

G-24 Secretariat Briefing Paper
on the
Poverty Reduction Strategy Paper (PRSP) Approach
(March 2003)

I. Introduction

At the 1999 Annual Meetings, it was agreed, that all future World Bank and International Monetary Fund (IMF) concessional lending would be based on nationally-owned participatory Poverty Reduction Strategy Papers (PRSPs). Furthermore, it was agreed that debt relief under the enhanced Heavily Indebted Poor Country (HIPC) Initiative would be conditional on the preparation of PRSPs. As of February 2003, 49 countries have presented PRSPs (mostly Interim-PRSPs) to the World Bank/IMF Boards. Of the 49 countries, 31 are eligible for debt relief under the enhanced HIPC Initiative.

II. Core Principles of the PRSP Approach

Building on the principles of the Comprehensive Development Framework (CDF), there are five core principles underlying the development and implementation of poverty reduction strategies. The strategies should be:

- country-driven — involving broad-based participation by civil society and the private sector in all operational steps;
- results-oriented — focusing on outcomes that would benefit the poor;
- comprehensive in recognizing the multidimensional nature of poverty;
- partnership-oriented — involving coordinated participation of development partners (bilateral, multilateral, and non-governmental); and
- based on a long-term perspective for poverty reduction.

III. Main Contents of PRSPs

There is no blueprint for building PRSPs; rather, the process should reflect a country's individual circumstances and characteristics. Nevertheless, the core principles underlying the PRSP approach suggest that PRSPs should contain (i) a description of the participatory process, (ii) a comprehensive poverty diagnostic, and (iii) clearly presented and costed priorities for a country's macroeconomic, structural and social policies. PRSPs are also supposed to describe appropriate targets, indicators, and arrangements for monitoring/evaluation and to determine the amount of external financing needs.

IV. Strengths of the PRSP Process

There is broad agreement on the advantages of the core principles of the PRSP process. As a recent UNCTAD Report has pointed out:

“The importance attached to country ownership and civil society participation, and the attention given to the voices of the poor, have all been met with enthusiasm as important steps in improving the design and implementation of policies needed to accelerate development and reduce poverty.”¹

There is also some indication that bilateral and multilateral donors have begun to harmonize their development agendas and have begun to move from project- to program-financing.

V. Weaknesses of the PRSP Process

Questions have been raised as to the extent to which the core principles have found their way into PRSPs. Looking into the content of early PRSPs, there have been criticisms that the new focus on poverty reduction has not as yet replaced the unsuccessful development strategies implemented under previous structural adjustment programs, especially to the extent that neo-liberal policies continue to be central elements of PRSPs.²

Critics have identified a series of obstacles that prevent greater country ownership:

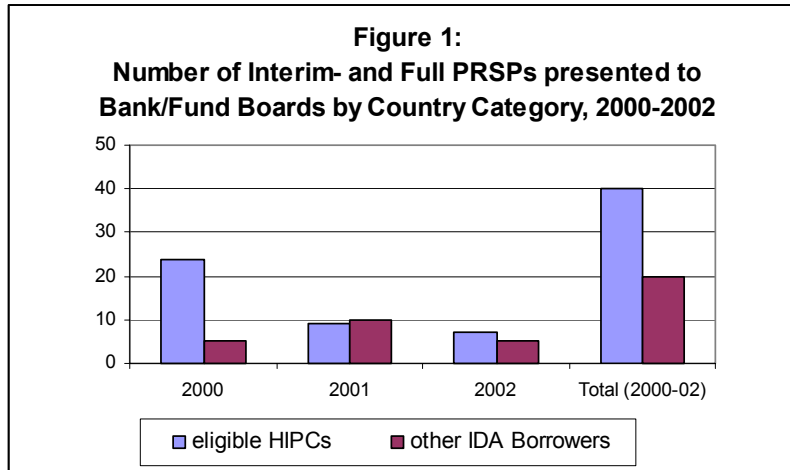
- (i) the continuing dominance of the Bank and the Fund in agenda-setting, which results in the imposition of neo-liberal policies that many countries might not include on their own,
- (ii) severe administrative capacity constraints in low-income countries, and
- (iii) shortcomings of data as well as lack of tools to assess the impact of policies.

It is therefore important to enhance capacity to collect data in a more thorough and consistent manner, and to develop better tools for assessment of impact of policies on the poor. While some progress has been made in developing tools for poverty and social impact assessments, neither the Bank nor the Fund seem to be interested in developing tools for the assessment of macroeconomic policies. The Fund refers to the Bank as the lead organization for poverty and social impact assessment, while the Bank tries to avoid dealing with macroeconomic policies imposed by the Fund, in order not to step on the Fund’s domain.

Another weakness of the process is that most programs have been rushed through without proper analysis and without full country participation because countries wished to be eligible for enhanced HIPC debt relief. This was particularly the case in 2000, when 24 Interim or final PRSPs were prepared and presented to the Bank/Fund Boards, while the number of PRSPs prepared by non-HIPC eligible countries was only five. As Figure 1 shows, PRSPs were mainly adopted by HIPCs. Consider that 81 countries are currently eligible to borrow from the World Bank’s concessional lending arm (IDA), of which only 38 countries are expected to be eligible for HIPC debt relief.

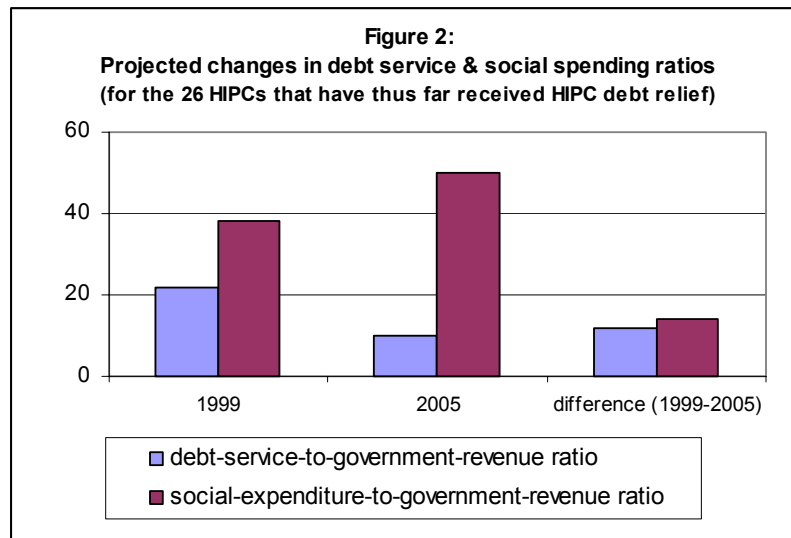
¹ United Nations Conference on Trade and Development (UNCTAD), *Economic Development in Africa, From Adjustment to Poverty Reduction: What is New?*, New York/Geneva: United Nations (2002), p. 57.

² *Ibid.*



Source: Adopted from data provided on the World Bank's PRSP website.

While savings in debt service were used to increase expenditure on the social sector, it does not appear that any other reallocation has taken place. This is illustrated in Figure 2, showing that nearly all of the increase in social-expenditures of HIPCs appear to be the result of the decrease in the debt service.



Source: Adopted from data provided in Bank/Fund's HIPC Status Report (September 2002), Box 1, page 8.

Some critics have also expressed concerns about the lack of prioritization and sequencing of PRSPs, which is related to capacity constraints, and the rush to complete PRSPs. Many of the joint Bank/Fund staff assessments have also highlighted gaps in the costing of the ambitious PRSP goals. While these goals reflect the high expectations of donors and domestic stakeholders, there are considerable gaps in the programs as they do not know how they will achieve goals nor how their action plans will be financed to

implement the ambitious goals. It has been suggested that a detailed and rigorous analysis of one final PRSP would be useful as a guide for countries to follow.

VI. Concluding Remarks

There is no doubt that the PRSP process has refocused the national and international agendas on poverty eradication. However, thus far, the progress made has been limited by a variety of obstacles: lack of data, lack of capacity, and above all lack of ownership. Programs are imported rather than home grown and are accepted under pressure as a means to obtain debt relief and as a result, often they do not succeed. It is also clear that sustainable poverty reduction will require higher growth rates and more comprehensive development strategies at the national level that go beyond the current focus on poverty reduction.

“To sum up, progress in international efforts to alleviate poverty will depend as much on international development cooperation by way of resolving the problems associated with protectionism, aid and debt as on the improvement of domestic policies, institutions and governance in developing countries. It is largely because these issues have not been properly addressed that the international community is back where it was more than two decades ago in term of the challenges it faces in development and poverty eradication.”³

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³ *Ibid*