSIS 32: Bread for the World Institute (a) and (b)

“Debt and Development Dossier”

(April 2000 – August 2001)

“Debt and Development Dossier”

(April 2001, June 2001)

Bread for the World Institute has presented Debt and Development Dossier (Issues 3,4,5 and 6) spanning the period April 2000 through June 2001 which, *inter alia*, cover PRSPs in Bolivia, Mozambique, Tanzania, Uganda and Zambia.

Observations in these papers include the following:

Some of the world’s poorest countries are already paying less in debt service. In most of these countries, social services have been expanded. In some countries, debt relief has strengthened democracy and reduced corruption.

- In Bolivia, while the PRSP process as it is currently playing out, may run up against a myriad complications ranging from IMF rigidity to the vagaries of national partisan politics, the process has undoubtedly mobilized people and organizations, and has resulted in substantial political and emotional investment in developing new approaches to reduce poverty;
- In Uganda, primary school enrollment has doubled, and corruption in the education sector has dropped significantly;

In Zambia, public discussion of how to use debt-relief has galvanized citizen participation in economic policy making.

The PRSP approach represents a new development in the Fund-Bank lending policy with some potential, but only to the extent that certain conditions are met. A majority of the recent structural adjustment loans do not address poverty directly the likely impact of proposed operations on the poor, or ways to mitigate negative effects of reforms. The main challenge to PRSPs lies in overturning the lack of poverty focus in the SAPs;

The Fund-Bank insistence on consultation with civil society is viewed by governments as yet another conditionality. In order to satisfy external actions, governments are often willing to jump through the hoop without any meaningful process of participation. The participation process could be widened through inclusion of women’s groups, labor unions, peasant organizations, opposition parties and other indigenous organizations. Full information disclosure should take place prior to consultation that includes discussion of macroeconomic policies and structural adjustment conditions (including those proposed on future loans). Draft documents should be made available in local languages. The recommendations made by civil society organizations should be included in a publicly available formal record or proceedings of the consultations.

Poverty reduction strategies require flexibility in macroeconomic policy. Given the Fund's mandate and expertise in international monetary stability rather than in long-term development issues, there is some concern about the willingness on the part of the Fund to revise its rigid macroeconomic and structural policy advice to protect vulnerable groups and promote reduction in poverty. There is also a question whether the Fund and the Bank would be flexible if macroeconomic targets of national governments are different from their own;

In order to ensure that poverty reductions strategies, macroeconomic objectives and structural policies are internally consistent and mutually reinforcing, social and environmental impact assessments should be mandatory for all future loans. The potential adverse social impact should be identified ex ante and appropriate safety nets built into the Fund-Bank programs.

There is a knowledge gap between northern and southern CSOs regarding reform of IFIs, which reflects the organizational structure of the Bank and the Fund. This in turn, reflects the real-world balance of power. Consequently, CSOs in G-7 countries are able to exercise more political pressure over the IFIs than governments and CSOs in low-income countries where the projects and policies are actually implemented and the effects felt. This fundamental imbalance distorts every Fund and Bank undertaking, the PRSP not withstanding.

SYNOPSIS 33: Christian Aid (a)

“Key Questions for Review of the PRSP Approach”

(December 2001)

This paper is a direct response to the Fund/Bank questionnaire, focused essentially on the overarching questions and those relating to ownership and participation.

Overall Assessment

Participation of CSOs has been limited or superficial. Even where they have had the opportunity to voice opinions, these have rarely been reflected in policy. Many CSOs feel that they have been “consulted” to merely legitimize policy decisions that would have been made in any case. Major constraints in effective participation include limited resources and capacity of both governments and civil society actors, as well as inadequate economic literacy.

Preparation of PRSPs has, for most part, been country led. However, the fundamental paradox of the PRSP approach is that effective participation and the extent to which ownership can be transferred to PRSP countries will be limited because they are externally mandated processes. The power imbalance between international actors and PRSP countries itself remains an obstacle to genuine participation.

One of the most disappointing aspects of the PRSP approach thus far is that participatory processes have had little success in influencing the content and implementation of poverty reduction strategies. The desire to reach completion point in the HIPC process and to access concessional finance continues to be a key driving force in the PRSP process. Consequently, unrealistic time frames for policy development and consultation processes have been set. The paper therefore calls for faster tranches of debt relief to be granted from the time of the publication of the I-PRSP.

The paper makes the following recommendations to improve the quality of participation as a first step:

- Participants should be involved in PRSP process from the outset – in setting policy priorities, the agenda for consultations and benchmarks by which these processes will be assessed – rather than simply being asked to comment on draft documents.
- Invitations to participate should be sent out widely and with enough time to prepare and allow for this involvement to be effective.
- Civil society participants should not be expected to be united and speak with one voice, but specific efforts made to maintain diversity.
- Proactive efforts are needed to reach out to marginalized and discriminated groups, paying particular attention to incorporate the rural perspective and gender issues.
- Participants should receive feedback on their contributions and explanations as to why they were or were not included in the final document. And the final PRSP should also reflect the parameters of the in-country debate on each issue.

- Multi-stakeholder committees should monitor the implementation of PRSPs and continue to influence their revision at a sectoral and an over-arching level. There is a need to institutionalize consultation and participation of CSOs in the decision-making process concerning macroeconomic policy and monitoring of debt and poverty at all levels.

Any criticisms of the process and content which are stated by local groups should be published as a preface to the PRSP document.

SYNOPSIS 34: Christian Aid (b)

“Ignoring the Experts: Poor People’s Exclusion from Poverty Reduction Strategies”

(October 2001)

This paper is based on research by Christian Aid and consultation with partner organizations in Bolivia and Mozambique (i.e. INESC, Rede Brazil, Mozambique Debt Group, LINK, CEDLA and UNITAS). The main thrust of the argument in the paper is that, after completion of 37 I-PRSPs and five full PRSPs, the involvement of poor people in drawing up policies and writing PRSPs has been minimal and superficial. The PRSPs are being put forward by governments as a *fait accompli*. Despite the rhetoric, people’s participation in decision-making is in crisis. Poor people’s views are invited on some things, but not on everything. Instead, poor people are being used to ‘rubber stamp’ PRSPs. In many cases, they have been asked to support policies with which they fundamentally disagreed.

The main conclusions and recommendations of the paper are as follows:

- The concept of participation used in PRSP literature should be reformulated so that it really does enable poor people to be at the center and to share control over decision-making on public policies affecting their lives. The politics needs to be put back into participation. Accountability and transparency must be improved within the World Bank and IMF and the voices of poor people listened to in a genuine and transforming way;
- In order to enable participation in economic policy formation, people need to have tools to participate. People need to have access to information and training to inform which policies they support and why. The World Bank and IMF are failing to provide countries with enough technical support to match the complexity of the task. In several countries, consultation papers were circulated in English only, thereby impeding participation;
- The current system of making debt-relief conditional on the completion of a PRSP has the double impact of delaying debt relief and lowering the quality of PRSPs (e.g. in Mozambique and Tanzania). Many Christian Aid partners however support the link on the grounds that if resources were to be freed up before appropriate mechanisms were in place to monitor how they were used, then they would not be used most effectively. The paper calls for faster tranches of debt relief to be granted from the time the I-PRSP is published. This has traditionally been used as a decision point where debt-relief funds are committed but not provided. The mechanism for agreeing the size and release of tranches should include greater representation from civil society;
- The paper calls for significant and additional grant resources so as to facilitate real participation by, and capacity building of, local groups in PRSP processes. The IFIs should also support national civil society groups by refusing to accept PRSP documents that have not been truly participatory in their design. Joint Staff Assessments (JSAs) should evaluate whether PRSPs contain sufficient recognition of the diversity of in-country debates, especially where they diverge from traditional World Bank or IMF policy. To enable this, the views of civil society as regards process and content should be published within the PRSP – either as annexure or preface;

- In order to improve the quality of the participation process, the participants should be involved in PRSP process from the outset – in setting policy priorities, the agenda for consultations and benchmarks by which to assess the process – rather than simply being asked to comment on draft documents. Proactive efforts are needed to reach out to marginalized and discriminated groups, paying particular attention to rural perspective and gender issues. Participants should receive feedback on their contributions and explanations as to why they were or were not included in the final document;
- Countries should have the freedom to articulate and implement whichever policies are required to reduce poverty in their specific context. The limited opportunities opened up through PRSPs are just the very beginning and must not be allowed to compromise other more homegrown approaches.

SYNOPSIS 35: CIDSE and CARITAS

“From Debt to Poverty Eradication: What Role for Poverty Reduction Strategies?”

(June 2001)

Prepared by a network of Catholic development agencies spread throughout the world, this desk based study draws to an extent, on experiences in Bolivia, Honduras and Zambia.

According to the paper, while the PRSP Initiative is consistent with the fundamental principles of Catholic Social Teaching such as, ‘preferential option for the poor’ and ‘the right and duty of people to participate in the decisions that develop their society’, it is regrettably far from fulfilling its potential.

The paper points out several shortcomings of PRSPs:

- Poverty reduction is not being integrated into the heart of macroeconomic and structural policies. The same structural adjustment policies of the past continue to dominate PRSPs, focusing on budget austerity, economic growth and free market approaches, with little consideration of who benefits and who loses from these policies;
- Poverty reduction is still treated as a new layer on top of the old policies, often reduced to increased investments in health, education and expansion of safety nets;
- Civil society participation in developing PRSPs so far has been highly uneven. Participation has been hindered by problems such as access to key documents and lack of information in local languages, insufficient representation by key social groups, and a rushed time frame in order to hasten the delivery of debt-relief. In most countries, participation is limited to the well-educated elite based in large cities, to the exclusion of more marginalized groups such as rural or urban poor.

In the light of its assessment, the paper recommends the following changes in policies and practice of the IMF and World Bank.

- Surrender the sole power to approve or reject poverty reduction strategies;
- Seek a clear understanding of the concept of pro-poor growth;
- Transform the approach to structural adjustment in both concept and practice;
- Publicly disclose all documents related to PRSPs and corresponding loans in advance of their approval;
- Break the linkage between HIPC debt reduction and the PRSP;
- Make the process of civil society participation as well as its substantive contribution a key criterion for approval;
- Invest in programs that strengthen the capacity of governments as well as civil society to plan and implement nationally owned PRSPs.

Finally, the paper argues that the PRSP process provides an important opportunity to speak out on behalf of those who are excluded from political and economic structures. As an

institution with both a local and a global presence, the Catholic Church is said to be well placed to help shape PRSPs in many low-income countries.

SYNOPSIS 36: Catholic Relief Services (CRS)

“Review of the PRSP Initiative”

(December 2001)

Based on direct experience of church and civil society partners in four countries (i.e. Bolivia, Cameroon, Honduras and Zambia), CRS feels that the PRSP continues to have considerable potential for reorienting development planning and resources on the part of both donors and developing countries toward the overarching goal of poverty reduction, and with broad public participation. In practice, however, the PRSP has fallen short of this potential. Immediate and significant improvements to the PRSP framework and its implementation are needed so as to prevent the initiative from being relegated to failure.

The degree to which true ownership of the PRSP can be transferred to the country level is questionable as long as the final endorsement rests exclusively with the IFIs and as long as countries are so heavily dependent on this endorsement to receive debt reduction as well as new loans. The World Bank and IMF have urged a rapid completion of PRSPs, particularly I-PRSPs. This has led to a mistrust that PRSPs are not genuinely country-owned strategies but a new form of conditionality imposed by the BWIs.

The participatory process is too often plagued by

- Inadequate time for thorough preparation,
- Insufficient dissemination of information in advance,
- Exclusion of key social groups and local communities from participation,
- Exclusion of civil society representatives in PRSP drafting as well as other decision-making roles, and
- Inadequate technical and organizational capacity among civil society organizations for effective participation.

Despite these limitations, most partners valued the spirit of participation and transparency that characterized the formulation of the national development priorities and strategies outlined on PRSP, in some cases involving impoverished sectors of the population.

The paper argues for delinking the PRSP and HIPC Initiative. The continuing linkage is only serving to speed up the process of PRSP formulation, at the cost of fuller participation and creating needless confusion. The PRSP is too weighty a requirement to attach to the limited resources provided through the HIPC initiative and should instead be unambiguously linked to future external development aid resources.

The I-PRSPs should be eliminated, as they have been ineffective as a solution to the problem of the tension between the need for immediate debt reduction and the time needed to develop a quality PRSP.

The efforts to place poverty reduction at the center of the development agenda, and the increased effort to establish measurable poverty outcomes is a welcome improvement over past

development planning exercises. Too often, however, PRSPs fail to reflect a broader approach to poverty reduction that fully addresses dimensions related to security or empowerment as essential ingredients for poverty reduction.

Indicators are often too general – failing to take particularities of the country into account, and technically too complex for civil society groups to monitor easily.

In order to foster true and stronger donor coordination with PRSPs, the IMF and World Bank should surrender the sole power to “endorse” the PRSP. Instead, both institutions should accept equal status with a broader set of official donors, including UN development agencies and bilateral donors, in the decision whether or not to support PRSPs through finance, through a forum similar to consultative groups. Donors should consider not only the substance of the PRSP but also the quality of the participatory process in formulating it.

SYNOPSIS 37: DSE

“Economic Policy and Poverty Reduction”

(June 2000)

This paper is a Rapporteur’s Report of a high-level policy dialogue that was conducted in preparation of the UN General Assembly – Special Session. Debt relief and poverty reduction was one of the four themes for the dialogue.

Given the early stage of development of PRSPs at the time of the dialogue, the focus is on initial expectations and questions raised. The Report points out that the PRSPs are expected to encourage new, more innovative ways of working. At the national level, the development of the PRSP can encourage widespread participation of civil society, and represent an opportunity to initiate an important process of consultation and cooperation. There was a feeling expressed that this process may ultimately prove to be more important than the product which is produced – the PRSP itself.

Several questions were raised in the dialogue:

- Does the PRSP approach represent a coherent process which seeks to integrate the goals of poverty reduction into the central macroeconomic policies of the IFIs?
- Does the PRSP initiative represent a change of heart for IFIs? Will the goals of poverty reduction be protected when the next financial crisis occurs? What will happen the goals selected by countries in their PRSPs conflict with the views of the IFIs regarding appropriate “good” economic policies? Will those goals accepted anyway? Does the staff of the IFIs understand what their new role requires of them? Do they accept the change and have they received training to help them adapt?
- Would donors be willing and able to provide advice to countries without compromising the national ownership of PRSPs?
- Are the governments and organizations in developing countries being asked to take on too much responsibility? Do they have the capacities required?
- Do the civil society organizations in developing countries have sufficient funds available to enable them to participate fully in the process or can support be provided to them by donors?

Finally, given the experience from the past, what guarantees are there that this complicated process will produce useful results?

**Papers by
European Network on Debt and Development (EURODAD)**

EURODAD has eight papers on the subject, prepared at various points of time.

Thematically, these eight papers could be classified into three categories:

- (a) those dealing with the PRSP approach in the context of changing nature of development cooperation;
- (b) the one dealing with the “content” issues i.e., which policies work, which don’t and why, the context being the PRGF; and
- (c) the one relating to the poverty approach to debt sustainability in the context of HIPC’s.

Accordingly, there are three synopses, in that order.

SYNOPSIS 38: EURODAD (a)

“Many Dollars, Any Change? The Changing Nature of Development Cooperation: Building Ownership”

(November 2001)

These papers highlight the importance of country ownership of PRSPs in the context of the changing nature of development cooperation. Obstacles to country ownership are identified and concrete proposals are made for enhancing the credibility of PRSPs.

A greater degree of country ownership, and an upfront recognition that ‘politics matters’ is vital for ensuring that poverty reduction strategies are successfully and sustainably implemented. This implies a need for broadening debate on development priorities away from a coterie of technocrats in the national capital and Washington to a broader and more uncertain political context of a country’s decision-making process. In this regard, participation by the full range of stakeholders – not just the NGOs, is critical for fostering the ownership that allows successful implementation.

True ownership in development cooperation is yet to be established. There is still a critical ‘credibility gap’ that threatens to undermine support to the PRSP approach. Presently, there are a series of obstacles – both external as well as internal, to increased ownership in countries’ poverty reduction strategies. These include the following:

External Obstacles

- The requirement that PRSPs are first endorsed by the Boards of the Bank and the Fund makes them policy ‘gatekeepers’. Since gaining the IFI seal of approval is vital to accessing not only IFI financing and debt relief, but also broader donor support, the PRSPs are necessarily written with the aim of having them endorsed by the IFIs. This has undermined the freedom of policy maneuver for country governments, in turn, weakening government ownership;
- There is a tendency to make up for the lack of specification in the PRSP by adding through a back door route, additional details in documents other than the national PRSP (e.g. in World Bank’s PRSC documentation);
- The umbilical linkage between PRSPs and the HIPC initiative tends to undermine the formulation of high-quality country-owned poverty reduction strategies. Governments are compelled to rush the PRSP process in order to achieve HIPC Decision Point or Completion Point. The Interim PRSPs have failed to mitigate the tension between ‘speed’ and quality;
- PRSPs often tend to conform closely to the form envisaged in the IFI guidelines, which exclude contentious or overly ‘political’ issues (e.g. land reform or reform of political institutions). In this process, the preparation of PRSPs tends to get isolated from broader development and political processes, and often ‘steamrollering’ previous country efforts

to develop strategies for poverty reduction, inevitably reinforcing the perception that PRSPs are primarily being ‘the Washington thing’;

- Changes in donor behavior have been slower than expected. Since budget support, as opposed to project-based aid, gives governments greater leeway to direct resources to the sectors prioritized in their poverty reduction strategies, a shift from project-based aid towards budgetary support is warranted in the interest of enhanced country ownership.

Internal Obstacles

- A lack of economic policy making capacity in poor countries, especially in negotiations with the IFIs and donors, often leads to policy decisions that are not tailored to solving country-specific poverty problems. The same argument also applies to civil society groups, who equally lack capacity to engage in what can be complex policy processes;
- Making documentation available in a timely fashion, written in an international language like English, is often an obstacle to wider participation;
- Governments often marginalize civil society in the PRSP preparation process, particularly by leaving them out of the macro/structural reform debate and by failing to make substantive use of civil society proposals. Participation by a full range of CSOs in all aspects of the strategy formulation is not about public relations but about getting active input so that policies change;
- A recurring theme in Southern CSOs’ analyses is the deliberate lack of involvement of parliamentarians in countries’ poverty reduction strategies;
- Well-functioning institutions (e.g. courts, parliaments, the machinery of governments and regulatory bodies) are a vital aspect of a successful poverty-reduction strategy. Yet, making these institutions work to the benefit of the poor is often left to be desired. Surmounting the obstacles that prevent institutions from serving the poor is a key challenge to ownership;
- Preparation of PRSPs is generally organized by ‘spending sectors’ (e.g. health, environment, infrastructure, etc.) that can be linked directly to the budget. While such a linkage is crucial, in many cases, it bypasses cross-sectoral issues (e.g. cost recovery which cuts across several sectors). Under the circumstances, the impact of structural adjustment on the poor can be missed;
- The impact of PRSPs depends on complementary ‘administrative’ changes especially on public finance management. Connectivity of the PRSP with ongoing public sector reforms is an important obstacle.

Proposals

The papers make several proposals aimed at overcoming these ownership obstacles.

- Move to a ‘Consultative Group’ – style endorsement of countries’ poverty reduction strategies as a first step: this would obviate the need for an *a priori* IFI endorsement. This amendment would change the nature of IFIs’ policy interventions in low-income countries towards a more impartial technical role. The IFIs could objectively analyze the advantages and disadvantages of the reforms proposed by internal stakeholders or could

offer a series of options for reforms rather than negotiating around a preset brief. Preventing an overbearing influence from the IFIs in agenda-setting and choices of reforms would enhance the country-ownership of the PRSPs;

- Reconsider the role of conditionality: in the longer-term, IFIs should move towards results based financing of countries' poverty reduction strategies. The focus on end-results achieved in reducing poverty rather than the means to achieve them would reduce the pressure on countries to follow standard adjustment prescriptions. This would remove the obstacle to ownership created by conditionality while safeguarding the use of IFI resources;
- All policies and proposed reforms should be in the PRSP document made public, in the form of appendices if necessary;
- PRSPs should go beyond the macro/structural/social parameters currently covered. They should also deal with political, environmental and other key issues that are traditionally not part of World Bank or IMF domain;
- An appendix or accompanying response to the PRSP should provide comments from non-governmental stakeholders involved in the process;
- The tension between PRSP process and the HIPC Initiative should be addressed by extending the 'flexible PRSP' approach adopted in 2000 and making HIPC Completion Point contingent on monitorable plans for using resources;
- The donor assistance should be tied more closely to a country's poverty strategy through a move towards budgetary support;
- The institutional capacity in the recipient countries should be strengthened;
- The scope of the PRSP should be broadened beyond assessment of IFI operations. The current plan seems largely to be just a joint Fund-Bank affair for internal feedback. This fosters the impression that the PRSP is a 'Washington thing'. It would have been better to have an independent and multi-stakeholder (donor and recipient) review for all participants;
- In the interest of country-ownership, the PRSP label should be dropped, and countries should be free to call them what they want.

SYNOPSIS 39: EURODAD (b)

“Many Dollars, Any Change?”

Have Structural Adjustment Policies Failed the Poor?”

(October 2001)

The paper draws on the recently completed Structural Adjustment Participatory Review Initiative (SAPRI) and reports from CSOs in Africa, Asia and Latin America and offers a synthesis of the assembled country evidence on the impact of structural adjustment programs on poor people.

A review of two sector case studies – trade liberalization and financial sector reforms – suggests that the theoretical expected benefits of the reform were not as positive as expected. This was mainly on account of unexpected and negative side effects that had not been considered in the design of the original program.

Based on the sector case studies, the following broader lessons are seen to be emerging regarding the failure of structural adjustment policies in alleviating poverty:

- Structural adjustment interventions tended to be ‘cookie-cutter’ rather than grounded in the political realities of a country’s own development strategy and broader international context;
- Reforms were ‘too far, too fast’ and paid insufficient attention to sequencing as well as alternate policy options;
- Institution building in the form of transparent and enforceable rules and mechanisms to implement them was neglected during the reform process;
- Liberalization coupled with unstable macroeconomic conditions led to economic crises in many of these countries;
- Reforms often lacked built-in mechanisms to mitigate the negative impacts on poor people, particularly those that affected the access of poor people to basic services;
- Lack of prioritization in the face of multiple reforms program, especially failure to give priority to those reforms that deliver the most benefit to poor people.

The paper argues that in future adjustment programs, strategies would need to be put in place that prevent the poor from being adversely affected either by ‘market failure’ or by ‘government failure’. In this regard, an important tool to get reforms that work better for the poor would be an enhanced role for *ex-ante* poverty and social impact analyses. This could stimulate live participatory and politically grounded debates instead of ‘dry’ technical exercises incomprehensible to internal stakeholders.

SYNOPSIS 40: EURODAD (c)

“Putting Poverty Reduction First”

(October 2001)

The current HIPC initiative will not go far enough in changing the poverty situation of HIPCs since it does not take into consideration the resources needed by these countries for poverty-reducing expenditures and for spurring growth.

The current approach to debt sustainability based on export earnings is inappropriate. What is needed instead is a poverty approach to debt sustainability. The methodology proposed aims at deriving ‘affordable’ debt service on a country-by-country basis through a series of simple steps: First, the overall resources available for a given country in its central budget is assessed. This includes fiscal revenue and donor grants. Secondly, the minimum amount of human development expenditures as well as repayment of domestic creditors are subtracted from the overall resources available. Finally, one-third of the balance is earmarked as ‘affordable’ debt service.

The paper applies the methodology to the then 21 qualified HIPCs, dividing them into three broad categories.

- (a) The ‘bankrupt’ countries wherein ‘affordable’ debt service is negative. There are seven such countries – Burkina Faso, Gambia, Guinea-Bissau, Malawi, Niger, Tanzania and Uganda. For these countries, the paper recommends external debt cancellation on its entirety and additional transfers in the form of grants;
- (b) The ‘over-indebted’ countries wherein ‘affordable’ debt service is positive but less than what they are currently paying. There are nine such countries – Benin, Cameroon, Guinea, Guyana, Madagascar, Mali, Mauritania, Rwanda and Zambia. For these countries, the paper recommends significant additional debt cancellation beyond what is on offer in the HIPC initiative;
- (c) The ‘currently sustainable’ countries wherein ‘affordable’ debt service is positive and is in excess of what they are currently paying. There are five such countries – Bolivia, Honduras, Mozambique, Nicaragua, and Senegal. While the situation in these countries is not so acute, they still need significant financial assistance.

SYNOPSIS 41: Global Challenge Initiative

“The IMF-World Bank-backed PRSPs – Comments from Southern Civil Society”

(May 2000)

This paper is simply a compendium of excerpted statements from 12 civil society organizations from eight southern countries viz., Bolivia, Honduras, Kenya, Mozambique, Nicaragua, Tanzania, Uganda, and Zambia. These statements reflect essentially the initial reactions from southern civil society covering the period from December 1999 through April 2000.

Highlights of these initial reactions include the following:

- The past Fund-Bank programs – ESAF and SAPs have been detrimental to national interest. They have accentuated poverty in many countries;
- The PRSP approach constitutes a mere repackaging rather than genuine openness to alternative development paths. Most PRSPs represent ‘business as usual’;
- The Fund-Bank “seal of approval” is contingent upon a country’s acceptance of the standard set of macroeconomic and structural adjustment policies. This is a major obstacle to genuine national ownership.

There are several shortcomings in the PRSP process, such as, lack of transparency on the part of IFIs, inadequate consultation and participation, lack of civil society input in I-PRSPs, and inadequacy of debt relief.

SYNOPSIS 42: ICFTU (a)

“Guide to PRSPs”

(May 2001)

The paper by the International Confederation of Free Trade Unions (ICFTU) is intended to serve as a guide for trade unions aimed at introducing the PRSP framework and directing them to get involved in the PRSP participatory process. In doing so, the perceptions of the ICFTU regarding the PRSP process become evident, which merit attention:

- For most of their history, the IMF and the World Bank have virtually dictated policy reforms to developing countries behind the scenes. Backed by wealthy countries, the Bank and the Fund have used their development financing and lending activities to influence the policies of developing country governments while remaining completely unaccountable to the people or their representatives in the legislature;
- Over the past few years, vocal critics including the international trade union movement, have exerted increasing pressure on the World Bank and the IMF to reconsider their traditional policies and programs and operate in a more transparent manner;
- While the Bank and the Fund have adopted a new framework to govern their lending and debt-relief programs, they have not significantly altered the traditional structural adjustment conditions. Specifically, the IFIs continue to encourage privatization, government downsizing, and deregulation of labor markets that have had negative effects on the lives of poor and working people. Labor market flexibility restricts freedom of association and the right to collective bargaining. IFIs have also encouraged reform of public pension schemes in ways that lower income and decrease job security;
- The implementation of Structural Adjustment Programs (SAPs) has failed to foster significant economic growth or achieve poverty reduction.

SYNOPSIS 43: ICFTU (b)

“Submission to IMF/World Bank on the PRSP Process”

by ICFTU

(November 2001)

The paper presents a set of recommendations to the IMF and the World Bank on the basis of the past two years of experience of trade unions affiliated to the ICFTU in participating, or in attempting to participate, in national PRSP processes. Some 40 per cent of ICFTU affiliates are located in PRSP countries; the ICFTU has affiliates in all but about a dozen of the PRSP countries.

The ICFTU assessment and recommendations include the following:

- The PRSP process has been rather slow. While it is true that the quality of PRSPs should not be sacrificed for the sake of speed, slowdown of PRSP formulation entails the PRSP process getting bogged down, which is unfortunate;
- In many of the first PRSP countries, there have been serious shortcomings regarding civil society involvement, especially in not involving trade unions in PRSP formulation. Trade unions must be invited to take part in the national PRSP process if the participatory aspect is to have any significance. In Ghana and Malawi, trade unions were invited to participate in the process from the beginning while in Nepal they were excluded altogether. In Tanzania and Uganda, trade unions were told that they could participate in the PRSP process, but only after the PRSP had already been completed and endorsed by the IFIs. In the countries where trade unions were not allowed to participate fully, labor issues received little attention in the PRSPs;
- The IFIs must defend the right of trade unions to exist. The lack of trade union freedom is a serious impediment to organized labor being able to participate in several PRSP countries, especially in some African and Asian countries;
- In order to ensure the involvement of trade unions and for other equally important reasons (which are unspecified), the IFIs must promote the respect of the core labor standards;
- Civil society participation and parliamentary involvement in the PRSP process are not mutually exclusive;
- Substantial additional resources will be needed in order to ensure meaningful participation of trade unions in all PRSP countries. The IFIs should examine how resources can be made available for this purpose;
- The IMF and the World Bank should not recommend endorsement of PRSPs where trade unions have not been invited to participate;
- PRSPs should include sections on improving labor standards as a means to poverty reduction;

- Macroeconomic policy issues should be included in civil society consultations on PRSPs since they are an important part of a comprehensive poverty reduction strategy;
- PRGFs are being negotiated in some countries in processes that are parallel to, but independent of the PRSP process. PRGF should be aligned to the PRSP, but not the other way around. PRSC should also be aligned with priorities defined in the national PRSP.

SYNOPSIS 44: JDRAD

“PRSP Update”

(2000)

This brief paper is an update on the PRSP aimed at reviewing the progress in developing PRSPs in 11 countries – Benin, Bolivia, Cameroon, Chad, Honduras, Kenya, Malawi, Nicaragua, Tanzania, Uganda and Zambia.

The paper describes reactions to PRSPs from different civil service groups. On the positive side, some groups feel that PRSP represents a genuine opportunity to seriously tackle poverty in a fresh way and to involve civil society and marginalized groups in defining and designing their own future. These groups feel that the PRSP Initiative may go some way in responding to the calls of many campaigning groups to afford the poor an effective voice in their own development.

According to the paper, less enthusiastic groups have raised some concerns relating to the content and the process of the PRSPs. As to the content, the concerns are:

- Will the BWIs endorse strategies which propose alternatives to their orthodoxy based on ‘macroeconomic stability and growth above all’?
- Should the BWIs be the principal arbiters/judges or should the role not be assigned to wider groups e.g. the proposed UN Financing for Development Forum?

As to the process, the paper highlights the issue of genuinely involving civil society in a participatory manner in the drafting of the strategies.

SYNOPSIS 45: Jubilee South

“Flawed Thinking and Failing Experiences”

(November 2001)

This paper, prepared jointly with Focus on the Global Growth, AWEPON and the Centro de Estudios Internacionales with the support of the World Council of Churches, presents findings on the PRSP process “in three continents”.

The paper makes the following observations:

Purportedly what is new in the PRSP approach is the objective of achieving a strategy that will be “locally generated and owned” and developed through “wide participatory dialogue” focused at both the micro and macro policy making levels. The actual PRSP processes however confirm the pre-existing doubts as to whether there is any fundamental change in Bank-Fund programs and thinking.

In the name of poverty reduction, the World Bank and the IMF are seeking an expanded basis for sustaining externally driven structural adjustment plans. PRSPs offer a model adjustment rather than a fundamental correction so as to secure improved poverty administration and public relations gains in the light of much warranted criticism and evidence accumulated over the past decade. The most important element of the I-PRSPs and PRSPs is the mandatory policy matrix detailing the standardized Bank-Fund assortment of policy “reform” including liberalization, privatization, promotion of trade and the marketization of land and resources in general, which have diminished living standards and access to basic goods. Fighting poverty has become the newest justification for the aging prescriptions geared to increasing the overall opening of the “host country” to external economic actors and free market rules.

There is no common understanding on ownership and participation. PRSPs are not based on genuine participation or ownership by the poor. The concern rather is with the semblance of participation based on the need to legitimize and modernize the neoliberal paradigm.

IFI conceptions of participation have tended to be uniformly narrow. Externally sparked top-down participation has tended to take the form of the participation of selected CSO in selected meetings with pre-selected parameters to discuss pre-existing plans. In most cases, the failure to translate the consultation perspectives to policy actions- not to mention local languages- insured that the discussions remained alien to the poor and their organizations. In most cases, Washington-imposed timelines made any meaningful participation impossible.

Methodological failures further underscored the lack of IFI, and usually governmental commitment to effective participatory process. In several cases, CSOs virtually gave up on the official process and undertook their own consultation process. While rushed official PRSP exercises contradict the notion of public ownership, the parallel ones consciously assumed the risk of generating recommendations that would not figure in the official PRSP documents. In the final analysis, almost every government was more kin to hear from the IFIs than from domestic stakeholders who usually come into the discussions after base documents had been drawn up.

Large numbers of people- particularly those who live in hardship conditions and/or have been socially and politically marginalized for long periods of time- are alienated from decision-making processes that deeply affect their livelihood and future. This in turn erodes local political capacities for representation, negotiation and socially rooted advocacy. For many PRSPs constitute an obstacle to development and democratization.

In the context of the role played by the IFIs, ownership is often reduced to a rich big brother invitation to resource-starved national governments and CSOs to sign on. Claims to national ownership and alignment with national plans are further confounded by Bank-Fund involvement and micromanagement of the PRSP process. PRSPs often resulted in a further concentration of power and administration in IMF/WB hands, while prescribing in essence “more of the same”. Under the circumstances, there is no “national ownership” of the decision-making process, which is to say that ownership and eventual control is external. Not surprisingly, most PRSPs are coming out noticeably similar in their poverty analyses and recommendations.

The obsession with growth projections remains unashamedly dominant in the WB-IMF poverty relief thinking. Growth and poverty reduction did not go hand in hand. Programs directed towards achieving the highest possible growth are not the same as achieving the highest possible poverty reduction. While growth may take the appearance of improved social indicators, it does not address inequality, growing rich/poor divides and often pushes some sectors deeper into poverty including undignified employment.

There are a number of elements that are not included in PRSPs because they do not fit within the obligatory neo-liberal parameters, although they are indispensable in many cases to poverty and inequality reduction – e.g. land agrarian reform, progressive taxation support for domestic markets and protection, food sovereignty, the protection of environment and labor vis-à-vis the free market. In most I-PRSPs and PRSPs these elements did not appear even in the diagnosis, leave alone the emerging strategy.

The policy matrices that appeared in most PRSPs seldom show a demonstrable connection with actual poverty reduction. Structural adjustment logic and policy matrices remain non-negotiable and hence unchanged. Indeed, under the guise of reform, there is a dangerous attempt to further entrench socially damaging economic processes.

The growth model implicit in PRSPs responds to the globalization perspectives of the IFIs and the WTO, and not those of the poor themselves. The growth model (usually export oriented) was a poverty-reproducing one, particularly on account of structural and policy measures: privatization (especially of basic services such as potable water), trade liberalization, cost recovery schemes for health and education, removal of guarantees or subsidies protecting some of the most vulnerable, rolling back on labor and social entitlements, rights and dependence on attracting foreign investment. The poor themselves are more interested in income distribution, land questions and equity in domestic and, increasingly international power relations.

Many PRSPs constitute an obstacle to development and democratization. By creating confusion and dispersion, false poverty reduction strategies will interfere with the building of the collective will, consciousness and capacity that is indispensable in order to identify and resist the unequal national and global power relationships that is the true root of poverty and impoverishment

The IFIs, donors and some INGOs, by putting visible efforts into “capacity building” and “institutional strengthening” are attempting to reform decision-making processes in several countries. However, such a process is far from, and may be contrary to, a genuine democratization and empowerment strategies and efforts.

SYNOPSIS 46: North-South Coalition/IBIS

“Poverty Reduction and Participation”

(December 2001)

This paper presents a wide range of comments on the PRSP approach and also makes some suggestions for the PRSP Review. The paper makes the following observations:

Overall Assessment

The PRSP is not an end in itself, but a means for increasing the influence of the poor – and an instrument to potentially change politics in a pro-poor direction. In principle, the PRSPs could bring many new opportunities, which could improve the situation for the poorest and have a major influence on poverty reduction, e.g. by

- putting poverty reduction at the center;
- creating a window of opportunity in undemocratic regimes to increase the external pressure for openness, democracy and increased civil society involvement;
- better coordination of development and a more coherent poverty eradication efforts;
- strengthening poor people’s influence over local, national and international policies;
- debating all policy aspects, including macroeconomic reforms openly in public;
- improved understanding of the social impact of economic conditionalities and policies from the IFIs;
- increased focus and advocacy for poverty reduction, growth with equity and alternative development models, including fair trade.

Notwithstanding this potential, the paper argues that the general picture from the 40 odd I-PRSPs and PRSPs so far has not been promising. Indeed, there is a risk that civil society involvement will have a legitimizing role on non-poverty reducing policies and in practice support undemocratic governments.

PRSP Process

While in some countries, new and valuable space for civil society involvement has been created, the general impression is that despite the rhetoric of participation, governments and IFIs expect the civil society to play only a smaller and limited role in the PRSPs. Many development partners find themselves completely excluded from the formulation process on account of problems, such as:

- lack of information in an accessible language;
- lack of transparency;
- lack of funds for organizing CSO meetings;
- insufficient notice and time given to civil society participation;

- many parallel processes and exclusion from important parts of discussions;
- limited involvement of line ministries and local governments;
- limited access to impartial analysis, produced by independent actors;
- ignorance of alternative PRS models or analyses of the macroeconomic policies;
- general lack of capacity and networking in civil society.

These limitations create a lack of ownership of the PRSPs among civil society groups. There is certainly a danger that the PRSP processes will be unsatisfactory for southern partners to engage in, if their opinions are not reflected in the final document and the process. A non-meaningful participation can be worse than non-participation.

Policy Content of PRSPs

The IMF and World Bank continue to have limited flexibility in the demand for conditionalities, and the strategies are remarkably similar to the old policies promoted in the SAPs and the ESAF. The tension between equity and poverty reduction on the one hand and economic liberalization on the other, has not been adequately dealt with. In practice, it is extremely difficult to see the poverty reduction objective will impact on the policy formulation in the PRSPs and especially the macroeconomic aspects of the PRGFs. Both the national governments and the IFIs are getting away with consultative process and ignoring differing viewpoints from the civil society. They almost always ignore alternative on additional PRS initiatives.

There are no signs of change towards a more pro-poor economic model. The macroeconomic model is formulated from a global perspective of IMF and WTO instead of taking the point of departure in national priorities and strategies formulated in a national plan for reducing poverty. To make the PRSPs work, the IMF-World Bank has to acknowledge that they can learn a lot from the poor. The poverty debate must become less technocratic and appreciate the depth of political changes needed to make the poverty reduction goals.

Implementation of PRSPs

In countries like Ghana and Bolivia, the PRSPs have been developed on the basis of national processes of planning and dialogue, and therefore the PRSPs have the potential to build on these existing national processes. In other countries, the situation has been different.

Although the span of civil society is large, many of them can be characterized by a lack of technical, financial and political capacity to articulate matters. Capacity constraints and resultant needs include:

- economic literacy;
- analytical skills;
- capacity to design and conduct policy-focused research; and
- general capacity in lobbying, advocacy and networking.

Other Issues

The paper has also highlighted a number of other issues.

Rich countries would have to make much more progress on debt relief, better market access, abolishing of export subsidies, as well as increased development aid and technology transfers to ensure the necessary funding to fulfill the PRSPs. There is an urgent need to increase the global commitment on these issues.

Finally, the paper has put forth two proposals for the PRSP Review: first, the Review needs to examine the reasons why CSOs in the South have not been actively involved; secondly, in the interest of effective participation, governments should be made to certify the participation of civil society in an annex in the PRSPs and also be required to indicate how the participatory process has influenced the document.

**Papers by
OXFAM International**

OXFAM International has four papers:

- (a) “Are PRSPs working?” (December 2001)
- (b) “Making PRSPs Work: The Role of Poverty Assessments” (April 2001)
- (c) “Making Debt Relief Work: Proposals for the G-7” (July 2000)
- (d) “Debt Relief and Poverty Reduction: Failing to Deliver” (August 2001)

Thematically, they fall in three categories – the first one is a direct response to the Fund/Bank questionnaire, the second one is focused on the role of poverty assessments in PRSPs, and the remaining two (which are somewhat dated) dealing with the HIPC Initiative. Accordingly, there are three synopses, in that order.

SYNOPSIS 47: OXFAM (a)

“Are PRSPs Working?”

(December 2001)

This paper constitutes a direct response to the Fund/Bank questionnaire. The paper makes several observations:

Overall Assessment

Progress on the PRSP approach to date is mixed. In many countries a space has been opened up for a new dialogue about poverty and how government spending can be better targeted towards poverty reductions. However, many civil society groups have expressed their frustration that their concerns are not being addressed within interim and full PRSPs. The primary concern remains a lack of evidence of a reorientation of structural and macroeconomic policies towards the challenge of poverty reduction. PRSPs are increasingly being challenged at the national level as a continuation of existing economic policies, with an enlarged safety net in the form of additional budget allocations for key basic services.

PRSP Process

In most PRSP countries new opportunities have emerged for citizens to voice their opinion about poverty and the public policies required to address it. CSOs in many countries have seized opportunities to engage in the PRSP process (e.g. Bolivia, Cambodia and Uganda). In the best cases, the foundations have been laid for an on going dialogue between the government, civil society, and the private sector. Popular debate and media coverage of poverty reduction and participation has increased.

The quality of the participatory process has varied- from detailed poverty participatory analysis (e.g. Uganda) to limited consultation (e.g. Mozambique). The lack of civil society involvement in the design of processes for participation is a common concern. In many countries (E.g. Tanzania and Uganda) the PRSP has been viewed by CSOs and governments alike as duplicating efforts that were already ongoing. They had to produce a PRSP that was acceptable to the IMF and World Bank.

The lack of participation of parliamentarians in the PRSP process is another major weakness. Too often the design of the PRSP has been the responsibility of small technical teams within Finance Ministries rather than of the whole government, let alone Parliament. These teams have generally had for more contact with World Bank and IMF staff than they do with members of parliament.

There is also a problem of access to core World Bank and IMF documents (e.g. in Nicaragua the draft I-PRSP was available in English in Washington D.C. before it was available in Managua). There is an enormous amount of frustration within civil society that the demands they have raised have not been reflected in the final versions of I-PRSPs and PRSPs. To an extent this is inevitable given the diversity of views within civil society and sometimes highly publicized nature of debate between civil society and governments. (e.g. in Honduras, CSOs

opted to move out of the official PRSP process and to generate an alternative and parallel process).

There has been almost no willingness from governments and IFIs to address concerns relating to the impact of prevailing structural and macroeconomic approaches (e.g. I-PRSP countries as well as Bolivia and Mozambique). Part of the problem is the lack of capacity of civil society to develop complex macroeconomic and structural arguments and to propose alternatives. The main issue however is a lack of willingness from governments and IFIs to accept the validity of a diversity of economic development strategies.

Executive Directors of the World Bank and IMF have scant evidence by which to judge the extent of participation. World Bank and IMF staff is reluctant to be critical of inadequate participation processes within countries. The nature and extent of participation processes have not been critically assessed in JSAs.

Policy Content of PRSPs

The IMF should demonstrate a “real shift in priorities” by allowing flexibility in fiscal and monetary policy. The starting point should be “what needs to be done to reach the 2015 targets” rather than “how many resources are left for social spending after a sound macroeconomic policy is in place”.

Fully financed strategies for achieving the 2015 targets should be included in every PRSP. Growth predictions should be realistic and flexible, and debt sustainability analysis should be re-evaluated. The number of macro and structural conditions attached to IMF and World Bank loans should be ruthlessly cut. It was hoped that the PRSP would represent a qualitative change from one-size fits all Washington consensus policies. Whilst the PRSP has seen a greater focus on pro-poor government spending, there are few signs that more heterodox structural policies are being pursued.

Trade liberalization is increasingly treated by the World Bank and IMF as though it is an indicator of government’s credibility rather than as a means to the end of poverty reduction. Too little attention is being paid to the impact of trade liberalization on poverty. Trade liberalization should not be a condition for World Bank and IMF lending. By imposing unilateral trade liberalization on poor countries, the Bank and the Fund unwittingly further undermine the weak bargaining position of developing countries at the WTO.

Although the PRSP is a comprehensive document that should focus on the whole economy, there is a short term need to focus on a small number of key pro-poor policy reforms linked directly to achieving the 2015 targets. Governments should then be required to produce timely information on these specific reforms.

There is a risk that this will lead to undue focus on a handful of reforms whilst the rest of the budget and public expenditure process is left untouched and unreformed. However, managed well, this initial focus should form the basis of an ongoing reform, by beginning to develop systems and a culture of transparency and accountability that can be gradually expanded as the PRSP continues.

Implementation of PRSPs

Of the 24 countries currently receiving debt relief under the HIPC Initiative three-quarters will spend more than 10 percent of government revenue on debt service in 2001. Two-thirds will be spending more on debt than on primary education and health combined. The PRSP approach will be a failure if countries' debt burden continues to divert resources from priority areas for poverty reduction.

The financing of increased social expenditures within the PRSP could also be undermined by declining terms of trade and the current global economic downturn. Projected optimistic trends in social expenditures will not be realized unless debt sustainability is properly reassessed and donors increase aid to fill gaps within PRSP financing.

Efforts to cost the achievement of the International Development Goals in individual countries have so far been weak. Many PRSPs lack a coherent route map for achieving them. Where such plans exist they are often under-financed.

The PRSP approach has not made a clear movement towards putting an end to cost-recovery schemes, despite widespread public hostility to fees. In many low-income countries, the cost of social service provision (mainly education and health) is being steadily transferred to poor families as a part of creeping privatization of financing. The IMF and World Bank should work with governments to abolish charges for basic health and education. Basic education charges should be abolished within 3 years.

Increases in national budgets for social services pose serious problems in terms of management capacity in many PRSP countries. Strengthening of budget processes and public sector management is a key priority if the 2015 targets are to be met. An increase in the quality of funds allocated to social sectors doesn't automatically mean a better provision of services. It is necessary to go beyond the global figures and assess the internal composition to each country's spending. The IMF and World Bank should work with governments to improve the costing of social targets and to strengthen budgetary processes and public sector management.

All PRSPs to date recognize the importance of public expenditure monitoring (PEM) systems. The reforms generally revolve around two areas as keystones: Medium Term Expenditure Framework (MTEF) and the generation of Management Information Systems (MIS). Both these sets of reform are commendable. The problem lies in their long-term time scale, their political nature and the corresponding resistance to their implementation. Instead, PRSPs should suggest both short term and medium term measures for PEM. This need not undermine longer term reform initiatives, and can instead begin to build a culture of accountability and timely reporting which can facilitate wider PEM systems in the future.

Impact analysis should be required for a broad range of policy-based lending in the context of PRSCs and PRGF. Despite the mandate from successive Development Committee and IMFC Meetings, the progress on the part of the IMF and World Bank in this regard has been slow.

Impact analysis should examine poverty, social and environmental impacts of macroeconomic and adjustment policies. The process for producing impact analysis must be open and participatory and involve an informal civil society. It should be executed as a dynamic process.

The process should also present options and tradeoffs, not a single proposed policy and a single mitigating measure put in place to accompany a single policy of years, and is very difficult to specially attribute to the impact of one policy. The information gap here is to some extent due to poor government reporting capacity, but is also largely due to deliberate opacity.

In sum, the current emphasis on outcomes needs to be supplemented by greater attention to the sticky areas of inputs and outputs in policy implementation.

The role that Parliaments and civil society should play in monitoring needs to be institutionalized. Parliaments along with civil society actors can play a critical role of independent scrutiny. Parliaments often lack the capacity to monitor policy implementation, but they often are the most legitimate and representative actors in a country.

For the PRSP initiative to remain credible, what is essential is viable, accessible and robust monitoring systems. PRSPs are rather weak on monitoring and tend to present it as a simple, rational and an unimportant apolitical process. Often the PRSPs have many indicators, but little information on how these will be monitored.

The monitoring process is split into three stages: inputs, outputs and outcomes.

Monitoring Outcomes: PRSPs have taken a major step forward in planned monitoring of poverty and impact on poverty reduction. However, there are concerns about sustainability of often quite ambitious (and donor-supported) Poverty Monitoring Systems(PMS) designed to keep track of poverty levels from a variety of different perspectives.

Monitoring Inputs: Public Expenditure Monitoring (PEM) systems, designed to ensure that the resources allocated to certain policy actions actually reach their destination, remain rather weak. Despite some improvements more are needed and this remains a critical problem for most of the PRSPs.

Monitoring Outputs: Access to relevant and timely information of a more immediate nature based on outputs is necessary to hold policymakers accountable. By focusing on long-term outcomes instead of (short term) outputs, this need will not be fulfilled within the current PRSPs. (e.g. household surveys generally involve a time delay).

SYNOPSIS 48: OXFAM (b)

“Making PRSP Work: The Role of Poverty Assessment”

(April 2001)

The paper views PRSP approach as an opportunity to develop economic policies which are genuinely country-owned and which have poverty reduction as their central aim. On the basis of the experience for the first 18 months (up to April 2001), however, it has been argued that the civil society worldwide has little confidence in the PRSP process. There has been no visible reorientation of Fund-Bank programs towards poverty reduction and there is no evidence that PRSPs are determining the nature of Fund-Bank programs.

More specifically, the paper makes the following assessment:

- HIPC's have a major incentive to complete a full PRSP and reach the completion point of HIPC debt relief as quickly as possible. The aim should really be a good pro-poor strategy, and to take the time required to do this properly;
- One of the failings of the IMF and World Bank with the PRSP approach has been that neither has undertaken an analysis of the impact of reforms on poverty. If poverty reduction is a priority, then *ex ante* assessment of the impact of reform on poor people must also be a priority. Without such assessments, there can be no well-informed discussion of policy choices and trade-offs;
- The PRSPs should be derived from a country's development strategy, and should determine the nature of Fund-Bank programs. In many countries, the process is working in the opposite direction, with economic policies within a PRSP being drawn from policy recommendations within Fund-Bank lending instruments. It seems 'business as usual' with respect to program design;
- Information disclosure remains a key issue. The emphasis on participatory processes is meaningless if information is not available.

In the light of this assessment, the paper makes the following recommendations:

- The PRGF and PRSC should clearly show links to the PRSP and the program logic and rationale should be made explicit;
- The forthcoming PRGFs and PRSCs must include *ex ante* impact assessments of key reforms. Such assessments should underpin a debate on economic policies tailored to specific country needs and build a wider support for pro-poor economic reforms. Operational guidelines within the Fund-Bank should include a requirement to carry out *ex ante* poverty impact assessments. A time table for these assessments including a lead time for public engagement should be provided by the Fund-Bank;
- The World Bank should provide assistance to the IMF in assessing the impact of key reforms within the PRGF (e.g. on impact of devaluation), but the IMF should retain the lead role in this analysis;

- The World Bank should achieve at least minimum parity with the IMF in terms of transparency. The Bank should commit to disclosing the Country Letter of Development Policy.

SYNOPSIS 49: OXFAM (c) and (d)

“Making Debt-Relief Work: Proposals for the G-7”

(July 2000) and

“Debt Relief and Poverty Reduction: Failing to Deliver”

(August 2001)

Both papers are focused mainly on the adequacy and speed of delivery in respect of debt relief under the enhanced HIPC Initiative. Although dated, these papers are still relevant in as much as they highlight critical links between PRSPs and debt relief, and between program design and poverty reduction.

The main criticisms are the following:

- The I-PRSP/PRSP process has impeded speedy debt relief. There is tension between the need to develop a good plan, with civil society participation, that delivers efficiently and effectively on poverty reduction, and the demand for early debt relief;
- There has been a change in rhetoric. But, in practice, it is business as usual. The focus continues to be on “standard macroeconomic policies and openness” for poverty reduction, rather than debating pro-poor reform design, trade-offs and compensatory measures.

The papers make the following recommendations:

- There should be greater flexibility and speed around agreeing I-PRSPs;
- Countries should receive high levels of interim debt-relief between I-PRSPs and a demonstrated PRSP track record.

Fund-Bank program design must analyze trade-offs and policy choices, and should assist governments in their effort. Program re-design or compensatory measures should be included wherever necessary.

SYNOPSIS 50: Save The Children (UK)

“Review of PRSPs”

(December 2001)

This paper is based on experiences of the country program staff and partner organizations in 14 countries where SC U.K. has been actively engaged.

The paper makes the following observations:

Some governments are rushing the PRSP process in order to qualify for early debt reduction. This tension between HIPC and the PRSPs can harm the quality of civil society participation and miss out in valuable insights on poverty reduction.

Children and young people are being left out of discussions in the development of PRSPs despite the insights they have into their own situation. All marginalized groups need to have the opportunity to participate in their development and contributions given genuine, not simply tokenistic consideration. Civil society is often seen as organized and high profile groups- NGOs, religious organizations, trade unions etc. Many poor and marginalized people are thus not being directly involved in the PRSP process.

There is little consideration of macroeconomic and structural policy alternatives. There is little explicit analysis of the differential social impact of particular policy choices and mechanisms for assessing the likely impact of policy choices in the PRSPs are not specified. Analysis of and action to tackle childhood poverty is not given enough attention, which is a grave concern.

Several countries intend to expand the use of cost recovery mechanisms for health care as an element of social service financing. Most I-PRSPs and PRSPs give inadequate attention to long-term effective social safety nets that protect people from prolonged poverty and from falling into poverty.

PRSPs offer the opportunity for countries to develop policy choices based on the real needs of poor people. Space has been opened by the World Bank and the IMF to debate these processes.

SYNOPSIS 51: Uganda National NGO Forum

Do the World Bank's PRSC and IMF's PRGF Actually Support the Poverty-Reduction Goals Outlined in Uganda's Poverty Eradication Action Plan (PEAP)

(January 2002)

This paper by Warren Nyamugasira (Uganda National NGO Forum), Rick Rowden (RESULTS Educational Fund, USA) prepared with assistance from Action Aid, compares and contrasts the poverty-reduction goals of Uganda's PRSP with the components of the new PRSC loan from the World Bank and the new PRGF loan from the IMF.

The paper's assessment includes the following:

- The PRGF and PRSC do not support the poverty-reduction goals outlined in Uganda's PRSP. In fact, many of the policy prescriptions of the loans may impair Uganda's ability to achieve its goals;
- The PRSP process in Uganda was flawed by being limited in important ways. Ugandan NGOs were invited to provide input on the development of the poverty-reduction goals, but not on the nature of the policies to achieve those goals. Key macroeconomic and structural policies were subject to public consultation, but in reality, they were not.
- The PRSP process and the new loan designs ignored the potential impacts of other World Bank loan programs in Uganda at the same time.
- The IMF and World Bank loans for Uganda are based upon incomplete analyses. There was no institutional learning either from the IMF-World Bank reviews and evaluations of earlier structural adjustment programs or from assessment of social impact of earlier policy prescriptions provided in the five-year, seven country study known as the Structural Adjustment Participatory Review Literature (SAPRI).
- Although Uganda's PRSP outlines its goals for poverty reduction, the policies to be used are determined by the IMF and World Bank. An examination of the PRSC and PRGF shows that the IMF and World Bank have repackaged the "same controversial neoliberal policies of the last 20 years" in the words "poverty reduction" and have claimed that these renamed loans will be based upon "countries' poverty reduction goals."
- The design of the new loans neglected apparent contradictions among the policy prescriptions. The new PRSC and PRGF loans are based on flawed and incomplete analyses of Uganda's situation. Importantly, they wholly neglect to include consideration of how the WTO's new sets of trade agreements and rules currently being negotiated will likely impact the ability of Uganda to achieve its poverty-reduction goals.

The paper makes the following recommendations:

- The World Bank and IMF should not be given exclusive role as overseers of poverty reduction programs in poor countries. Other UN agencies should be brought into the process;
- Linking debt relief to the preparation of the PRSP removes the “autonomy” of the countries to come up with a framework that clearly makes an explicit connection between macroeconomic policies and poverty reduction goals. HIPC debt relief should be de-linked from the PRSP process. The only condition should be that countries receiving debt relief establish an independent entity like Poverty Action Fund to channel freed resources towards social development;
- Efforts must be made to initiate new rounds of talks in order to come up with lasting solution to the crushing debt burden of many poor countries, including the HIPC countries. 100 percent debt cancellation should be completed and extended;
- Mechanisms for citizen participation should be developed and supported in order to fluctuate a transparent flow of information, which would in turn diminish corruption and give citizens greater influence over decision-making processes. Loans should not be conditioned or privatization;
- Foreign loans and aid should not be tied to any precondition regarding ownership structure;
- Priority should be given to support the development of domestic industries to meet local needs;
- The sector should play a role in supporting small farmers in the agricultural sector;
- A strong independent anti-corruption tribunal should be created.

SYNOPSIS 52: WEMOS

“PRSPs: What is at Stake for Health?”

(May 2001)

This paper has raised a number of concerns regarding the PRSPs with a view to encourage health organizations and policy makers at national and international level to monitor the PRSP developments, analyze them from a health and equity perspective, and react accordingly.

Salient features of observations include the following:

Developing a good PRSP can take time, perhaps 3-5 years. Such a process cannot be done properly in the tight schedule that most countries currently follow. This is largely due to the need to receive debt relief under the HIPC initiative. This hampers the process.

In many countries NGOs were not consulted over the poverty policies but excluded from and kept in the dark about discussions on the macroeconomic framework (e.g. Tanzania, Kenya and Uganda). Full information, in the local language, well beforehand, is a *sine-qua-non* for civil society participation. While PRSPs are published on the website, relevant documents connected with IMF-WB loans that are supposed to support the nationally developed and owned strategies, are not made public.

If IMF and World Bank retain power and authority over programs while the government merely implements programs, then the PRSP is nothing but a smoke screen to obfuscate the results of their operations. The concept of ownership has little meaning in this context. The quality of participation is not evaluated by the boards of the WB-Fund, and poor participation is not a reason for the boards to reject a PRSP.

In the interim stage to full PRSPs, the IMF and World Bank will largely determine the content of the macroeconomic and sectoral reforms, through the existing ‘old-style’ structural adjustment loans. This will in turn limit the budgetary and policy options for the PRSP under development. It remains unclear how flexible the WB-IMF will be in adjusting existing loans.

The promised flexibility on the part of the WB-IMF seems to be limited to the timing and sequence of measures. These institutions see no reason to review and adjust their belief in the Washington Consensus. They fail to understand the complex linkages between macroeconomic and social policies. Redistribution issues are half-heartedly tackled.

The main challenge for the PRSP is to prevent a re-verticalization of health care, and to integrate new initiatives and resources with existing efforts to build a broad based health system.

SYNOPSIS 53: World Confederation Of Labor (WCL)

“New Names, New Policies”

(January 2002)

The paper presents a set of comments and recommendations based on the experience of trade unions in 12 Sub – Saharan African countries i.e., Benin, Burkina Faso, Central African Republic, Chad, Democratic Republic of Congo, Gabon, the Gambia, Guinea, Mauritania, Niger, Sierra Leone, and Togo.

Salient features of the assessment and recommendations include the following:

- The principles of the PRSP/ PRGF approach are welcome, but there is still a long way to go in order to get them respected and implemented in practice;
- In the PRSP consultation process, trade unions and other independent civil society groups are more often ‘outsiders’ instead of being ‘insiders’;
- The preparation of PRSPs is viewed by the Fund and the Bank merely as an additional pillar of policy. The impact of traditional structural policies (i.e., privatization, tax reform and labor market reform) on poverty is not taken into consideration. This is inconsistent with the attempt to fight poverty through higher budgets on health, education etc.;
- Ex ante impact analysis of the possible effect of structural adjustment policies should be accorded a priority. Identifying groups that are most hit by adjustment is an essential part of any credible poverty reduction strategy and should be incorporated into all PRSPs as quickly as possible. The Boards of the Fund and Bank should issue a guideline on incorporating such an approach into each PRSP;
- Each draft PRSP submitted to the Boards of the Fund and the Bank should contain a ‘score card’ on participation of and consultation with trade unions. The scorecard should present information on who has been consulted and how it has been done. Alternatively, texts or statements by trade unions should be attached to the PRSP document going to the Boards of the Fund and the Bank;
- Trade union pluralism does exist. All representative trade unions should be invited for consultation;
- The secrecy with which World Bank adjustment lending is surrounded is worrying. The World Bank should open its ‘vaults of information’;
- Trade unions should be involved in the fight against corruption. For this purpose, mechanisms involving trade unions, should be set up;
- A ‘contact point’ for trade unions should be established inside the Fund and the Bank;
- Poverty and structural adjustment isn’t a problem only for poor countries. Concentrations of extreme poverty along with sharp inequalities in income do exist among a higher income emerging market economies as well. The Fund and Bank should act on initiatives that translate the fundamental principles of the PRSP approach to these countries.

**Papers by
World Development Movement**

World Development Movement has two papers on the subject:

- (a) “Still Sapping the Poor: A Critique of IMF Poverty Reduction Strategies” (June 2000)
- (b) “Policies to Roll-back the State and Privatize? PRSP Investigated” (April 2001)

Besides the different timings, the paper differ from each other in terms of the bases – the first one offers a general criticism while the second one is based on a more structured country evidence. Accordingly, there are two separate synopses.

SYNOPSIS 54: World Development Movement (a)

“Policies to Roll-back the State and Privatize: PRSPs Investigated”

(April 2001)

This paper presents findings based on analysis of 12 I-PRSPs and 4 PRSPs along with comments made by civil society groups from developing countries. The main thrust of the argument against the PRSPs is that participation is not satisfactory; government ownership is weak on account of the continued influence of the IMF and World Bank; and the policy content of these strategies does not constitute a major change from the past. As a result, I-PRSPs and PRSPs are falling short of the goals set out for them.

More specifically, the conclusions and main recommendations include the following:

Participation

Public participation in the drawing up of I-PRSPs and PRSPs has been less than expected. Civil society groups across highly indebted poor countries are unsatisfied with the extent of public involvement in drawing up the strategy papers. The main concerns here include:

- lack of timely involvement and rushed processes;
- lack of information in accessible language;
- exclusion of macroeconomic design from the discussion or the strategy;
- focus on ‘consultation’ rather than participation;
- high costs of participation leading to involvement of only a limited number of CSOs; and
- lack of feedback on, and incorporation of, CSO comments.

Ownership

The extent of country ownership of I-PRSPs and PRSPs is questionable, with the IMF and World Bank appearing to retain a strong influence over the final document. In this regard, the following concerns have been highlighted:

- perception that PRSPs are meant for pleasing creditors and donors and thereby secure new funding;
- limited involvement of parliament and lack of transparency of discussions;
- insistence by the IFIs to produce PRSPs to fit their own timetables, rather than the country’s normal planning cycle; and
- perceived lack of flexibility on the part of the IFIs and use of foreign consultants in helping draw up strategies.

Policy Content

There is a substantial body of evidence showing that structural adjustment programs did not reduce poverty. Yet the policy content of the PRSPs is not different from that in the past. The core macroeconomic elements have changed little from the old structural adjustment programs (SAPs) with a continued adherence to privatization, liberalization and a reduced role for the state. Despite commitments to increase social sector spending, a continued reliance on charges in some countries risks compromising poor peoples' access to basic services. On the other hand, many factors critical to the success of PRSPs – such as, land reforms, improved labor rights, recognition of external factors, are either weak or absent.

The paper thus argues that I-PRSPs and PRSPs lack a sustained and clear focus on poverty reduction, clear explanation of the connections between policies and their consequences for the poor, and realism in what they hope to achieve. The PRSPs therefore are unlikely to advance the fight against poverty.

Finally, the paper makes the following recommendations:

- (i) The IMF and World Bank should assess, and justify, the predicted impact on poverty reduction of the policies, and reforms they propose;
- (ii) The IMF and World Bank should support countries in monitoring and assessing the poverty impact of their PRSP;
- (iii) The governments on the Boards of the IMF and World Bank should instigate an independent assessment of the IFIs' role in PRSPs, looking at: government ownership, participation, policy content and success in reducing poverty.

SYNOPSIS 55: World Development Movement (b)

“Still Sapping the Poor: A Critique of IMF Poverty Reduction Strategies”

(June 2000)

According to the paper, PRSPs are a classic case of empty rhetoric. They will make, at best, marginal impact on poverty reduction and democratic governance. At the other extreme, too much pre-occupation with them could actually worsen the situation. This conclusion is based on the following premises:

- Currently, the PRSPs act as a barrier to pro-poor policies. The PRSPs are a veil for the Bank-Fund to continue their neo-liberal agenda. They legitimize and institutionalize yet additional conditionalities without significant benefits either by way of debt reduction or real change in the content and ownership of policies. The PRSPs have provided the IFIs with the excuse they need to simultaneously delay action on significant debt relief and deflect attention away from their SAPs;
- The major preoccupation of the IFIs would seem to be more about frameworks and processes and less about changing policy content and practices affecting poverty. There is a strong resistance against an assessment of the macroeconomic and structural policies promoted by the IFIs for their social content;
- The PRSPs do not provide boundaries for the IFI involvement in the borrowing countries. To the contrary, the Initiative provide a springboard for conditionality-laden SAPs and country strategies, which dictate the nature, pace and sequencing of privatization and liberalization processes. This militates against any sense of ownership of the PRSP on the part of borrowing countries;
- The hearts and minds of the IFIs are not in the poverty business. Their track record on poverty reduction, by their own acknowledgement, is disappointing;
- The notion of bringing about national ownership of policies by the detailed prescriptions of creditors regarding organizing local societies is a contradiction. It makes governments more accountable to donors and IFIs than to their citizens and democratic institutions;
- As to the participation, what is intended to be achieved is much less about promoting ‘social consensus’ as it is about ‘engineering consent’ to subtle dictates of creditors. Like ownership, it is the sea that stops at the shore of macroeconomic and structural policies.

The paper recommends democratizing the PRSP process, reducing the role of the IMF and the World Bank and getting the economics right. More specifically, the recommendations include the following:

- Current forms of macroeconomic conditionality should be transformed or failing that abolished. Instead, governments, in full consultation with civil society, should develop their own national development strategies and poverty reduction plans. These should provide parameters within which the IMF and World Bank operate;

- The Fund and Bank should not play central mediating roles. Both their culture and past performance prove inadequate to the task. The IFIs should substantially increase their transparency and accountability towards people and governments in borrowing countries;
- The Fund-Bank must be much more flexible about what they will accept as ‘sound economics’ and recognize vast gaps in their knowledge particularly about poverty reduction and social policy. At a very minimum, the IFIs should conduct upfront social and environmental impact assessment of all their lending operations and ‘advice’.

SYNOPSIS 56: World Vision (a)

“PRSPs: Good News for the Poor?”

Social Conditionality, Participation and Poverty Reduction”

(2000)

This paper offers an impressionistic critique of the PRSP Initiative based on some early I-PRSPs. According to the paper, PRSPs do mark a step in the right direction and could play a valuable role in making the conditionality of debt relief a constructive part of the strategy-making process. However, there is a concern that PRSPs and PRGF may maintain the worst of the old, while only half-heartedly seeking the advantages of the new.

The PRSP process currently threatens to be a muddle of inconsistencies. The introduction of the language of participation and poverty eradication is the most encouraging aspect of all the changes that are promised. Sadly, they also appear to be the least likely to fully make the transition into practice. The commitment of national ownership may well be made untenable by the heavy hand of conditionality on economic policy. The much-vaunted stress on participation is currently betrayed by an unwillingness to evaluate the process involved. The good intentions of the conceptual documents underpinning PRSPs and the PRGF are weakened by the attempt to combine tired old Bank/Fund adjustment policies with new ideas on poverty assessment and strategy development. Seeking to reconcile ideas of poverty eradication, participation and human development with the ideological baggage of the Fund underlines the most profound weakness. As such, the PRSPs could be seen by critics as no more than a route to buy off criticism of the Fund and the Bank.

More specifically, the paper makes the following suggestions:

- Participation is grossly inadequate, especially in I-PRSPs which have been produced in excessive rush with little or no participation;
- PRSPs need to be led by the state and build on existing institutions. They also need to focus on capacity building issues including strengthened data gathering;
- The Fund’s macroeconomic framework is insufficiently linked to the need for growth with equity. Income distribution is not taken into account in the PRGF;
- More qualitative measures of impact assessment are needed;
- PRSPs also need to give more attention to issues such as liberalization of northern markets, rights-based development and conflict-resolution.

SYNOPSIS 57: World Vision (b)

“Submission to the Comprehensive Review of the PRSP Approach”

(December 2001)

This paper by Alan Whaites constitutes a formal submission to the Review. The paper has identified 12 major problem areas in relation to PRSPs, and made several suggestions for improvement.

Overall Assessment

The PRSP process is an important opportunity to introduce a new approach to poverty reduction that will focus on energies and resources on the poor. The PRSP concept is itself fundamentally sound. The successful implementation of PRSPs will, however, largely depend on the quality of the design process which has been characterized by major flaws. Notwithstanding a welcome degree of flexibility, too often the impression has been one of closing the stable door after the horse has bolted. There is an urgent need to improve the framework used for ongoing PRSP processes and to address some of the deeper flaws, especially in relation to macroeconomic framework, although a fuller appreciation of the need for capacity building is also critically important.

PRSP Process

Participation must not just be part of the PR process of the PRSP initiative; it must be a genuine attempt to develop the most effective strategies that are possible. Establishing criteria for the quality of participation on the part of BWIs is not sufficient and it would only reduce governmental ownership of the participatory process. Instead, capacity building for participation is perhaps the most effective contribution that can be provided by the BWIs.

Policy Content of PRSPs

PRSP design processes must be focused on good design practice rather than speed. Data gathering and participation should never be compromised in order to produce a draft paper more quickly.

Economic conditionality from the IMF has a weak track record particularly compared to more successful development and poverty reduction experience elsewhere. The recent streamlining of conditionality has addressed only the quantity rather than the quality of conditionality.

Increased accountability and transparency are needed at the BWIs to foster public confidence in their commitment to participatory processes and country ownership. The IFIs must prove themselves willing to politically and financially support heterodox approaches to pro-poor development drawing on experiences in areas where poverty has successfully been reduced.

Implementation of PRSPs

The quality of data gathering and poverty mapping must be drastically improved.

The BWIs have a clear responsibility to be more pro-active in capacity building key parts of state structures. This should also be extended to national level civil society going beyond occasional workshops and specialist websites.

The BWIs must greatly increase their advocacy for increased development resources from the North, taking advantage of the Finance for Development Conference at an early opportunity. Continued calls for northern trade liberalization are also important. The BWIs should make clear the inefficiency of HIPC and the need for substantial increases in the level and extent of debt relief. Debt relief should be increased based on a realistic analysis of in-country economic conditions, not simply cookie cutter donor prescriptions such as debt sustainability analysis.

F. Miscellaneous Comments

SYNOPSIS 58: Barbara Marungi (Africa)

“Review of PRSP Approach”

(August 2001)

The paper presents personal reflections on the PRSP process based on the author's experience in East and Central Africa.

The paper makes the following observations:

- The role of PRSP is not fully understood and appreciated in all quarters. In some quarters, it is viewed as conditionality imposed by the BWIs;
- The internationalization of PRSP is slow. In some cases, it runs parallel to national development plan rather than as a mechanism for making the national plans a more manageable development policy package;
- In some instances governments have not fully engaged in the consultation process resulting on polarization of interests of governments vis-à-vis other stakeholders;
- The post-conflict transitional governments tend to be fragile. Participatory process for consultation is limited, especially in those countries that did not have strong elected governments. Participatory process is also less likely where government agents are involved at the grass root rather than democratically elected leaders;
- Not enough time is spent by the national governments, or by the BWIs in costing of PRSP, which has resulted in unrealistic costing that cannot be accommodated within the resources. Given the tight deadlines, in some cases governments have not been able to pay adequate attention to consultations between finance ministry and line ministries, capacity assessment of institutions and structures, and specification of measurable outcomes that can be monitored regularly;
- The PRSP is a learning experience for both the Fund-Bank staff and national governments.

The paper makes the following recommendations for the Bank-Fund staff:

- The PRSP Source Book needs to be better disseminated to country teams working on PRSPs;
- The analysis of the links between poverty reduction and macroeconomic framework is descriptive in many PRSPs. Though many countries suffer from paucity of data, the Fund-Bank staff can encourage and support collaborative research with relevant agencies through workshops at country level;
- Technical assistance to country teams should be provided on costing of PRSPs. Technical work in the area of articulation/sequencing of structural and sectoral policies on the PRSPs is still unsatisfactory. It is important to strengthen this so as to make use of limited external support.

SYNOPSIS 59: Mette Frost Bertelsen & Soren Kirh Jensen

“Poverty Reduction Strategies – A Possibility for Participatory Economic Policymaking”

“The Central American Experience: Preliminary Report – the Case of Nicaragua”

(December 2001)

This paper, prepared in cooperation with University of Roskilde, Denmark and EURODAD, seeks to examine “the reach” of civil society participation in the context of national economic policy making in Nicaragua.

Salient features of conclusion include the following:

- The reach of participation in Nicaragua has not been very far. It has not been possible to change the neo-liberal course preferred by the IFIs. The position of the IFIs – which is one of strict monetary conviction and belief in market solutions as the best way to promote economic development – does not give much hope for a change.
- The arguments for privatization have been based on an ideological belief in the primacy of the market forces rather than derived from the conclusions of a broad public consultation, as none has taken place. The macroeconomic part of the PRSP has been less participatorily elaborated than the rest of the document.
- No social impact assessment was carried out in Nicaragua in the case of the privatization of the electricity sector, nor are any on the drawing board.

It is not clear whether the civil society should insist on a better definition of participation or it is better off with a flexible definition. One thing is clear however. Alternative paths and alliances have to be sought in order to gain influence on the national economic policy making.

SYNOPSIS 60: Dele Ajayi-Smith (Nigeria)

“Solutions to Poverty Problems in Africa”

(September 2001)

This paper is a memorandum circulated by African Citizens Development Foundation (ACDF), Nigeria emphasizing the following:

- The root cause of poverty in Africa is corruption. Corruption eradication should be accorded priority rather than poverty eradication. Poverty will cease to exist automatically once corruption is tackled;
- In the past, all aid given to Africa has only succeeded in strengthening corruption, thereby causing retrogression instead of the desired progress;

The developed world owes it to Africa to offer help more towards eradication of corruption. All basic aid should be diverted towards attacking root cause of all African problems, for mutual peace, harmony and sustainable globalization.

SYNOPSIS 61: Roger Drew (U.K.)

“PRSPs: Should They Carry a Health Warning?”

(August 2001)

This paper presents a brief eclectic review of literature on the PRSPs, highlighting the following concerns:

- lack of local ownership;
- inadequate participation;
- insufficient monitoring;
- limitation of local capacities; and
- whether PRSPs are merely repackaged SAPs.

The paper also makes out a case for health to be a key component in PRSPs. While recognizing that health is mentioned in most PRSPs, the paper seems to suggest that many of the objectives specified are too broad and plans for monitoring and evaluation are not well-developed.

SYNOPSIS 62: Patricia Forner

“Voice of Business Community in PRSP”

(October 24, 2001)

This e-mail response presents “voices from the business community” in Nicaragua and Honduras. The concerns expressed include the following:

- There is no framework to integrate independent small and medium sized businesses into the PRSP/PRGF. Macroeconomic development appears to concentrate on improving large scale industries alone. As such, it is difficult for local commercial entities to participate in PRSP/PRGF.
- Participation by NGOs is hindered by inadequate access of relevant information.
- The Nicaraguan government is not in favor of participation by civil society groups.
- Corruption among government officials is rampant.

SYNOPSIS 63: Thomas Gulube (South Africa)

“Review of Poverty”

(August 2001)

This e-mail response highlights the following concerns:

- The pace of poverty reduction is slow;
- Speed in HIPC has adversely affected PRSPs;
- Participation in PRSP has been very minimal;
- The process was bureaucratic and could not relate with the people on the ground;
- Most funds from donors are spent on salaries and little is received by the poor of the poorest;
- Funds are spent on projects like hydro-dams which does not help the course that PRSP intends to achieve.
- Understanding basics of poverty;
- Making comprehensive rural development policy and broad-based strategy;
- Strengthening institutions;
- Building managerial capabilities;
- Increasing financing for sustained rural development.

The paper has only an indirect bearing on the PRSP review.

SYNOPSIS 64: Richards Humphries (Zambia)

“CSPR Takes Up the PRSP Challenge in Zambia”

(August 2001)

This is a short note (Southern African Regional Policy Network – SARP Network Newsletter No.2) regarding the civil society participation in the PRSP process in Zambia.

The Civil Society for Poverty Reduction (CSPR) in Zambia brought together over 90 organizations active in the local process and prepared a comprehensive 260 pages document with detailed suggestions on policies and programs for multi-sectoral poverty relief in Zambia. The document was released on July 18, 2001, as the Zambian PRSP process entered a critical drafting phase. The CSPR document is not intended to be a “parallel PRSP” but as a “direct contribution to a final document that wants to rightly claim domestic ownership. It aims at enriching the understanding of poverty in the country and sharply highlighting priority area for response in the national document.

The report recognizes that while sustained economic growth is central to poverty reduction, it is in itself not sufficient. Even if economic growth reduces income deprivation, it will not automatically reduce non-monetary facets of poverty unless one ensures through conscious policy that the growth is equitable, pro-poor and brings about improved access to facilities for education, health and other basic social and infrastructural amenities.

According to the note, the CSPR experience has the following lessons:

- Civil society formations must be able to reach out to research agencies and sectoral policy specialists so as to craft intricate policy proposals in collaboration with the umbrella body; and
- Poverty is multi-dimensional, cross-cutting, and cannot be reduced to narrow measurements of income.

The note laments exclusion of the CSPR from key high level PRSP instruments i.e., technical and drafting committee as well as a “tenuous funding lifeline”, jeopardizing monitoring the implementation of individual PRSP programs.

SYNOPSIS 65: Norman Kurland

“An Ownership Strategy for Restructuring Debt”

(August 2001)

The paper, organized as an illustrative guide for statesmen, addresses the following ‘key’ questions:

1. How can the opposition to free enterprise policies be overcome or neutralized?
2. How can economic policy-makers avoid turning their nation’s farms and industries over to domestic and foreign ‘moneybags’?
3. How can people without savings become full participants in developing and transforming economies, without reducing their already inadequate household incomes?

According to the paper, the answer lies in the Employee Stock Ownership Plan (ESOP). This “social technology” can be used to formulate a two-pronged strategy for implementing privatization in a developing or transforming economy.

SYNOPSIS 66: Pan-African Declaration on PRSPs

“PRSPs: Structural Adjustment Programs in Disguise - Workshop Report”

(May 2001)

This paper is a categorical condemnation of PRSPs which are seen as Structural Adjustment Programs (SAPs) in disguise.

According to the paper, the PRSPs represent yet another attempt by the Fund and Bank to continue imposing their structural adjustment programs on the people of poor countries, which would result in even more comprehensive control by them not only over financial and economic policies but over every aspect and detail of national policies and programs in the South. The PRSP process is being driven by and for the giant trans-national corporations (TNCs) and global financial forces so as to restructure and run the world to serve their interests. The intertwined process of enrichment and impoverishment have led to growing international resistance to the forces of globalization. Consequently, the IMF and the World Bank are facing a deepening crisis of legitimacy. PRSP Initiative is essentially a public relations exercise to demonstrate a supposedly new-found concern for the poverty in the poorest countries of the South, and to prove that they have a genuine desire to see the people of these countries ‘participating’ in finding solutions to their poverty.

The paper raises several specific concerns:

- PRSPs are located within the Fund-Bank macroeconomic framework, which is not even for debate. The poverty programs are expected to be consistent with the neo-liberal paradigm including privatization, deregulation, budgetary constraints and trade and financial liberalization. This framework focuses only on internal factors and ignore the role of global factors and forces creating economic crises and poverty in poor countries;
- The poverty programs embedded in the PRSPs ignore and replace existing anti-poverty and national development programs and as such, constitute an unacceptable intrusion;
- The PRSPs are not based on real participation and ownership by people. The failure to provide full and timely access to all necessary information limits the capacity of civil society to make meaningful contributions;
- The PRSPs have been introduced according to pre-set external schedules undermining an effective participatory process;
- The Fund-Bank retain the right to veto the final programs, which is the ultimate mockery of national ownership;
- The PRSPs are being used by the Fund-Bank to co-opt NGOs to ‘monitor’ their own governments on behalf of these institutions.

The paper summarily rejects the following:

- SAPs in any form;
- PRSPs as the latest version of structural adjustment;

- HIPC Initiative as debt relief;
- all SAP-PRSP-HIPC conditionalities in order to be granted debt 'relief'; and,
- any further role or interference of the Fund-Bank in Africa.

Finally, the paper calls upon the African civil society organizations to challenge and change the global economic system through campaigns and actions to 'shut down the World Bank and IMF and to stand up to other forces', including the WTO, the EU, the US as well as their TNCs. Instead, it calls upon the African people to develop further their own democratic, people-centered, gender equitable and environmentally sustainable national, regional and continental alternatives as the basis for a united African challenge to the current oppressive, exploitative and destructive global system.

SYNOPSIS 67: Muhammad Rafiq

“Preparation of PRSP”

(August 2001)

This e-mail response highlights the following:

- Steps to prepare strategy to eradicate poverty are welcome;
- Participation by all the stakeholders is desirable;
- In policy formulation, “geo-political scenario” of the countries concerned should be taken into account.

SYNOPSIS 63: Musunuru Sam Rao (U.S.A.)

“Comprehensive Review of the PRSP Approach”

(December 2001)

The author's comments are based on his association with the formulation of I-PRSP in Kenya and with NGO networks such as PRSP-Watch. Salient features of the paper are as follows:

The PRSP approach has been a useful innovation in placing poverty reduction as an important focus area in the formulation of national policies and planning and in opening avenues for civil society to participate. It is important to improve the approach and enhance its impact on poverty reduction through stronger linkages between the macroeconomic policies and poverty reduction and involvement of all stakeholders.

The PRSP is the main vehicle for poor countries to secure concessional funds from the Fund and the Bank. However, the substance of the I-PRSPs and PRSPs continues to reflect the emphasis on macroeconomic policies. In fact, many of the policy matrices in the I-PRSPs and PRSPs seem to have very few “new” elements.

While the private sector is spoken of (usually in a negative light) by civil society organizations and spoken for (in a patronizing manner) by government representatives in the national and international forums on PRSP, the involvement of the private sector in the formulation of the PRSP is limited or absent in most cases.

The major emphasis so far is on formulation. Greater focus on implementation is needed now. The participation of non-government stakeholders in the implementation of the I-PRSP/PRSP seems to be either limited or missing. The monitoring and evaluation mechanisms rely largely on government agency reports. But, there are serious concerns about the credibility of the data compiled by the government agencies. There is a need for strong feedback links between the monitoring and evaluation mechanisms and the government agencies concerned.

SYNOPSIS 69: Tony P.M. Sisule (Kenya)

“Poverty in the Eyes of Poor Kenyans -- An Insight into the PRSP Process”

(October 2001)

This short paper, prepared by Tamemes Institute Egerton University, reviews the Kenyan experience with the development of PRSP. The author feels that failure in Kenya’s development process so far has arisen not from lack of good policy recommendations, but from a hopeless absence of the political will to complement policy.

The paper argues in the context of PRSP that there is a good need to widen space for engagement between government and other stakeholders in efforts to reduce poverty in Kenya. This would entail:

- establishment of a legitimate institutional framework for poverty reduction at the national, district and sub-district levels;
- assessment and engagement of the institutional and organizational capacity of government and stakeholders to effectively engage in poverty reduction efforts;
- appraisal, mobilization and use of resources to achieve poverty reduction;
- analysis and dissemination of the PRSP, national, local authority plans and budgets at the district and sub-district levels to empower people; and
- negotiation and implementation of an effective framework for participatory poverty reduction monitoring and evaluation.

SYNOPSIS 70: Pushpa Sundar (India)

“NGO-Donor Dialogue”

(July 2001)

This paper by Indian Center for Philanthropy (SICP), India provides a brief report of a workshop on NGO-Donor Dialogue held in Delhi, India. The workshop focused on issues of funding relationships between NGOs and donors.

Several practical problems are highlighted, which have only an indirect bearing on the PRSP review.

SYNOPSIS 71: Momodou Touray

“PRSP and PRGF Approaches: Achievements, Obstacles and Challenges”

(December 2001)

This paper provides a review of the PRSP process in The Gambia.

The PRSP process in Gambia has several achievements to its credit: a link between the PRSP and public resource management has been developed; a thorough review of poverty data has been effected; and most importantly, a consensus on the medium-term planning has emerged.

On the flip side, donor instruments are still weakly linked to government efforts to prepare PRSPs, and the deadlines for the PRSP process are too tight. The challenges ahead include implementation of budgetary reforms and improving aid coordination. Yet another challenge is to go beyond the consultation participation to active engagement by civil society in the poverty reduction process.

SYNOPSIS 72: F. White

“Comments for the PRSP Review”

(November 2001)

This e-mail response argues that poverty results from a systematic process of “exclusion” of certain sectors, groups and individuals. Accordingly, the progress indicators need to be re-defined in a participatory manner, allowing for the replacement of GDP with Genuine Progress Indicators.

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