

*Poverty Reduction Strategy
Papers (PRSPs):
A Rough Guide*

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Comments welcome. Please send to flefrancois@brettonwoodsproject.org.*

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About the Bretton Woods Project

The Bretton Woods Project monitors the World Bank and IMF in collaboration with NGOs and researchers. Established by a network of 30 UK-based NGOs in 1995, it circulates information, undertakes research, and advocates for change in the institutions. Issues it has addressed include structural adjustment programmes, conditionality, the World Bank/IMF growth model, and a number of controversial projects.

The Project produces a regular bulletin, the *Bretton Woods Update*, which is available in print, e-mail and web versions.

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Bretton Woods Project
c/o Action Aid
Hamlyn House
Macdonald Road London
N19 5PG
UK

Tel: +44 (0)20 7561 7546/47
Fax: +44 (0)20 7272 0899
info@brettonwoodsproject.org

Poverty Reduction Strategy Papers (PRSPs): A Rough Guide

In September 1999 the World Bank and the IMF approved the Poverty Reduction Strategy Papers approach. At the time Bretton Woods Project published an “ABC to PRSPs”. Since then 21 countries have completed a full Poverty Reduction Strategy document and 45 countries have produced an interim document. The aim of this short briefing is to provide information to a non-specialist audience on some key aspects of PRSPs. It does not cover all areas or provide detailed strategic insights.

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- What is the Poverty Reduction Strategy Paper (PRSP)?

The PRSP outlines a national programme for poverty reduction which is the foundation for lending programmes with the IMF and the World Bank and for debt relief for Heavily Indebted Poor Countries (HIPC). The Bank and Fund invented the PRSP to ensure that debt relief money would go to poverty reduction. The essential features intended to be that:

- it is developed in a participatory way;
- it is nationally owned;
- it lays out a policy framework and agenda for tackling poverty.

PRSPs should build on existing national plans when possible. While some countries such as Uganda have succeeded in re-presenting their existing plans as a PRSP, these have often been overlooked in the new process.

- How does the PRSP relate to WB and IMF lending?

PRSPs are intended to be the basis for all foreign aid to poor countries. All HIPC countries and countries eligible for concessional lending from the IMF and the Bank (more than 80) are required to produce a PRSP. They must have a PRSP before they can seek new programme support from the IMF or Bank. The Bank and Fund Boards must approve a country's PRSP before a lending programme is agreed.

- Do PRSP countries still get structural adjustment loans?

The IMF and the Bank have renamed their lending facilities for poorer countries. The IMF has replaced its Enhanced Structural Adjustment Facility (ESAF) with the Poverty Reduction and Growth Facility (PRGF). Countries that previously were receiving ESAF loans are now receiving PRGF loans. The interest rate and repayment conditions are the same. The Bank's Poverty Reduction Support Credit (PRSC), a lending instrument designed to support implementation of PRSPs, has been created to complement traditional adjustment loans. In 2001/2002 about two thirds of Bank lending was adjustment lending, as opposed to project lending. In addition to the PRSP, countries still need a Letter of Intent (LOI) and a Country Assistance Strategy (CAS) spelling out their targets and actions to request IMF and World Bank loans.

Adam and Bevans stocktaking exercise of the PRGF on behalf of DFID:
<http://www.econ.ox.ac.uk/members/david.bevan/Reports/PRGFStocktake02.pdf>

IMF PRGF factsheet: <http://www.imf.org/external/np/exr/facts/prgf.htm>

PRSC guidelines:
<http://wbln0018.worldbank.org/html/eswwwebsite.nsf/PRSC/Guidelines+PRSC?OpenDocument>

New strategies, old loans conditions?
<http://www.brettonwoodsproject.org/topic/adjustment/ugandaanalysis.pdf>

- What is the connection with the HIPC debt relief initiative?

To reach their 'completion point' triggering actual debt relief in the HIPC framework countries have to devise a PRSP. To address the issue of the tension between qualifying for debt relief and allowing time to develop a good PRSP, countries have been allowed to develop Interim

PRSPs (I-PRSPs). I-PRSPs are required to diagnose poverty in the country and outline a consultation process for the drafting of the final PRSP.

Beyond HIPC countries, the PRSP is now the official basis for IFI lending in low-income countries. Many other donors have adopted PRSPs as the framework to channel their aid, therefore building coordination around plans that are still heavily influenced by the Fund and the Bank in terms of growth assumptions and poverty reduction approaches.

- Are PRSPs really nationally owned? What does ownership mean?

The government is responsible for writing the PRSP and for commissioning and organising technical and donor input into it. In practice it often means building 'ownership' around pre-existing, IFI-preferred standard economic policies. There is a fundamental contradiction between the rhetoric on ownership and the request for WB/IMF Boards to endorse the PRSP. Many NGOs are concerned that this contradiction means that governments opt for programmes that they know will be accepted even if this conflicts with priorities identified through consultative processes.

The Bank and IMF staff have argued that a government can present whatever plan it wants. However, without their endorsement governments will not get Bank or IMF funding and will be unlikely to get bilateral funding either. Thus it is questionable to what extent a programme can be truly government or nationally owned. It is more honest to say that the process will be government-led. Even a government-owned programme would not be country-owned without broad participation that translates into objectives.

The IMF argues that endorsement is necessary because the PRSP forms the basis of their lending but this is not strictly true because the Letter of Intent and Country Assistance Strategy (CAS) actually form the basis of the Fund and Bank lending programmes.

- Do PRSPs do away with conditionality?

No. Conditions continue to be attached to loans and are laid out in CASs and Letters of Intent. In principle policy targets and actions defined in the PRSP should be the basis of IMF and Bank conditions. However most of the time PRSPs build on loan agreements rather than *vice versa*.

In addition it seems that little has changed in terms of the Fund's and the Bank's 'negotiating style'. Loan negotiations are still conducted behind closed doors within Ministries of Finance and Central Banks, and lack disclosure, public involvement and oversight.

While the IMF has engaged in the process of 'streamlining conditionality' (and the Bank claims to be doing this too, unofficially) there is little evidence to date that freedom of choice for borrowing countries has increased or that IMF conditionality will be strictly limited to macroeconomic issues, among other remaining issues.

IMF streamlining conditionality

<http://www.brettonwoodsproject.org/topic/adjustment/a32atissuecond.htm>

- Do PRSPs depart from the Washington Consensus in the choice of policies?

PRSPs have been introduced as an official recognition that there is no single blueprint for development. However most actors, including the Bank and the Fund, have acknowledged that while PRSPs have improved diagnostics on the various dimensions of poverty and allocation of related social spending, they have not differed much from previous adjustment programmes as far as the core economic policies are concerned. Generally speaking the macro-economic framework has been little subject to debate and sticks to what the IMF considers as 'sound policies'. In many cases, the World Bank's 'Economic and Sector Work' – the studies it carries

out or commissions in its client countries – still are the source of official views which dominate the policy process at the expense of civil society inputs. The Bank's studies range from overviews of public expenditure or poverty statistics, to detailed analyses of particular sectors or institutions.

Blinding with Science or Encouraging Knowledge?

<http://www.brettonwoodsproject.org/topic/adjustment/a30blinding.html>

- On what basis do the IMF and Bank Boards accept a PRSP?

In addition to requiring a coherent policy strategy for poverty reduction (i.e. one which is pursuing 'sound policies'), assessed jointly by Bank and Fund staff in terms of its objectives and policy content, the Boards are also concerned with the extent to which governments have consulted with civil society and how governance issues are addressed.

Bank and Fund local staff work together on '**Joint Staff Assessments**' (JSA) of each PRSP to assess whether it constitutes a sound basis to be used as a framework to design their programmes. JSAs look at whether the PRSP describes the participatory process but not whether the process was adequate. Numerous concerns expressed by civil society organisations about the participation process in their country appeared to have been overlooked by the Boards, as in the case of Bolivia or Cambodia for example.

Annual progress reports http://poverty.worldbank.org/files/jsaguide_annualprogrep.pdf

- Who assesses the coherence between poverty reduction and the macroeconomic framework?

This is done through JSAs. Whilst the IMF still leads the dialogue on the macroeconomic framework it is the Bank's responsibility to assess what impact it has have on poverty reduction. This would suggest that the Bank should have the final say on whether a framework is acceptable or not (currently the IMF has the ultimate authority to judge the macro policy content). Apparently no institution has the final word; instead there is now a clear dispute resolution procedure, which means that any differences between the two institutions are ironed out.

JSA guidelines <http://poverty.worldbank.org/files/jsa%20guidelines.pdf>

- Does the Bank have tools for assessing the poverty reduction impact of macroeconomic policies?

The World Bank and the IMF, under pressure from NGOs and some governments, have agreed to introduce more systematic analysis of the likely poverty impact of policies proposed in their loans. While social impact analysis was part of the PRSP logic from the start, progress has been very slow and it will still take time before it is mainstreamed.

NGOs have argued that Poverty and Social Impact Analysis (PSIA) should look at macro-level policy alternatives, not just at the 'fine-tuning', timing and sequencing of pre-determined policies. PSIA should encourage broad public debate about a range of options. NGOs and officials, including finance ministers from HIPC countries, have also argued that the analyses must be conducted independently – not by the Bank, which faces conflicts of interest.

Poverty and Social Impact Analysis: <http://www.worldbank.org/poverty/psia/userguide.htm>
and <http://www.brettonwoodsproject.org/topic/adjustment/blinding/>

- To what extent can civil society participate?

Obviously a government can seek as much participation as it wishes. However, the participation until now, as suggested implicitly by initial IMF and Bank documents, is largely confined to analysing the extent and causes of poverty, suggesting some priority actions, as well as monitoring programme implementation and, in some cases, impact. There seems to be little encouragement in the documents for including civil society in a detailed policy dialogue. Generally participation seems to be viewed as a means for ensuring more efficient implementation of programmes rather than as a right or a means to improve policy content. In most cases involvement of civil society has been limited to consultation and provision of information.

NGOs are keen to ensure that civil society is able to participate as effectively as possible to the extent that they want to do so. This includes participation in the design of the macroeconomic framework as well as open negotiations of IMF loans and the attached macroeconomic conditions.

- What institutional arrangements have been created in countries?

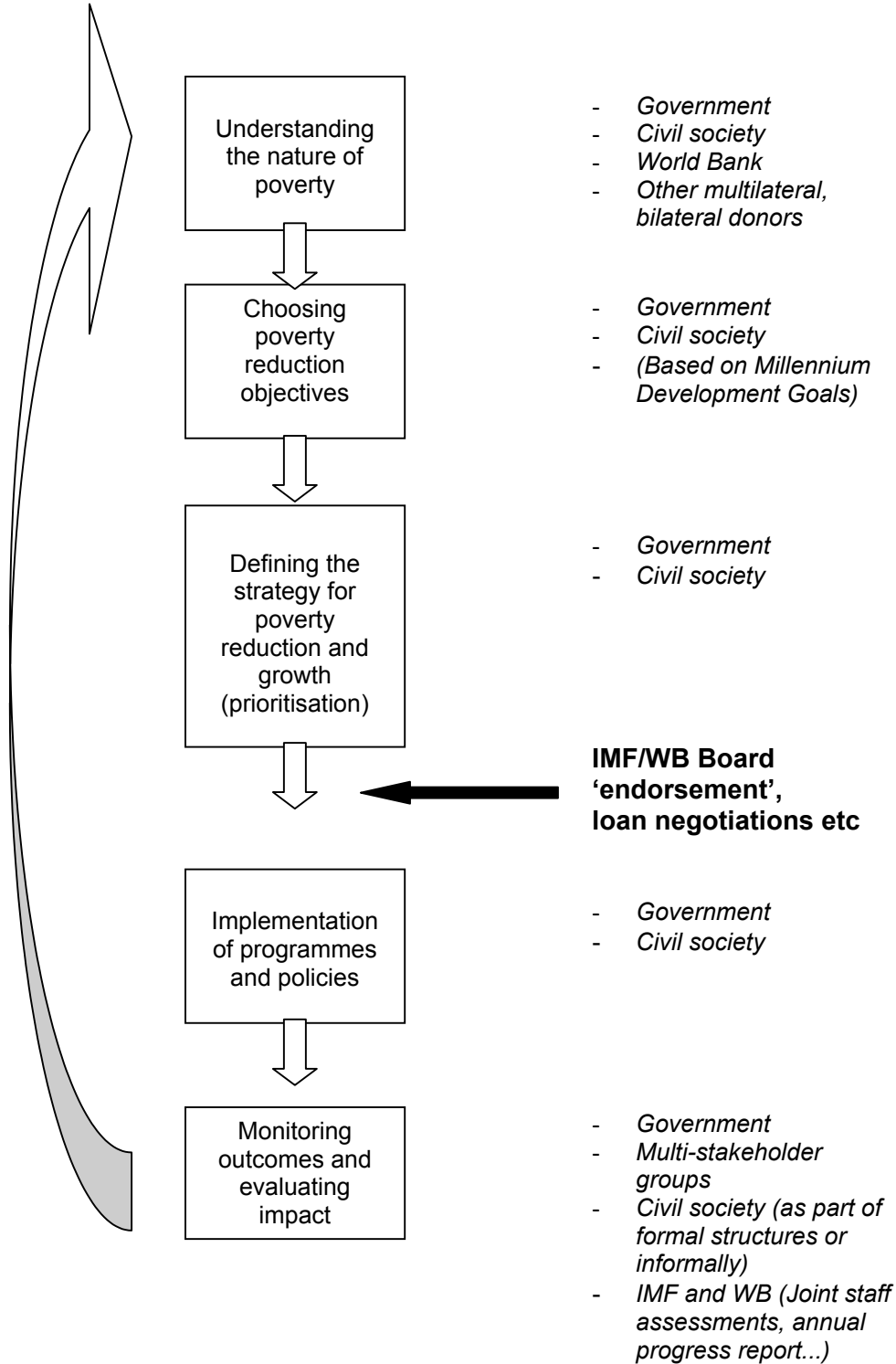
A range of in-country institutional arrangements has been developed at the various stages of the PRSP process. They usually combine ministerial or inter-ministerial committees, steering committees involving various sectors of society, thematic groups addressing crosscutting issues, monitoring multi-stakeholder groups, etc. Such groups tend to be most active in the PRS development stage. In many countries there is a specific PRSP secretariat, often inside the President's Office. In some countries, budget setting processes, such as Public Expenditure Reviews, have been opened up to civil society as a result of the PRSP process. Similarly, other aid-related fora, such as the Consultative Group meetings where donors pledge funds to support particular countries, are now focused around the PRSP in poor countries and have been opened up to a wider range of civil society organisations. In many cases NGO platforms have been created to participate in and monitor the PRSP process, and some have extended their activities to budget monitoring. Others are monitoring implementation – how far are governments and donors upholding the commitments they have made, and some are starting to monitor impact. In all cases, this may be as part of the national poverty monitoring system, or as an alternative civil society effort.

- How is implementation monitored? What is the timing for revising a PRSP?

Countries must submit annual progress reports to the Boards of the IMF and the Bank. NGOs are also monitoring implementation independently. Initially it was expected that PRSPs would be revised every three years. However many actors have complained that this time frame was too short and that an automatic time frame determined externally is seldom aligned with country programming timetables. Following the first major review of the PRSP approach some flexibility (up to five years) in the periodicity of full PRSPs has been introduced.

Annual progress reports <http://poverty.worldbank.org/prsp/index.php?view=sub&id=4581>

The PRSP cycle: successive steps and actors involved



General PRSP resources

As well as the links indicated above, the following provide a good starting point for understanding PRSPs

Official

<http://www.worldbank.org/poverty/strategies/index.htm>

The World Bank main PRSP page with links to country documents, policy papers, etc

<http://www.imf.org/external/np/exr/facts/prgf.htm>

IMF page on PRGF with useful links

<http://www.unctad.org/en/docs/poqdsafri2.en.pdf>

UNCTAD's general assessment of the PRSP approach in Africa

<http://www.prspsynthesis.org/>

DFID-sponsored website with updates, topic notes, and in-depth analysis on key issues around PRSPs

Other

<http://www.eurodad.org/workareas/default.aspx?id=92>

European Network on Debt and Development's page on PRSPs with policy papers, country info, etc. Subscribe to PRS-watch, Eurodad's email list with regular updates on PRSPs: <http://www.eurodad.org/aboutus/default.aspx?id=227>

<http://www.brettonwoodsproject.org/topic/adjustment/index.html>

Bretton Woods Project page on adjustment and PRSPs featuring briefings, articles etc. Subscribe to the bi-monthly Bretton Woods Update, a digest of information and action on the World Bank on the IMF: www.brettonwoodsproject.org/subs/index.html

<http://www.oxfam.org.uk/policy/papers/prsguide/prsguide.html>

Oxfam's guide to PRSPs