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## **Policies to Roll-back the State and Privatize?**

Poverty Reduction Strategy Papers  
Investigated

World Development Movement \*

November 2001

### **Abstract**

This paper investigates poverty reduction strategy papers (PRSPs), launched by the International Monetary Fund/World Bank in 1999 as conditions for debt relief and loans. It queries whether PRSPs really represent a shift away from the controversial structural adjustment programmes (SAPs) of the past. Ostensibly PRSPs have a greater focus on poverty reduction, yet this investigation finds little has changed. Existing PRSPs lack essential components such as land reform and gender awareness, while changes with questionable impacts on poverty, such as liberalization and privatization, are promoted as beneficial. The 'participation' of civil society groups in drawing up PRSPs is found to be unsatisfactory, as is 'ownership' of PRSPs by governments. This paper stands as a critique of PRSPs and their assumed improvement on SAPs.

Keywords: poverty reduction, PRSP, structural adjustment programme, IMF, World Bank, debt relief

JEL classification: O11, O19, F34, H50, I30

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## Acronyms

CSOs	civil society organizations
ESAF	enhanced structural adjustment facility
EU	European Union
Eurodad	European Network on Debt and Development
FDI	foreign direct investment
GDP	gross domestic product
HIPC	highly indebted poor countries
IFI	international financial institution
IMF	International Monetary Fund
I-PRSP	interim poverty reduction strategy paper
NGOs	non-governmental organizations
ODA	overseas development assistance
PRGF	poverty reduction and growth facility
PRSC	poverty reduction support credit
PRSG	poverty reduction support grant
PRSP	poverty reduction strategy paper
UN	United Nations
UNDP	United Nations Development Programme
WTO	World Trade Organization

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## **Executive summary**

Poverty reduction strategy papers (PRSPs) were launched by the International Monetary Fund and the World Bank at their annual meetings in September 1999. They replaced structural adjustment programmes as the new pre-conditions for loans and debt relief from both institutions.

PRSPs were supposed to mark a major shift. Borrowing countries were to design their own development strategies, and these were to be more explicitly focused on poverty reduction. The introduction of PRSPs was closely linked to the Highly Indebted Poor Countries Initiative that provides debt relief, as a way of ensuring that debt relief really went to the poor.

Only a handful of countries have actually completed a PRSP, while others have produced an interim paper. The findings in this report are based on an examination of four PRSPs and twelve interim documents, along with comments made by civil society groups from developing countries.

The conclusions are not promising. The report finds that across highly indebted poor countries, civil society groups are unsatisfied with the extent of public involvement in drawing up the strategy papers. It also appears that government ownership of PRSPs is weakened by the continued influence of the International Monetary Fund and World Bank.

Most striking is the conclusion that the policy content of these strategies does not constitute a major change from the past. This is particularly worrying given the substantial body of evidence showing that structural adjustment programmes did not reduce poverty.

Although the rhetoric in the strategies is poverty focussed, the actual policies included do not have clear poverty reducing consequences. The strategies still focus on economic growth without, on the most part, addressing how this growth is to be redistributed to the poor. The core macroeconomic elements have changed little from the old structural adjustment programmes with a continued adherence to privatization, liberalization and a reduced role for the state.

Most of the poverty reduction strategies also fail to address adequately areas vital to poverty reduction, such as gender analysis. They also lack 'reality checks' on the domestic and global context.

The report concludes that if the mistakes of the past are not to be repeated, a critical assessment of the predicted and actual impact of PRSPs on poverty is urgently needed.

## **1 Introduction**

The lives of the poorest people around the world are being affected by poverty reduction strategy papers (PRSPs). This is because PRSPs are now a condition of most grant aid and concessional lending to the world's 78 poorest countries.

The International Monetary Fund (IMF) and the World Bank are encouraging all rich-country donors to link their assistance to poverty reduction strategies. The European Union (EU) has already agreed to channel its funding through the poverty reduction support grant which is tied to poverty reduction strategies.

This report investigates whether effective strategies for poverty reduction are being developed. It looks at two aspects of PRSPs and interim-poverty reduction strategy papers (I-PRSPs). Section 2 looks at the extent of public participation in, and country ownership of, PRSPs and I-PRSPs. Section 3 examines the policies that have been put forward in PRSPs and I-PRSPs.

The findings in this report are based on an examination of four PRSPs and twelve I-PRSPs, along with a survey of commentaries made by civil society organizations (CSOs) from over fourteen countries, on their experience of the PRSP process. Excerpts from the PRSPs, I-PRSPs and CSO comments are presented in table form in Annex I. A full list of references is in Annex III.

### **1.1 How have PRSPs come about?**

Prior to 1999, in order to receive concessional lending from the IMF's enhanced structural adjustment facility (ESAF), highly indebted poor countries (HIPC) had to agree to implement structural adjustment programmes (SAPs). In 1999, the IMF replaced ESAF with the poverty reduction and growth facility (PRGF) and PRSPs were introduced. In order to receive loans from the IMF's PRGF, HIPC are required to have a PRSP or I-PRSP endorsed by the IMF and World Bank. Conditions for the loan are drawn from the PRSP or I-PRSP.<sup>1</sup>

In addition to enabling countries to access IMF and World Bank loans, PRSPs are also linked to the HIPC debt relief initiative. PRSPs set out how money saved through debt relief will be spent on poverty reduction. In order to reach 'decision point', and gain partial debt relief through the HIPC Initiative, countries need to have a PRSP or I-PRSP agreed by the IMF and the World Bank. To reach 'completion point', and gain all the debt relief for which they are eligible, countries need to have been successfully implementing their agreed PRSP or I-PRSP for at least a year.

HIPCs want debt relief as soon as possible. Therefore, a tension has arisen between countries wanting to make fast progress through the HIPC Initiative and taking the time to produce a comprehensive PRSP. The IMF and World Bank have responded by allowing HIPCs to produce I-PRSPs, which give a preliminary analysis of poverty and provide a 'roadmap' towards completion of a 'full' PRSP. Endorsement of I-PRSPs enabled a number of HIPCs to reach decision point in December 2000.

The IMF and World Bank are strongly encouraging other donors (e.g. bilateral donors) to co-ordinate their aid through PRSPs, in the form of support to countries' national budgets, rather than discrete projects.

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<sup>1</sup> Loan conditions are set out in the 'Letter of Intent' and Memoranda of Understanding, which form the agreement between a government and the lending institution.

The European Network on Debt and Development (EURODAD) reports that the EU:

- fully endorses the PRSP approach;
- will base its programming for Asian, Caribbean and Pacific Countries, in the context of the Cotonou Agreement, on the PRSP process; and
- will co-finance the World Bank’s new poverty reduction support credit, (through the poverty reduction support grant), in conjunction with the IMF’s poverty reduction growth facility.

## **1.2 What does a PRSP include?**

The IMF and World Bank say a PRSP should set out a country’s comprehensive, long-term plan to reduce poverty. It should include a diagnosis of the causes of poverty and then the country’s strategy for combating poverty across different sectors, such as macroeconomic policies, social sector investment and governance issues.

The IMF and World Bank state that the PRSP should include:

- poverty diagnostics;
- targets for selected intermediate outcome indicators;
- priority public policies to reduce poverty;
- monitoring and evaluation systems; and
- a participatory process (only required for PRSPs; I-PRSPs must give a ‘roadmap’ to the preparation of a full PRSP, showing plans laid for participation).

The international financial institutions (IFIs) also suggest a list of questions that should be considered when designing a PRSP, for example:

- What are the obstacles to more rapid growth and to spreading the benefits to the poor?, and
- What are the priority public policies to increase growth and reduce poverty?

## **1.3 How should PRSPs be assessed?**

Appointments, trips, honours, elections, third term debates etc should be evaluated on the basis of this single overriding question: what consequences will this have on dealing with the life or death of 82 per cent of the population who live below the poverty line? (quoted in Kaunda 2001).

This report asks whether PRSPs and I-PRSPs will achieve poverty reduction. Or, since I-PRSPs are only ‘roadmaps’, and PRSPs themselves are supposed to be iterative, at least whether they seem to be heading in the right direction to reduce poverty.

Implementation of PRSPs began in March 2000, so evidence on the ground of their impact is limited. Nevertheless, past experience of structural adjustment policies (SAPs) and critical analysis gives a basis for argument.

The non-governmental organizations (NGOs) and civil society organizations (CSOs) surveyed for this report have followed the work of the IMF and World Bank closely for many years. They share a critique of the policies and advice offered by IFIs, based on the actual experience of poor communities. Where possible, they have tried to put forward constructive proposals that would lead to improvements for poor people.

There is a consensus among these organizations that the policies in SAPs failed to reduce poverty and that alternative policies are needed to make a real difference to the lives of poor people. If PRSPs mimic SAPs, they fear PRSPs are also likely to fail.

If one PRSP looks a lot like a standard IMF reform package—with a larger social protection budget—that doesn't necessarily prove that alternative policies were ignored. But if most of them—or all of them—have that familiar laundry list of macro and institutional reforms, then there's a real problem. If the Bank and Fund will only 'endorse' PRSPs that fit into a preconceived box of standard policies, then it'll be just one-size-fits-all adjustment lending with a politically correct name (Kessler 2000).

#### **1.4 What was wrong with structural adjustment programmes?**

Prior to 1999, countries had to implement SAPs in order to access concessional loans from the IMF and World Bank. SAPs were characterized by:

- an emphasis on economic growth;
- tight monetary discipline and a reduction in inflation;
- wide-ranging privatization and liberalization;
- charging for basic services; and
- withdrawal of the state from production and marketing.

The IFIs have not formally evaluated the impact of SAPs on people in poor countries. However, there has been sustained criticism of SAPs for the problems they caused for poor people, from NGOs, CSOs, academics and UN agencies. In the year 2000, fifty separate incidents of civil unrest were reported across thirteen poor countries, as ordinary people took to the streets to protest against SAPs (Woodroffe and Ellis-Jones 2000).

Criticisms of SAPs included:

- lack of promotion of sustainable economic growth;
- increased inequality within countries;
- tight monetary policies which led to reduced government spending resulting in redundancies, salary freezes, and cuts in basic service provision;
- raised interest rates, to tackle inflation, which led to small companies going out of business;
- privatization which resulted in increased unemployment and loss of services to poor areas;

- currency devaluation and export promotion which led to increased costs of imports, land being used for export crops (reducing food security) and increased reliance on international commodity prices;
- removal of price controls which led to rapid price rises for basic goods; and
- a ‘one-size-fits-all’ approach, insensitive to countries’ particular circumstances.

These criticisms will be explored further in section 3.

## **2 Participation and country ownership**

The failure of SAPs to reduce poverty was blamed, in part, on the lack of ‘ownership’ of the programmes by the countries implementing them. Now ownership has become an important part of the rhetoric surrounding the preparation of poverty reduction strategies. When the IFIs talk of country ‘ownership’, they usually mean how committed governments are to implementing the strategy.

How far the people of a country ‘own’ their strategy, and to what extent the people of a country are able to participate in the drawing up of that strategy, have been concerns since PRSPs were first launched. Now that some PRSPs have been agreed, and many others are nearing completion, it is important to investigate these concerns.

### **2.1 What is the extent of public participation?**

It’s simply dishonest for the multilateral lenders to declare that participation is a key to poverty reduction, and then tell civil society to go complain to their own government if it doesn’t happen (Kessler 2000).

Participation is a requirement for full PRSPs. Governments do not have to show participation in the drafting of I-PRSPs, but since I-PRSPs set the agenda and context for the development of full PRSPs, having an influence from the beginning is believed to be very valuable by CSOs.

The experiences of CSOs outlined in Table 1 (Annex I) give a picture of the extent of public participation in the drawing up of PRSPs and I-PRSPs so far.

CSO comments range from cautiously optimistic to outraged and disappointed, and cover a range of issues. The extent of CSO involvement in PRSPs and I-PRSPs has certainly been very varied across countries. The International Confederation of Free Trade Unions (ICFTU) claims that in countries as diverse as Ecuador and Uganda, unions have not been satisfied with the extent of their inclusion in preparing PRSPs and I-PRSPs.

The common problems expressed are:

- lack of timely involvement and rushed processes;
- lack of information generally, and specifically on macroeconomic/fiscal issues;

- exclusion from discussion of parts of the strategy e.g. macroeconomic policy choices;
- information not provided in an accessible language;
- cost of organizing participation and involvement of only a limited number of CSOs;
- lack of feedback on, and incorporation of, CSO comments;
- ‘consultation’ rather than ‘participation’; and
- overstated claims by governments for CSO involvement.

Some CSOs believe that even the way the IFIs have structured PRSPs compromises poverty reduction. This does not encourage them to engage with it. Nevertheless, in some countries, new and valuable space for involvement of CSOs has been opened up.

### *2.1.1 Participation and politics*

What the IFIs’ and donors’ newly found enthusiasm for ‘participation’ has perhaps overlooked, is the concept that participation is inevitably political. So far, the IFIs appear to have seen participation as a simple, technical issue. But the choice of who is invited, or allowed, to participate in the design of a poverty reduction strategy is an innately political decision, as an example from Kenya demonstrates.

In Kenya’s *The Nation*, Washington Akumu (2001) tells how in the past, preparation of a ‘representative’ PRSP led to division within the government. In 2000, two groups battled for control of the process: one favouring broad civil society participation fronted by treasury officials and civil society activists; the other, based around officials in the president’s office, favoured consultations carried out under the auspices of existing bodies. When the Treasury put forward an interim list of 25 districts selected for public consultation hearings, it was rejected by the President’s office as insufficiently representative. Interestingly, the majority of districts were opposition strongholds! In the end all districts were included.

The UNDP also warns of the complexities of putting participation into practice:

The challenge of tackling social inequalities and poverty is a major governance concern. It entails dealing with basic conflicts over rights and entitlements ... It brings up a discussion of the extent to which social disparities are the fault of domestic politics. Tackling poverty is first and foremost a political issue, not a technical one (UNDP 2000).

The term ‘participation’ is much used in the PRSP process. It is applied to a wide spectrum of approaches, ranging from merely informing the public to ensuring that people’s views are incorporated in final strategies. The discontent of CSOs with the extent of participation has a significant bearing on the degree to which the PRSPs and I-PRSPs can be held to be country ‘owned’.



## 2.2 Do countries own their strategies?

A finance minister has said of his country's poverty reduction strategy:

We do not want to second guess the Fund. We prefer to pre-empt them by giving them what they want before they start lecturing us about this and that. By doing so, we send a clear message that we know what we are doing—i.e. we believe in structural adjustment (Cheru 2001).

A major criticism of SAPs was that the IFIs imposed economic policies on the governments and peoples of poor countries. They paid scant regard to the particular historical and economic context of individual countries, and usurped the role of national governments.

The IFIs' intention is that PRSPs should avoid these mistakes. Rather, poor country governments should devise their own strategies, with the participation of civil society.

Table 2 sets out CSO comments on national ownership of PRSPs.

Concerns include:

- strength of the role of the IFIs and other donors in the drawing up of strategies and the drafting of texts;
- use of foreign consultants;
- setting of parameters by, and perceived lack of flexibility of, the IMF and World Bank;
- perception of PRSPs as something to be done to please creditors and donors and thereby secure new funding;
- lack of transparency of discussions and the relative extent of involvement of government officials, parliament, CSOs and IFIs in different parts of strategies;
- relationship between PRSPs / I-PRSPs and loan conditions.

The logic here is that since PRSP is the brainchild of the IMF itself and a key to accessing its loans ... Demonstration of government goodwill and support for the process is seen as key to the successful completion of the process whose ultimate aim is the drafting of a blueprint acceptable to the lenders (Akumu 2001).

Some PRSPs and I-PRSPs draw explicitly on existing national plans, for example Uganda's poverty eradication action plan and Ethiopia's agricultural development led industrialization strategy. However, these plans had to be reformatted and rewritten in order to qualify as PRSPs.

However, the IFIs did not accept Mozambique's pre-existing poverty reduction action plan as the basis for a PRSP document, because they believed its preparation had been insufficiently participatory. It is questionable whether the IFIs' demand for new documents, when poverty reduction plans already exist, enhances country ownership.

Questions are also raised by the IFIs' demands for PRSPs and I-PRSPs to be produced to fit into their own timetables rather than a country's normal planning cycle.

The IMF's executive board recently debated concerns that the IMF's loan conditions were overstepping its mandate and expertise, and that IMF-supported programmes sometimes short-circuited national decision-making processes. Directors decided that there was a need to streamline and focus conditionality. Nevertheless they agreed that IMF financing should only be provided, 'if those policies that are essential to the purposes of the Fund continue to be implemented' (IMF 2001a). This raises questions over the extent of the IMF's influence on policy choices.

If the PRSPs are to be successful, they need to be backed by people throughout the country, beyond even government officials and CSOs, because 'Poverty reduction is intrinsically a long-term process well beyond the electoral mandate of most governments ...' (UNDP 2000).

This calls for transparency and country-wide debate.

### **2.3 Summary for section 2: participation and country ownership**

This survey has found that participation by civil society in the design of countries' poverty reduction strategies is currently inadequate, and that country ownership of these strategies is insufficient. In practice, both participation and ownership fall short of the IFIs' theoretical aspirations. This is partly because these issues are highly political; not merely technicalities as the IFIs seem to have assumed. In future, as experience grows, participation may increase, but what will happen in the area of country ownership is less clear. This has serious implications both for the nature of the policies put forward in the PRSPs and I-PRSPs and for the implementation of these policies.

## **3 Policies chosen in poverty reduction strategies**

Many different approaches to development exist. A World Bank study (Gerster 2000: 9) has described four:

- i) Market-based 'pro-poor' growth: a modified version of the orthodox neoliberal economic model, in which the benefits of economic growth are expected to trickle-down to poor people;
- ii) Sustainable livelihoods: a focus on reducing the vulnerability of the majority of the poor through interventions in agricultural production, income diversification and rural infrastructure;
- iii) Resource redistribution of both physical and social assets—based on the analysis (UNDP 1998: 42-7) that inequality is directly negatively correlated to economic growth and that inequality slows poverty reduction;<sup>2, 3</sup>

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<sup>2</sup> The World Bank increasingly acknowledges that asset and income inequalities are possible constraints on growth and poverty reduction. Yet it also admits, '[s]ome increase in income inequality in the

- iv) Rights-based, relying on empowerment and a redistribution of political power.<sup>4</sup>

This survey of PRSPs and I-PRSPs demonstrates that overall, the market-based ‘pro-poor growth’ model dominates, although elements of the three other approaches are evident in some of the strategies.

For example, Burkina Faso (RPSP 2000: 22) claims its development vision is based on a concept of human security, which is analogous to the rights-based approach. It is defined as giving each Burkina Faso national access to:

- economic security, which depends on access to education, vocational training and paid employment;
- health security, which depends on access to low-cost preventative and curative medical care;
- food security, which depends on access to basic food stuffs and safe water;
- environmental security, which requires the preservation of a healthy environment; and
- individual and political security, which requires the application of principles of good governance, namely the primacy of law, responsibility and participation, efficiency and transparency.

It is not always easy to see how this ambitious vision is followed through in the policies put forward in the PRSP. Many countries’ PRSPs and I-PRSPs include policies to improve rural infrastructure and rural agricultural production, as in the sustainable livelihoods approach, but generally these are couched within a market-based framework.

### **3.1 What policies are in the strategies?**

#### *3.1.1 Macroeconomics*

##### Macroeconomic policy direction

Extracts from PRSPs and I-PRSPs given in Table 3. Core policies across all countries are:

- economic growth (variously described as accelerated, rapid, strong, sustainable, equity-based, broad-based);

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region, even in the long run, is probably an unavoidable consequence of the introduction of market-based rewards’. Demery/Walton 1998 and World Bank 1999a, cited in Gerster 2000: 4.

<sup>3</sup> Gerster cites both the Inter American Development Bank and a major Norwegian evaluation of the World Bank in Africa, as stressing that poverty reduction efforts will have to include redistributive policies. Thus, ‘[a] better distribution of assets to include the poor would not only increase their incomes, reducing poverty directly, but it would also increase aggregate growth by reducing the negative effect on growth of income inequality’. Birdsall (1997) cited in Gerster (2000: 14).

<sup>4</sup> ‘Empowerment of the poor must be the starting point. Without empowerment, poverty eradication is not possible and even efforts of poverty alleviation may well not be sustainable’. Jolly (1999) cited in Gerster (2000: 17).

- macroeconomic stability;
- prudent monetary/fiscal/budgetary policies;
- structural reforms: both liberalization and privatization; and
- development of, or enabling environment for, the private sector.

#### Growth and inflation aspirations

Extracts from PRSPs and I-PRSPs given in Table 4. Countries are consistently aiming for economic growth rates of between 5 and 7 per cent and planning to keep inflation below 5 per cent.

#### Liberalization and external competitiveness

Extracts from PRSPs and I-PRSPs given in Table 5. Core policies across all countries are:

- liberalization/deregulation/elimination of price controls (e.g. gas, cotton, petroleum, transport, electricity, water, telecommunications, seeds, financial sector, capital);
- rationalization of tariffs, reduction of barriers to trade;
- integration into the global economy, increased competition and export orientation; and
- opening to/promotion of foreign trade and foreign direct investment.

#### Privatization and courting of private sector

Extracts from PRSPs and I-PRSPs given in Table 6. Core policies across all countries are:

- privatization (e.g. telecommunications, energy, cotton, textiles, public enterprises, railways, ports, airports, seed, electricity, oil, gas, water, banking, sugar factories, meat, parastatal reform, pipelines, transport - including air and water, mining);
- withdrawal of the state from productive activities and marketing;
- expansion of the role of the private sector/making the private sector the engine of growth;
- stimulation of private investment (e.g. in infrastructure/utilities, production, marketing, agriculture, tourism); and
- efficient delivery of services to the private sector/removal of constraints on the private sector.

The consistency of policies put forward in the PRSPs and I-PRSPs is remarkable, given the different histories, characteristics and drafting processes of the sixteen countries surveyed. The general thrust of the macroeconomic policies found in the PRSPs and I-PRSPs seems very similar to that of standard SAPs in the past.

For all PRSPs and I-PRSPs macroeconomic stability is important, but there is little reference to the debate that rages over the benefits of growth, and the different types of growth. The vocabulary in some of the strategies signals a commitment to a type of

‘pro-poor’ growth (‘equity-based’, ‘broad-based’), but often this seems only to extend to the rhetoric, and not the reality of the policies chosen.

### *3.1.2 Problems with PRSPs’ market-based approach to macroeconomic policies*

Most HIPCs have already experienced some years of SAPs. The poverty diagnoses at the start of the PRSPs and I-PRSPs frequently state that poverty exists because the country did not follow, or followed inadequately, the neoliberal economic model promoted through the SAPs, by the IFIs. Some strategies do comment cautiously on the failure of their country’s SAP to reduce poverty. However, more often than not, an endogenous cause is then found to take the blame.<sup>5, 6</sup> Is this a display of deference to the IFIs?

Policies to encourage fast economic growth and low inflation, liberalization and privatization were at the centre of SAPs. All these policies are put forward in PRSPs and I-PRSPs, mostly without much discussion of how they were decided upon, or what trade-offs are involved.

#### Macroeconomic policy direction

The emphasis on market-based growth is of concern to the NGOs and CSOs surveyed, given their previous experience of SAPs based on the same neoliberal economic model. In Kenya, for example, CSOs criticized the second draft of the Kenyan PRSP, saying its anti-poverty content was unacceptably weak, and blaming this on adherence to the traditional neoliberal market model:

Holding to the trickle down theoretical framework prevents an entitlements-approach to budgeting from emerging. Previous relief (safety nets) and economic growth (trickle down) based approaches over the nineties have failed to arrest the systematic condition of widespread poverty, rights denial and poor public accountability ... There is a need to define citizens’ core entitlements and cost these within an enabling policy framework (Houghton 2000).

#### Growth and inflation

The growth rates in many PRSPs and I-PRSPs seem overly optimistic compared with rates achieved in recent years, and in view of predictions for a slow-down of the global economy. The PRSPs and I-PRSPs emphasis low inflation. One way of keeping inflation down is to rein in public expenditure. Although spending on education and health is set to increase, there is little consideration of the negative consequences for the poor, of reducing public expenditure in other areas.

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<sup>5</sup> ‘Despite recent efforts in the macroeconomic front, Zambia has not yet experienced sustained rapid economic growth necessary for reducing poverty, partly because the key measure of privatizing the mining industry was only just recently undertaken’.(Zambia’s I-PRSP para 22).

<sup>6</sup> ‘Madagascar has been undergoing structural adjustment for about 20 years with mixed results, results undoubtedly determined by political practices and special historical circumstances ... To date Madagascar is among the group of the poorest countries... Hence, the justified dissatisfaction or even helplessness face to a persistent shocking poverty despite definite improvements of macroeconomic indicators’ Madagascar’s I-PRSP (2000: 1).

Over-tight control of expenditure can also contradict policies which aim to increase growth rates and boost the private sector, for example:

It can limit the public investment budget, and thereby the supply of key public goods essential to private sector growth and employment generation ... (this can lead to) both lower growth and slower social recovery ...

It can constrain the government's ability to provide essential recurrent expenditures ... this reduces the private and social returns to infrastructure investment ...

It forces governments to raise taxation in ways that harm growth (Addison 2000).

### Liberalization and privatization

The direct consequences of liberalization and privatization policies for poverty reduction are rarely clearly articulated. Despite this, the policies are almost exclusively presented as beneficial. Discussions of consequences that could harm the poor, such as a reduction in safety standards as a result of competition, or unemployment resulting from privatization-induced 'down-sizing', are absent. Also missing are comments on countries' absorption capacity for foreign direct investment.

The poverty diagnoses of PRSPs and I-PRSPs invariably find that poverty is predominantly a rural phenomenon, with small farmers constituting a sizeable proportion of the poor. Past experience has shown that these farmers have not benefited from liberalization and privatization. Rather, these policies have led to rising costs of inputs and loss of access to credit.

For example, an evaluation of World Bank country assistance to Tanzania (1998-2000) states that the World Bank's strategy failed to address the factors constraining long-term growth in agriculture. Its strategy 'appeared to be based on the assumption that once prices were liberalized and parastatals dismantled, the private sector would step in automatically to fill the vacuum. This has not occurred' (World Bank 2000: 21).

Another World Bank study found that greater openness to trade was negatively correlated with income growth among the poorest 40 per cent of the population (Lundberg and Squire 1999).

### Views of CSOs on macroeconomic policies of PRSPs and I-PRSPs

From Bolivia:

The struggle against poverty is framed by the structural adjustment programme and as such its results depend upon what can be obtained from the currently enforced model. According to the perspectives indicated in the preliminary document the macroeconomic indicators are very good (average growth rate of 5 per cent, rate of investment 21.7 per cent GDP, fiscal deficit reduction, reactivation of the mining sector, etc.), nevertheless, after 15 years of structural adjustment, and with similar macroeconomic indicators, poverty had not been reduced. (Jubilee 2000 Bolivia).

From Cambodia:

Civil society organizations recognize that economic growth is desirable and is necessary for development. High growth, however, comes with huge social and environmental costs, and exposes the economy to vulnerabilities. Moreover, high growth does not necessarily address the issue of inequality, and even push(es) some sectors further into poverty (Malaluan 2000).

From Kenya:

The second draft of the I-PRSP was disappointing in many respects. Despite clear causal analysis for government failure, poverty and gross inequalities, the NGO memorandum noted that ‘the medium-term goals fail to make poverty reduction the centre of the economic recovery and growth strategy’. Preoccupation with traditional macroeconomic and governance targets currently suffocates the strategy. It crowds out anti-poverty content leaving a discredited trickle-down theoretical framework (Houghton 2000).

From Nicaragua:

For many years we have been forced to believe and implement the ‘strategy’ that says economic growth is the engine to confront poverty in the South. The growth now named ‘pro-poor’ by the international financial institutions, still focuses on macroeconomic management with freer and more open markets. The result, however, of such ‘economic growth’ has increased the gap between rich and poor, and North and South; and it is due to the unjust distribution of income and opportunities and over-exploitation of the South’s resources and peoples (Alizaga 2000).

From Tanzania:

Specific reform measures such as liberalization of trade, privatization, fiscal austerity, retrenchment and cost-sharing have been adopted as universal formula in all African countries, without taking into account specific differences and probable impact on the poor, women and youth. They have been imposed without proper preparation and formulated in an undemocratic fashion, without full participation of all segments of society. One example is the withdrawal of the state from economic activities, privatization, and retrenchment within government and state parastatals. The result has been increased unemployment and the drastic decline of formal sector wage employment, leaving the majority of people—and the national economy as a whole—increasingly dependent on the under-resourced informal sector. Increased poverty rates can be directly attributed to these policies ... (Tanzania Coalition on Debt and Development 2000).

Key economic reform and structural adjustment policies were negotiated outside of the PRSP process and without the knowledge and participation of citizens’ groups,

and, 'The IMF set an inflation target of less than five per cent (Tanzanian Gender Networking Project)'.

### *3.1.2 Social policies*

Lack of access to basic services is a widely used definition of poverty. All the PRSPs and I-PRSPs surveyed emphasize the importance of increased spending on basic services for poverty reduction. All the strategies state that their aim is to increase the access of the poor to education, health and clean water, in terms of both quantity/coverage and quality. However, there are very serious concerns over the continued use of cost recovery schemes/user fees, which have been shown to reduce the access of poor people to basic services. Measures included to help the poor meet payment requirements seem inadequate.

Extracts from PRSPs and I-PRSPs on education, health and water policies relating to cost recovery and user fee schemes are in Table 7.

The continued reliance on cost recovery/user fee schemes, revealed in the PRSPs and I-PRSPs is surprising given the degree of consensus around the problems they cause the poor. The USA even has a bill requiring it to oppose any IMF, World Bank or regional development bank loan that includes user fees or service charges for poor people, for primary education or primary health care.<sup>7</sup>

#### Views of CSOs on the social policies in PRSPs and I-PRSPs

The following comments from the Tanzanian Gender Networking Project are representative of concerns expressed by CSOs in other countries.

#### Education

In general, the position of gender groups and many CSOs is that unconditional withdrawal of user fees in the areas of health, education and water is necessary. It is in these sectors that vulnerable groups, ... have been impacted greatly: these sectors also are the arenas in which the government could have most positively helped these groups.

In terms of the decision to abolish user fees at the primary school level, while we understand that the government is constrained, we contest that removing user fees at only one level is not sufficient and not sustainable. Even if this decision opens up the opportunity for primary education to more students, which is not clear in and of itself, this creates an even wider gap between the number of students attending primary school and those attending secondary school. This gap has implications for increasing inequalities in terms of both gender and class.

In general, in order to encourage equality of opportunity in education, user fees must be eliminated at the secondary school and other levels. These fees contribute to the continued marginalization of groups and a disadvantaged status between boys and girls, urban and rural, rich and poor ... Research by Katunzi and Sumra (1991) and TADREG (1996)

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<sup>7</sup> Foreign Operations Appropriations Bill adopted 25 October 2000, Financial Year 2001.



showed that the cost-sharing policy has hit hardest boys and girls from low-income families ... .

The strong recommendation, put to the government before the PRSP was put forward for approval, was that 'cost-sharing interventions should be eliminated at the primary and secondary levels within the PRSP'. They were not.

### Health

... there is an increased move towards privatization and the public health sector is increasingly deprived of vital funds. In this process marginalized groups are increasingly impacted. The government needs to get rid of the user fees in the health sector ...

... we do not believe the user fee policy in Tanzania is functioning. There is evidence ... indicating that pregnant women and rural poor are unable to access crucial medical services, although these groups are supposedly exempted...

The strong recommendation, put to the government before the PRSP was put forward for approval, was that 'what we need is the abolition of user fees for health, education and water sectors ...'

### Private sector

A number of PRSPs refer to increasing the involvement of the private sector in the provision of basic services, such as education, health and water supply. But the Bolivian I-PRSP sounds a warning note about low economic returns that may reduce private sector enthusiasm.

The public investment programme proposed by the government focuses on health, basic sanitation, housing, education, rural development and infrastructure that cannot be carried out by the private sector due to the low economic return despite its high social return (Bolivia's I-PRSP 2000: 3).

CSOs resolutely denounce charging for basic services, and sound alarm bells over the involvement of the private sector in education, health and water provision. Past experience predicts that both policies lead to reduced access to services by the poor.

#### *3.1.3 Governance and public sector reform*

The IFIs' and donors' increasing concern with 'good governance' is demonstrated by an increase in conditions in this area. Table 8 gives a picture of the policies adopted in PRSPs and I-PRSPs.

Core policies, across all countries are:

- 'good governance';
- democratization;
- decentralization of government functions;
- civil service reform and down-sizing;

- anti-corruption drives;
- reducing and rolling back the state;
- strengthening the judiciary and ‘rule of law’; and
- creating enabling environment for private sector.

Many of the policies advocated in the PRSPs and I-PRSPs sound as if they will benefit the poor. However, whether the policy choices are based on ‘advice’ from the IFIs, or analysis of what is required for poverty reduction, is not always clear.

Some creditors suggest governance reforms must come first, to lay the foundation for poverty reduction, while some CSOs say that poverty reduction must be the basis for effective reform.

For example, the Kenyan NGO working group on the second preliminary draft of the I-PRSP advocated replacing, ‘the paradigm of poverty reduction as an outcome of effective governance reform with poverty reduction and economic growth as the basis for effective government reform’. They held this nuance to be ‘simple, but very critical’.

#### *3.1.4 Problems with governance policies in PRSPs and I-PRSPs*

##### Democratization

Parliamentarians have complained of being by-passed in the drawing up of PRSPs and I-PRSPs, which is not healthy for the promotion of democracy. NGOs and CSOs have also expressed concern that the PRSP process should include due parliamentary scrutiny. Kenyan NGOs specifically called for the PRSP to ‘be tabled in parliament for approval’ (Kenyan NGO working group 2000: 4).

##### Decentralization

Decentralization of government functions is an extremely common policy in PRSPs and I-PRSPs. It is offered as a way of bringing decision-making closer to the people affected and thereby increasing accountability. But decentralization does not automatically give a voice to the poor. As the UNDP notes, decentralization does not address the issue of the ‘inability of the weaker segments of the population to make their voice heard in the face of elite domination of the traditional power structures’ (UNDP 2000: 3).

There are also human capacity problems. Can enough trained administrators be found to work in decentralized offices, particularly in the context of frequently mentioned skills shortages and civil-service downsizing plans?

##### Civil service reform

The extent of downsizing proposed in some countries is large (e.g. Kenya 48,000 redundancies out of a staff of 220,000). Increased efficiency is a laudable goal, but the number of people who may be thrust into poverty as a result of unemployment is a concern.

##### Fighting corruption

Fighting corruption is increasingly on the IFIs’ and donors’ agenda. In many PRSPs and I-PRSPs, state divestiture/privatization is offered as a way of fighting corruption. But is

this realistic? After all, the process of privatization itself offers plenty of opportunities for corrupt practices, and the private sector is not inherently free of corruption.

### Rolling back the state

Some commentators are concerned about a disconnection between people and their government, as governments increasingly divest themselves of any role in the economy, beyond regulation. This is compounded by the perception of governments as heavily influenced by IFIs and other donors.

### Strengthening the 'rule of law'

Some PRSPs and I-PRSPs emphasize that the poor themselves highlight the need for improvement in this area. Others talk of reform only in the context of improving the operating environment for the private sector.

## **3.2 What policies are not in the strategies?**

### *3.2.1 Land reform*

In most of the countries of the global south, real poverty reduction has to be linked to land reform that benefits poor people (Alizaga 2000).

Redistribution of land from large to small farms 'is undoubtedly one of the most important weapons against poverty' (Lipton 1998).

There are only a handful of references to land ownership in the PRSPs and I-PRSPs, and mostly these relate to clarifying ownership rights or legislation; none talk seriously of redistribution.

The Kenyan PRSP NGO working group (March 2000) notes:

With a few notable exemptions, namely the offer of land for squatters, the section on land qualifies as the weakest and most disappointing section in the entire paper. It hardly makes reference to the critical role access to land and use of land has in making or reducing poverty despite the ample evidence provided ... Indeed, broader land reform must be at the very centre of any concerted poverty reduction strategy because land tenure is the most critical cause of structural inequity in Kenya.

Cambodian NGOs doubt that progressive recommendations on land reform will be carried through:

On the content of the I-PRSP, certain provisions are commendable, as in the intent to embark on land reform ... However, some NGOs remain sceptical about the political will of the government to actually implement many of the progressive provisions ... (NGO Forum on Cambodia 2001).

### *3.2.2 Labour laws*

Few of the strategies discuss policies on labour laws, a minimum wage, safety or employment standards, beyond talking about the state's role in regulation.

### 3.2.3 *Vulnerable groups*

No strategies mention children's rights. Other disadvantaged and vulnerable groups receive little attention: there is only one mention of orphans, people with disabilities, and refugees (Kenya), only three mentions of street children (Cambodia, Kenya and Zambia) and no mentions of widows or people with learning disabilities (although Nicaragua mentions the people with disabilities in its poverty diagnosis).

### 3.2.4 *The NGO Forum on Cambodia (2001) reports:*

... although problems such as violence against women and trafficking are recognized in the I-PRSP, it does not provide concrete solutions in terms of legislation or relevant policy measures to address these problems. The same may be said of plight of children and their rights. For instance, the I-PRSP identifies street children as among the most vulnerable groups in Cambodia, and yet, adequate resources have not been allocated to address their plight. Furthermore, the I-PRSP is largely silent on the issue of children's rights. There are no policy directives on a compulsory national birth registration, adoption, or a national juvenile justice system.

The PRSPs and I-PRSPs contain scant reference to citizens' rights guaranteed in any international agreements (e.g. Convention on the Rights of the Child, the International Covenant on Economic, Social and Cultural Rights and International Labour Organization Conventions). There is no mention of the 20:20 target<sup>8</sup> for social sector spending.

### 3.2.5 *Gender*

Poverty eradication without gender equality is impossible and a contradiction in terms (UNDP 1997: 110 cited in Gerster 2000: 10).

Gender is mentioned in most of the PRSPs and I-PRSPs, and the analysis in the Kenyan and Ethiopian strategies seems good. But in general, there are very few proposals to address the poverty consequences of gender inequalities directly, although a few strategies talk of assistance for girl students with school fees, access for mothers to health services or access for women to micro-credit.

Much Southern civil society comment has focussed on the lack of voice for women's organizations in the drawing up of PRSPs. Extracts in Table 9 give a taste of the policy concerns being expressed on gender.

CSOs are concerned that weak gender analysis, has resulted in an absence of concrete legislative or policy solutions to assist women, either pro-actively or in overcoming existing biases.

It has been argued that SAPs in the 1980s both worsened gender relations and were hampered by them. They were both inequitable in terms of gender and inefficient in terms of economics.

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<sup>8</sup> The 20:20 formula supported by the World Bank calls upon developing and developed countries to allocate 20 per cent of overseas development assistance and 20 per cent of national budgets to basic social services: health, nutrition, education, water and sanitation.

Research shows that reducing gender inequalities can improve both agricultural yields and women's incentives to produce tradable goods. It can reduce discrimination in employment and lead not just to an increase in female income, but also in national income. It shows that investments in female education can have major benefits in terms of reducing child mortality, reducing fertility, increasing production and increasing women's voice in local and national affairs. However, in the 14 PRSPs completed, gender as a cross-cutting issue has been addressed in variable ways, and generally in a weak manner (Burdon 2000).

### *3.2.6 Mitigating risks of exposure to the global arena*

Although the macroeconomic arena is seen as the key to growth and development, the IMF itself recognizes that volatility is increasing.<sup>9</sup> A favourable external economic environment is crucial to the achievements of many of the policies outlined in the PRSPs and I-PRSPs, yet it receives very little analysis.

In a number of cases, in the poverty diagnoses of the PRSPs and I-PRSPs, there are mentions of the vulnerability of the country's economy due to increased openness to the global economy.

For example, Bolivia's I-PRSP states:

Growth would have been even higher if Bolivia had not had to face various natural disasters and a significant deterioration in its terms of trade, estimated at 38 per cent for the decade... the domestic economy continues to be highly vulnerable to international economic shocks because of the high degree of dependence on raw material exports from the primary sector.

Malawi's I-PRSP states:

... 85 per cent of Malawi's population derive their livelihood from agriculture. The sector accounts for over 30 per cent of GDP and close to 70 per cent of export earnings. The sector is therefore key to sustained economic growth and poverty alleviation. Due to the dependence on agriculture, the economy remains fragile and vulnerable to external shocks.

But neither Malawi's nor Bolivia's I-PRSP contains concrete plans to address any unexpected reduction in the financial resources available for poverty reduction. In fact, only one country (Mauritania) has a separate risk assessment section for its poverty reduction strategy.

Guyana's I-PRSP has the most explicit reference to the external context for exports. In its poverty diagnosis, it notes that the economy suffered setbacks in 1997–98, due to 'deteriorating commodity prices in international markets' and then later recognizes, '... that growing global trade liberalization is expected to reduce such access (to

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<sup>9</sup> '... the increased uncertainty of macroeconomic relationships in a world of volatile global capital markets ... made it more difficult to specify macroeconomic performance criteria for more than a brief period ahead...' (IMF 2001a).

preferential markets) over time, and to require Guyana to compete increasingly at world prices’.

Guyana proposes to address this problem through continued reliance on the private sector for management, production and capital, along with new investment in plant and equipment. However, Guyana’s private sector is described as only ‘embryonic’.

The World Trade Organization (WTO) increasingly sets the context for all countries’ trade policy measures. Implementing WTO agreements is increasingly costly.<sup>10</sup> Yet, only Uganda’s PRSP mentions the WTO.<sup>11</sup> None of the PRSPs or I-PRSPs mentions action to negotiate a more favourable external environment for trade.

Several NGO commentaries highlight not only the opportunities, but also the risks to poor people of economic integration into world markets.

The discussions were nested in domestic policy and rarely looked at the harmful edge of globalization. International trade issues such as food dumping, collapse of protective tariffs and subsidies and lastly, intellectual property rights were absent or mute from the participants recommendations ... The NGO Memorandum urged [Kenyan] government action in this area ... (Houghton 2000).

### *3.2.7 Export competition*

Many of the PRSPs and I-PRSPs talk of promoting growth in high-potential areas. Table 10 shows the large number of countries pinning their hopes for growth on exactly the same sectors: tourism (nine countries), mining (eight) and cotton (six).

Cotton and minerals are already highly susceptible to large fluctuations in world market prices. This overlap of focus on the same exports will increase downward pressure on world prices of these commodities. Yet none of the PRSPs or I-PRSPs include a detailed forecast of external market opportunities.

### *3.2.8 Contingency plans*

There is no discussion of what spending would be curtailed or what contingency plans would be put into operation if a natural disaster or political upheaval caused a humanitarian crisis.

While these potential sources of instability are diagnosed,<sup>12</sup> there are only a few mentions of disaster preparedness strategies and earlywarning systems for drought or

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<sup>10</sup> The World Bank has estimated that the average cost to each developing country of implementing just three of the trade agreements demanded by the WTO is about \$150 million.

<sup>11</sup> Noting their government’s emphasis on the need for economic openness, the Ugandan Debt Network urged the Ugandan government to place emphasis on finding markets for increased productivity. ‘Pressure should be brought to bear by all partners on WTO, the EU, USA and other big markets to open them to our products. Increased productivity without markets will not eradicate poverty’ (Ugandan Debt Network 2000).

<sup>12</sup> The Central African Republic I-PRSP mentions external insecurity from conflict and the Guyanan I-PRSP mentions El Niño adversely affecting agricultural output.

other natural disasters.<sup>13</sup> Food storage and reserve policies, and flood defence works, are areas where discussion of plans could legitimately have been expected.

### *3.2.9 Political context*

The internal political situation of a country is not considered an influential variable in standard economic analysis and is rarely discussed in the PRSPs and I-PRSPs. This is unhelpful, as in reality, political changes certainly affect both the economy (e.g. through investor confidence) and the capacity for policy implementation. Indeed the Guyanan I-PRSP specifically states that their economy suffered setbacks due to the ‘political uncertainties leading to the December 1997 elections and developments thereafter’.

Perhaps this points to the need for better ownership of strategies by people outside government, clearer prioritization of policies and spending, and greater transparency.

### *3.2.10 Realism and capacity for change*

CSOs are critical of the way most PRSPs and I-PRSPs fail to give a clear sense of prioritization within the context of the resources assumed to be available. There is little discussion about the sequencing of reforms, despite the fact that this can have a crucial influence on their results.<sup>14</sup>

Most PRSPs talk sensibly about the importance of implementing poverty reduction strategies over the long term. It takes time to put privatization into practice, attract private investment and FDI, mobilize domestic savings, implement governmental decentralization and improve infrastructure such as rural roads. However, PRGF loans are for three years and many of the targets in the PRSPs and I-PRSPs seem to be based on a three-year time scale. As such, a large number of poverty reduction strategies seem unrealistically ambitious, particularly those relating to institutional or behavioural changes.

Many PRSPs and I-PRSPs note constraints of human capacity, but are unclear about how this will effect implementation.

If targets are missed, a problem of managing expectations may emerge.

## **3.3 IMF and World Bank policy advice: repeating the mistakes of SAPs?**

The PRS approach does not appear to have been successful in aligning macroeconomic issues and poverty issues more closely than in the past. The two areas are still divorced, and macroeconomic frameworks do not appear to have changed significantly as a result of PRSPs. One of the main reasons for this seems to be that the country governments and IFI staff concerned seem unable to integrate the two policies and see the changes needed in terms of the process (the preparation and implementation of policy) rather than the content (Eurodad 2000).

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<sup>13</sup> Kenya, Nicaragua, Ethiopia, and Uganda.

<sup>14</sup> ‘The PRSP can be an incredibly valuable tool if it can make explicit the risks and trade-offs of adopting one policy over another, what sequence is best, a fast reform over a slow one, or a particular combination of policies’ (Kessler 2000).

In all the PRSPs and I-PRSPs surveyed, there is a remarkable similarity of policies on macroeconomics, social spending and governance. Generally these policies are similar to those promoted previously in SAPs. What is new, however, is the increased extension of liberalization and privatization policies to service sectors (although this should be seen in the context of most other sectors already having been privatized under SAPs).

These similarities raise the following concerns for CSOs and NGOs. The PRSPs and I-PRSPs:

- rely on the same ‘trickle-down’ model as the SAPs, which failed to reduce poverty in the past;
- do not recognize the costs of growth (e.g. reduction in social capital);
- do not follow the causal analysis of poverty through to inform macroeconomic policy choices;
- do not look at the consequences of policies in poverty terms; and
- have targets that have been overly influenced by the IFIs and insufficiently influenced by the results of public participation.

In summary, CSOs and NGOs fear that the PRSPs and I-PRSPs do not have poverty reduction at their heart. This analysis is echoed in the 2001 report to the Economic and Social Council of the United Nations Commission on Human Rights by the independent expert on the effects of SAPs and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights (Cheru 2001).

After studying the experiences of Benin, Chad, Ghana, Kenya, Mozambique, Senegal, Tanzania, Zambia and Uganda, the report concluded:

- all nine papers reviewed emphasize the importance of growth for poverty reduction, but they all fail to demonstrate the links between the two;
- the need to increase social spending is heavily emphasized, but how the macroeconomic aspects relate to poverty reduction goals is not clearly explained; and
- the broad macroeconomic objectives of the majority of the countries studied are inconsistent with the poverty reduction goals.

Why have the poverty diagnoses in PRSPs and I-PRSPs not translated into macroeconomic policy choices different from those in the failed SAPs of the past? Part of the reason may be because the IMF continues to advise countries on macroeconomic direction, while the World Bank advises on the design and impact of poverty reduction strategies (IMF 2001c and Wood 2000).

The disconnection of advice between the IMF and the World Bank, and governments’ desire to please them in order to access loans, may help to explain many of the policy choices made in PRSPs and I-PRSPs.



## **4 Conclusion and recommendations**

### **4.1 Conclusion**

PRSPs and I-PRSPs are falling short of the goals publicly set out for them by the IMF and World Bank. Public participation in the drawing up of PRSPs and I-PRSPs has been less than had been hoped for, although the new space for dialogue between governments and CSOs is welcome. The extent of country ownership of PRSPs and I-PRSPs is questionable, with the IMF and World Bank appearing to retain a strong influence over the final document. In the area of macroeconomic policy, there is a consistent adherence to neoliberal market based tenets, and an emphasis on extensive privatization and liberalization. Despite commitments to increased social sector spending, a continued reliance on charges in some countries, risks compromising poor peoples' access to basic services.

Factors critical to the success of PRSPs and I-PRSPs are weak or absent:

- policy measures such as land reform and improved labour rights are needed to ensure the poor benefit from economic growth;
- 'external' factors such as commodity prices and the political context need to be taken into account; and
- procedures to ensure strategies are achievable need to be developed.

This analysis clearly shows the similarity of PRSPs and I-PRSPs to the SAPs, which failed to reduced poverty in the past. The IMF and World Bank have not critically assessed either the past impacts of SAPs or the future impacts of PRSPs.

Most PRSPs and I-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.

On the evidence reviewed here, it is feared that PRSPs will not advance the fight against poverty. Nevertheless, PRSPs and I-PRSPs now govern the lives of the majority of the world's poor people.

### **4.2 Recommendations**

- I. The IMF and World Bank should assess, and justify, the predicted impact on poverty reduction of the policies, and reforms, they propose are included in PRSPs.
- 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, public participation, policy content and success in reducing poverty.

Country	Civil society comments
Bolivia	<p>In Bolivia, the church and CSOs organized a successful Foro Nacional, partly out of frustration with the official Dialogo Nacional. This is a good example of a 'bottom-up' approach to participation, which governments and IFIs must respond to (Eurodad 2000).</p> <p>After the opening of the comprehensive CSO-led Foro Nacional, the IMF representative 'stated that while the Forum's conclusions might, rightly, influence the National Dialogue, they would need to be limited to shaping the allocation of funds freed under HIPC II. Thus, macroeconomic targets were not open to change'. He used as an example the fiscal deficit target... The Bolivian dynamic was summed up by Intermon: 'The government and the IMF in Bolivia are closed, especially the latter as to the macroeconomic policies being discussed in the framework and through the lens of the poverty reduction objectives included in the PRSP. The discussion is open to focus on the funds released by HIPC II but the macroeconomic framework, included now in the ESAF/PRGF programme, is not open to public debate and scrutiny, nor to an iterative discussion that gives it consistency with the poverty reduction statements made in general IMF/WB documents and repeated a number of times by IMF officials' (Eurodad 2000).</p> <p>In Bolivia, for instance, the IMF has refused to discuss the macroeconomic programme with civil society. Here speed has been a problem, denying poorer groups proper involvement in the process. One of the outcomes of such shallow engagement is that the process ends up developing 'wish-lists' of issues, rather than the development of appropriate policies to address poverty. At the same time the agenda has been dominated by HIPC, discussions over use of HIPC resource, and by the notion of the use of a 'social fund' to address poverty, rather than coherently reviewing policies for poverty reduction, growth and equity (Oxfam International 2000).</p> <p>Finally, the I-PRSP indicates that the first dialogue was highly participatory and that the organizations approved by consensus the four pillars of the government plan. This was not evident and even the pertinent documents were not distributed sufficiently beforehand. Because of this one can conclude that the first dialogue suffered from a lack of broad participation and there was no follow-up done afterwards (translated from Spanish; Jubilee 2000 Bolivia 2000).</p> <p>Consultations with NGOs in Bolivia have been last minute and have not been open to all interested NGOs. Only one NGO outside La Paz was invited to the initial consultations, and one of the most prominent NGO networks in La Paz was not included. Moreover, NGOs have not been given official access to information and documentation on which to base their inputs. Where documents have been made available they have been written in English and received too late to allow effective consultation amongst members (Bretton Woods Project 2000).</p>
Burkina Faso	<p>According to the official documentation, the PRSP was drawn up within a participatory framework. However, NGO representatives have informed us that they are unable to ascertain which CSOs were involved in the process—and the director of the main national NGO coordination body remained unaware of the PRSP concept even after it had been submitted (Eurodad 2000).</p>
Cambodia	<p>The PRSP process in Cambodia thus far has yet to be described as truly participatory in nature or country-owned which are two necessary requirements by the World Bank and IMF in the preparation of the PRSP. This initial assessment is based on three criteria (a) Participation of relevant stakeholders in all stages of decision-making, including the initial phases; (b) Timely circulation of relevant documents in the Khmer language; (c) NGO/civil society representation in relevant decision-making bodies:</p> <p style="text-align: right;">(Table continues)</p>

Table 1: Participation  
(continued)

Country	Civil society comments
Cambodia (con't)	<p>(a) There has been no real attempt to incorporate the ideas of NGOs/CSOs in the initial setting of the priorities of the I-PRSP. The World Bank Country Office Chief made it clear to NGO Forum representatives in May 2000 that NGO/CSO input was not expected or planned until after the completion of the I-PRSP and the beginning of the full PRSP process.</p> <p>The SEDPII process, as with the I-PRSP, has yet to fully engage civil society on the substance of its poverty reduction strategy. Phase I in May-July, in which the SEDPII concept paper and macroeconomic framework were prepared, did not include any civil society representation ....</p> <p>(b) All draft versions of the I-PRSP have been in English ... While not doubting the efforts of a number of English-speaking government officials, important government decision-makers and broad sections of civil society are excluded by this process.</p> <p>The Khmer version was still not available to NGOs/CSOs by the time that the 8th and final draft was submitted to the Cabinet in October 2000. The NGO Forum's National NGO/CSO workshop on the RGC's poverty reduction strategy on 24-25 October was held without the benefit of the Khmer version.</p> <p>(c) The I-PRSP claims that CSOs actively participated in the launching of the I-PRSP on 25 July 2000. The NGO Forum, which is one of the largest umbrella NGO networks in Cambodia, however, is unaware of such 'launching'. Instead, foreign representatives of the NGO Forum and CCC were invited to a brief government-donor consultation in early August, but there was still no attempt to involve Cambodian civil society at this meeting. It is unknown to what extent that the Cabinet will be willing to incorporate the suggestions of NGOs/CSOs resulting from NGO consultations organized by the NGO Forum on the draft I-PRSP in September-October ... (NGO Forum on Cambodia 2001).</p> <p>Insufficient time and a failure to write documents in the national language limited the opportunity for NGO involvement in Cambodia's poverty reduction strategy paper (PRSP) process, according to the NGO Forum on Cambodia, which includes local and international NGOs. Russell Peterson of the NGO Forum, November 2000, commented that 'there has been insufficient contact between government and NGOs to date'. All drafts of the Interim PRSP (I-PRSP) up to the eighth and final draft were written in English. 'This raises serious questions about country ownership of the I-PRSP. The choice of language can exclude important government decision-makers, limit civil society participation, impose foreign ways of thinking, and give foreign donors an inordinate amount of power to influence the final outcome', said Peterson. 'We found that Cambodians only began to be fully included in the discussions and debates of the NGO Forum when Khmer was made the main language of discourse. A truly country-owned PRSP process would entail drafting the document solely in Khmer, discussions between government and civil society solely in Khmer, and with the donors (not the Cambodians) puzzling over the meaning of the translation and the strange concepts used' (<i>Bretton Woods Update</i> 2001).</p>
Cameroon	<p>The consultation process: this is strongly influenced by the World Bank and ought to be questioned, as it does not incorporate anything that will allow civil society organizations more influence over the fight against poverty. The Catholic church has also expressed concern that the churches and other CSOs have not been involved in the establishment of the PRSP. However, the churches have organized their own consultations and have communicated the results to the government (Thomet 2001b).</p>

(Table continues)

Table 1: Participation  
(continued)

Country	Civil society comments
Ghana	<p>A recent DFID-funded study of the PRSP process in Ghana and Zambia also reveals problems with PRSP consultation (Godfrey 2000). In Ghana, ... civil society representatives ... feel that the Bank is only prepared to accept participation within its own narrow policy parameters, ruling out challenges to neoliberal economic orthodoxy. Also, rather than a single process involving the Bank, the government and civil society, in practice there are two bipartite processes going on, one involving the Bank and civil society and the other the Bank and the Ghanaian government. Consequently, one of the conclusions of this study is that civil society should give first priority to strengthening its dialogue with government, rather than with the Bank. Specifically, Ghana's civil society organizations have expressed these criticisms of the way their government has handled previous civil society consultations on macroeconomic policy: lack of commitment to participation; little access to information either on the process itself or the economic analysis on which government policies are based; not enough time for meaningful consultation; poor coordination of the civil society contribution (Terry 2001).</p> <p>One comment from a Ghanaian NGO representative strikes an ominous note for women's organizations; 'the impact of dialogue ... is much greater if the civil society structures speak with a single voice' (Godfrey <i>ibid.</i>). While this may be true, it is not clear where it would leave women's organizations, which may be marginalized even within civil society. Male-dominated NGOs, trade unions or professional associations are unlikely to prioritize the gender interests of poor women. Instead, it is likely that 'speaking with a single voice' would mean subordinating women's gender interests to men's. In contrast, civil society representatives from other parts of the world have criticized the Bank's naivety in expecting civil society to present a common agenda. They argue that the Bank needs to accept that civil society encompasses many different interests (Christian Aid 2000, quoted in Terry 2001).</p>
Honduras	<p>Civil society in Honduras describes the process as an 'illusion of participation'. Civil society organizations have been involved in discussions, but frequently meetings are short, mainly focused on presenting government's view, with little time for proper engagement (Oxfam International 2000).</p> <p>In Honduras ... the government has created a 'civil society participation commission', and offered meetings with NGOs to discuss poverty issues. Civil society groups in Honduras admit that there have been improvements in dialogue, but participation is described so far as being superficial: for example, its preliminary diagnosis of poverty in the country was only presented to NGOs after it had been first discussed with an IMF/WB delegation. Similarly, the government did not show CSOs the final I-PRSP before it was given to the Bank (Eurodad 2000).</p> <p>When the Honduran government announced that the schedule for production of the Interim PRSP would be moved up by two months, Honduran civil society groups felt the need to produce a parallel PRSP, as it appeared to them that there was little real political will to include them in the process (Siddharth 2000).</p>
Kenya	<p>... the discussions about social priorities were kept separate from discussions about fiscal restraint. Consulting with civil society groups about poverty reduction while denying them even basic information about budget limits is just cynical (Kessler 2000).</p>

(Table continues)

Table 1: Participation  
(continued)

Country	Civil society comments
Kenya (con't)	<p>The interim PRSP developed by government has been seen by some civil society organizations as a positive change in government ways of working. There were a number of consultations with a wide range of stakeholders. Drafts were widely circulated for comment, with sufficient time allowed for civil society groups to undertake analysis and to provide feedback. A national forum was held, and the revised draft circulated for comment before finalizing, with comments from civil society included in the final document. Now the government is embarking on a wider process for the development of the PRSP, with regional and grassroots consultations planned (Oxfam International 2000).</p> <p>Kenya's Collaborative Centre for Gender and Development found that it was vital to maintain a distinct 'women's agenda' during the I-PRSP consultation process, in order to prevent it being lost. This strategy paid off very well in that, during consultation events, 'the women's voice ...was clearer than those of any other group' (Shivorenje 2000: 19, quoted in Terry 2001). The centre's experience of trying to influence the I-PRSP has resulted in several important achievements, such as the inclusion of gender equity issues in the I-PRSP and substantial budget allocations to gender mainstreaming measures and programmes addressing women's gender interests</p>
Malawi	<p>Working groups were hastily put together, and there was minimal consultation with civil society as to who should be on the working groups. As a result many of the groups at first met without any CSO representation. As meetings have continued, more CSO groups have become involved, but a number have still to attend or be invited (Malawi Economic Justice Network 2001).</p>
Nicaragua	<p>The process has been fraught, with government unwilling to allow proper civil society participation in the development of the interim PRSP. Some consultations have taken place, with government listing any contact with civil society as 'participation'. But it appears the views of civil society organizations have been ignored. CONPES (the National Council of Economic and Social Planning—made up of civil society, private sector groups and political parties) made 56 recommendations in April, but do not know, as yet, whether these recommendations have been incorporated in the interim PRSP. The latest draft of the Interim PRSP has been developed in Washington, in English, further marginalizing Spanish-speaking people from discussion of development in Nicaragua (Oxfam International 2000).</p> <p>In Nicaragua, for example, the government has handpicked, in the CONPES, the organizations and individuals that it wants to take part in the PRS process. Transparency is a major problem—the government has sent the latest I-PRSP draft to the IFIs, including the IDB, but CONPES representatives have still not seen it. As one commentator put it, 'it does not make sense to talk about participation when those who are supposed to participate are not even informed about the content of the document in question'. In the Nicaraguan case, it seems that the government is much keener to hear from the IFIs than from the domestic stakeholders (Eurodad 2000).</p>
Tanzania	<p>The perspective of Tanzanian NGOs, following presentations from the government, the World Bank and the IMF regarding the PRSP was that Tanzanian CSO involvement in the preparation of the PRSP will be consultative but not participatory. One of the deficiencies of a consultative approach is that it does not give those being consulted fair time and adequate resources and space for presenting their views. And, too often issues and concerns voiced during the consultation have little impact (Summary of report from Tanzania Social and Economic Trust (TASOET) cited in Grusky 2000).</p>

(Table continues)

Table 1: Participation  
(continued)

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Country	Civil society comments
Tanzania (con't)	<p>Throughout the PRSP processes, civil society organizations were demanding for more active involvement and participation in the process of both NGOs and communities. However, on the whole CSOs were involved in a superficial and half-handed manner. The government developed the document internally, while civil society organizations were involved in a separate process, convened by the Tanzania Coalition for Debt and Development (TCDD). At a later stage, the civil society working groups managed to participate in the sharing sessions in the documents already prepared by the government (the zonal workshops). Rather than having a joint-sharing process about the best way to merge the civil society and government inputs, the inputs prepared by the civil society organizations were simply sent to the government-led processes for integration. The consultation that was done was all in a rushed manner, not allowing for true dialogue, discussion, and debate. The latest stage, the national workshop carried after the zonal workshops of the government process, involved NGOs to some extent, in that some NGOs were invited to comment at that workshop on all the topics in the strategy paper. Some of their inputs were very critical but ended there. They were not again called for their participation in the final drafting of the paper, although they had argued that the final process should include representatives of civil society organizations. In this way, civil society organizations were involved only at late stages of the process and did not truly participate in the process of preparing the poverty strategy paper for the United Republic of Tanzania (Tanzania Gender Networking Project).</p>
Uganda	<p>The process of agreeing the PRSP has been a very strong one, building on a track record of participatory approaches, and with civil society organizations generally positive about the outcome. A number of civil society recommendations have been incorporated into the PRSP, including a strong emphasis on governance, greater discussion of peace-building as an option for resolving conflict, and disaster preparedness and mitigation. Other additions include increased funding of adult literacy, elimination of tax on bicycles, and exemption of agricultural inputs from VAT. However, there are concerns that the civil society consultation is not yet formalized in a legal framework, or fully institutionalized, and that it relies on the good will of government officials, and as such can easily be withdrawn (Oxfam International 2000).</p>
Zambia	<p>Zambian CSOs . . . feel the government has ignored their contributions to previous consultations. Zambian CSOs have identified the cost of information provision as a particular stumbling block to wider public participation (Godfrey DFID) (Terry 2001)</p> <p>In Zambia, a country that has not had extensive consultative process in the past, the PRSP process is seen to be introducing a new type of dialogue (Eurodad 2000).</p>

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Table 2  
Ownership

Country	Comments by civil society
Bolivia	<p>In practice, however, country ownership (which is broader than 'government' ownership yet largely undefined, for example, how are competing interests resolved?) remains elusive. To take the example of Bolivia:</p> <ul style="list-style-type: none"> <li>- NGOs do not regard the process in Bolivia as a model process and do not regard the national plan as a 'country-owned' plan.</li> <li>- The government is not leading the process of consulting with development partners. The Bank has taken the lead in consulting with NGOs in the areas in which it works. On the fourth pillar of the plan, in which the Bank is not involved, the government has had limited consultation with NGOs. This not only draws into question the Bank's view of ownership it questions its commitment to a comprehensive strategy.</li> <li>- The mid-term consultative group meeting which was held in June 1999 was held in Paris, not the capital, La Paz. The official explanation for this was that higher-ranking civil servants from donor countries would be more likely to attend a Paris meeting than a La Paz meeting. To ensure Bolivia got the maximum money available, it was preferable to hold the meeting in Europe. However, this meant that civil society could not participate in the meetings; limiting transparency and openness. It also brings into question donors' commitment to encouraging broad-based ownership (Bretton Woods Project 2000).</li> </ul>
Cambodia	<p>On the role of the WB, IMF, ADB and the international community, it is important to note that the PRSP process at this stage is still largely donor-driven, with foreign technical consultants of major donor institutions like the WB-IMF and the ADB setting the parameters of Cambodia's poverty reduction strategy. It is not known to what extent the WB and IMF will accept specific recommendations from NGOs/CSOs or the government which differ from these institutions' current policy (NGO Forum on Cambodia 2001)</p>
Honduras	<p>The Fund's timetable for PRGF has reportedly interfered with the PRSP process. The Fund wanted the I-PRSP for April 2000 rather than for June 2000 as planned, so as to fit in with the Fund's mid-term review.</p> <p>More significantly, the Honduras case has shown that the IFIs are coming dangerously close to undermining due democratic processes. One of the reforms being pushed by the IFIs is the privatization of the electricity industry. This was one of the key reforms required in Honduras' PRGF programme, but the democratic processes in the country required that the legislation be approved by the National Congress. This, however, did not happen: the proposed reform was the cause of much controversy in the country, and NGO groups made it clear to a Bank/Fund mission that there was no national consensus on the issue, hence the lack of agreement in the National Assembly. In the event, the Fund granted a waiver and the PRGF was approved. But that was not the end of the issue. Subsequent IFI missions have apparently pressured the Honduran government and CSOs on the issue. The conditionality remains in Honduras' PRGF; moreover the decision point document released since notes that privatization will be finalized before completion point is reached. It thus appears that although the National Congress does not want to privatize electricity, the country will not achieve completion point until it does, thus potentially blocking access to considerable new resources. It is easy to see how economic exigencies may persuade Honduras to eventually privatize, it will be at the price of undermining democratic processes. As one commentator put it, 'by being rigid on assumptions of what is the best way to manage the economy—including what to do with state companies—the Fund and the Bank are actually the ones that are blocking ... the feeling of ownership' (Eurodad 2000).</p>

(Table continues)

Table 2: Ownership (con't)

Country	Comments by civil society
Kenya	<p>The perception of the PRSP as a product primarily for the World Bank and the IMF 'something we must do to resume ESAF/PRGF' reduces the scope for seriously considering Kenyan civic and private interests. It also undermines the importance of national sovereignty in the process (Grusky 2000; Globalization Challenge Initiative <i>et al.</i> 2000).</p>
Nicaragua	<p>In Nicaragua, the IFIs role has been less than optimal, though this has not been at all helped by the government's attitude to participation. The NGO network represented in the 'CONPES' stakeholders' council reports that the IMF mission chief giving macroeconomic inputs to the draft I-PRSP did not even answer a request to meet with NGOs that wanted to discuss the PRS' contents. Worse still was the role of the World Bank. After CONPES advised that there was no coherence between the goals and the planned programmes and projects in the government's I-PRSP draft, a World Bank team arrived and worked intensively to 'harmonize' the different aspects. This resulted in a new draft, which was then sent straight to Washington. Thus the status of the latest draft of Nicaragua's I-PRSP is: it was written by a World Bank team; it is written in English; at the time of writing, it is still not published, despite being finished in July; the CONPES national stakeholders' council has not been consulted on it, despite it having been already sent to Washington (Eurodad 2000).</p>
Tanzania	<p>In Tanzania, for example, the government had developed a Tanzania assistance strategy (TAS), which in conjunction with the national poverty eradication strategy (NPES) could very sensibly have formed the foundation for a PRS. The NPES had been prepared in a broad-based and participatory way, including scrutiny from parliament. The TAS process consisted of a technical sub-committee convened by the Ministry of Finance, which co-ordinated six task groups with broad participation. However, the World Bank was keen for a new and separate process to be developed.</p> <p>'...because of the urgency with which they wanted to secure HIPC relief; the Tanzanians initially acquiesced in the World Bank writing the I-PRSP for them. The TAS will survive as an instrument for managing donor involvement in implementing the PRSP'.</p> <p>Moreover, the fact that the PRSP had separate consultation processes from the TAS means that the PRSP has actually undermined the pre-existing country processes and duplicated efforts. Donors have noted that this has imposed a burden on government, undermining ownership, and delaying some activities, such as the public expenditure review (PER).</p> <p>In Tanzania, the Bank is seen as being too intrusive in the country's process—to the point that even the IMF have complained. Local Bank staff are apparently considered to be very knowledgeable about the Tanzanian context, but the perception is that they think they know best. More worryingly, after the Tanzanian cabinet approved the I-PRSP, they asked the World Bank resident representative to take it away and edit it, because 'it didn't flow'. So although there may not be 'PRSP blueprints in drawers in Washington' there appear to be final PRSP edits being done on WB desks in Dar es Salaam, which is hardly the best example of country ownership (Eurodad 2000).</p> <p>The secret negotiations dealt with key macroeconomic and structural issues. These negotiations excluded citizen's groups. Citizens that buy and sell and pay taxes were excluded from discussions about key decisions about whether or how the economy of Tanzania will be liberalized, privatized and increasingly oriented to produce exports. Policies, such as those relating to the price of money and goods, taxation options, trade liberalization, and the privatization of key state-owned enterprises were not 'on the table' for negotiation. Beyond public view, a handful of government officials negotiated the following arrangements with the IMF and the World Bank during the first half of 2000.</p> <p style="text-align: right;">(Table continues)</p>



Table 2: Ownership  
(continued)

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Country	Comments by civil society
Tanzania (con't)	<p>Donor-engineered processes, such as the CAS and the PRSP, threaten to relegate civil society to marginal roles in their own countries. The World Bank's new CAS for Tanzania includes a table which rates the relative level of involvement of the Tanzanian government, civil society, and external actors in 13 different areas, or sectors. It is astounding that this chart shows a high involvement and focus by the GOT in only two areas (the financial sector and decentralization). Tanzanian civil society is also perceived to have a high involvement and focus in only two areas (rural agriculture and education). The World Bank portrays itself as highly involved in five areas (poverty alleviation and growth; private sector development; infrastructure; education; and public sector reform). The bilateral donors are portrayed as highly focused in six areas (poverty alleviation and growth; environment; health/water; education; anti-corruption and decentralization). External actors, who have no accountability to Tanzanian citizens, are micro-managing the government of Tanzania.</p> <p>The IMF and World Bank transactions are accompanied by excessive levels of conditionality ... levels that are incompatible with the IMF's stated goal of building 'country ownership' for the reform process. For instance, there are approximately 157 policies listed in the 'Tanzania: Policy Matrix, 2000-2002,' attached to the interim poverty reduction strategy paper (PRSP) ... The policy prescriptions attached to IMF and WB programmes pressure the GOT to carry out political, economic and social reforms designated by the IMF and World Bank and acceded to by the GOT. Such excessive conditionality amounts to micromanagement of the GOT by its creditors (Globalization Challenge Initiative <i>et al.</i> 2000).</p>
Uganda	<p>That even Uganda, whose PEAP was perhaps the most sophisticated and robust poverty reduction strategy amongst low-income countries, felt obliged to come up with a separate 'PRSP' paper, rather than simply present the PEAP is perhaps the best example of the excessively normative aspects of the PRS process to date (Eurodad 2000).</p>

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Table 3  
Macroeconomic policy

Country	Extracts from PRSPs and I-PRSPs
Benin	... environment of financial stability and strong and sustainable growth ... strict budgetary policy; a prudent monetary policy ... ; and an acceleration of the structural and sectoral reforms ...
Bolivia	... preserve macroeconomic stability which, in turn, require continuity in implementation of prudent fiscal policies ... restricting fiscal expenditures ... maintaining price stability, and the exchange rate regime will also continue to be flexible to promote competitiveness in the external sector ... reduction of state participation in the economy ...
Burkina Faso	Accelerate equity-based growth ... acceleration of growth is a pre-requisite for reducing poverty. The government will therefore implement major structural reforms in order to open up the economy to the outside, lower production costs while improving factor productivity, encourage initiative and support activities to generate income and create jobs, particularly in rural areas. Maintaining a prudent budgetary policy and targeting the development of economic infrastructure and basic social services, coupled with implementation of more incentive-oriented tax policy ...
Central African Republic	... the pursuit of stronger and sustainable growth ... improving the performance of revenue collection agencies and strengthening expenditure control ... keeping inflation under control and enforcing prudent regulation of the banking system ... speed up privatization of the large public enterprises ...
Chad	... a high level of sustained economic growth ... stimulate investment ... development of the private sector ...
Ethiopia	... development of agriculture is viewed as an important vehicle for industrialization ... maintaining macroeconomic stability ... public expenditure management will be strengthened ... ... taken from the Letter of Intent 29.1.01 'promoting sustainable growth, through the implementation of further structural reforms in a context of macroeconomic stability'.
Guyana	... accelerated economic growth ... maintain a viable macroeconomic framework by implementing prudent fiscal and monetary policies ... advance the course of private sector development ... maintaining a sound macroeconomic, trade and investment framework ...
Kenya	... sustained and rapid economic growth ... economic growth that considerably outpaces population growth ... enabling environment for the private sector ... acceleration and broadening of the scope of structural reform ...

(Table continues)

Table 3: Macroeconomic policy  
(continued)

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Country	Extracts from PRSPs and I-PRSPs
Madagascar	... generate growth rates still higher ... controlling inflation ... set the basis for even more constant growth ... quickly advance the privatization programme ... controlling public deficit ... careful management of the monetary policy in order to control inflation ...
Mali	... a framework of consistent macroeconomic and sectoral policies that ensure strong and sustainable growth ... The need, while strengthening the macroeconomic and financial framework, to pursue and consolidate the adjustment measures ...
Malawi	Maintain macroeconomic stability, reduce distortions, and increase competition. Broad-based and sustainable growth will require macroeconomic stability, prudent fiscal and monetary management and a focus on priority investments.
Mauritania	... accelerating economic growth ... package of macroeconomic stabilization, deepening of structural reforms and investment programmes...
Nicaragua	... broad-based economic growth and structural reform ... private sector-driven market economy ... agricultural expansion ...
Tanzania	Overall GDP growth of 6% ... . Maintain sound macroeconomic policies and intensify implementation of reforms aimed at bolstering market efficiency, notably in agriculture and raising factor productivity.
Uganda	Economic growth must be sustainable, high quality and broadly based ... macroeconomic policy will be accompanied by a deepening of structural reforms in key areas including banking and financial systems, public utilities and the transport infrastructure, which are aimed removing key constraints to private sector growth ...
Zambia	... strong pro-poor economic growth ... Improve fiscal discipline for continued stable macroeconomic environment...

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Table 4  
Growth and inflation targets

Country	Economic growth rate (GDP) %	Rate of inflation %
Bolivia	5	
Benin	5-6	maximum 3
Burkina Faso	7	3
Central African Republic	5	2
Kenya	5 (6 in 2003, then 6-7)	maximum 5
Madagascar	6.3	
Mali	6	2.5
Malawi	6	
Mauritania	7	
Nicaragua	5.5	declining
Tanzania	5.2-6	4
Uganda	7	maximum 5
Zambia	5	single digit

Table 5  
Liberalization and external competitiveness

Country	Extracts from PRSPs and I-PRSPs
Benin	... pursue economic liberalization by deregulating prices, withdrawing from productive activities (in particular by privatizing public industrial and commercial enterprises) and opening the various sectors of the economy to competition.
Bolivia	... liberalizing market access (for gas) ...
Burkina Faso	Trade liberalization ... gradual liberalization of the sector (cotton) by encouraging the entry of new companies and greater competition. ... the economy of BF must become much more open to foreign trade and to foreign direct investment ... firm resolve to open up the economy and to pursue an ambitious export-oriented economic programme.
Central African Republic	Restructuring and liberalization of the productive sector and promotion of foreign direct investment ... Opening up of the country, both internally and to the outside world ... economic deregulation ... deregulating the transport sector ... eliminate existing controls over prices or margins, including those relating to petroleum, electricity, water, transportation and telecommunications, as the relevant companies are privatized ... fundamental reform of the cotton sector implying the government's withdrawal, discontinuation of the fixed price system, and opening of the sector to competition.
Chad	... liberalization of cotton sector ...
Ethiopia	Agriculture has to be made internationally competitive, and part of its production has to be oriented towards exports ... remove and amend regulatory impediments, which hinder private sector development ... Context of progressive integration into the global economy ... attain current account convertibility ...
Guyana	Open and expand markets for exports ...
Kenya	Assisting the private sector gain access to export markets and attract foreign investment ... rationalization of the trade regime ... harmonize, rationalize and reduce tariff structures within the region ... let markets determine interest rates and the exchange rate ... Dismantling intrusive, restrictive and outmoded laws and regulations in all productive sectors ... reviewing the power market structure to define a vision for a more competitive market ... deregulation of the petroleum market ... liberalized seeds policy... Remove in a cross-sectoral manner, constraints to private sector development ... substantially reducing regulatory and licensing requirements ... review options to liberalize, reform and/or privatize other institutions in the financial sector ... the liberalization programme of the Kenyan economy ... the rules governing foreign portfolio investments will be reviewed with a view to making them more investor friendly ...

(Table continues)

Table 5: Liberalization and external competitiveness  
(continued)

Country	Extracts from PRSPs and I-PRSPs
Madagascar	The liberalization (of) the movement of capital ... (pertaining to agriculture) an opening up of the sector to important investors to ensure an easier integration to markets ... integrative management of the water resources and the liberalization of the sector ...
Malawi	Reduce barriers to trade ... maintain the lowered levels of tariffs ... strengthen export promotion activities ...
Mauritania	State divestiture and liberalization of the banking and insurance sectors. Completing reforms related to liberalization and privatization in the telecommunications, energy and air transport sectors. Promote the openness of the country and its integration into the global economy.
Tanzania	Increased emphasis on reforms aimed at promoting export oriented expansion and diversification of pro-poor sectors with a view to enabling the poor to share increasingly in the benefits of globalization. Intensify reforms aimed a bolstering market efficiency ...
Uganda	The second key element is setting appropriate macroeconomic incentives. This involves economic openness, which encourages exports and labour-intensive investments.
Zambia	Stimulate non-mining exports, reduce/eliminate barriers to imports and continue to rationalize tariff structure. Reduce maximum import tariff rate to 20%.

Table 6  
Privatization and courting of private sector

Country	Extracts from PRSPs and I-PRSPs
Benin	Expand the role of the private sector and stimulate private investment in diversifying output ... withdrawing from productive activities (in particular by privatizing public industrial and commercial enterprises). The process of privatizing public enterprises in the telecommunications, energy and cotton sectors has already begun. ... In the textile industry, public enterprises are expected to be privatized within the next two years. In the transport sector, steps ... to place the railroad company under concession, to select a private company to manage Cotonou Airport, and to involve the private sector in managing Cotonou Autonomous Port ... cotton ... liberalizing the sector ... eliminating the monopsony of the public enterprise (SONAPRA) on the primary marketing of seed cotton ... transfer the responsibility for organizing input purchases to the private sector.
Bolivia	Promote participation of the private sector in areas previously assumed by the public sector ... limit discretionality through the transfer of a number of responsibilities from the public sector to the private sector.
Burkina Faso	A strategy that aims to make the private sector the engine of growth ... the policy directed at opening up the economy and freeing prices ... privatization of existing state interests ... the government will continue to disengage itself from production and marketing activities ... Creating a framework designed to spur private investment in the fields of infrastructure, development, production and marketing, thereby favouring private investment in the agricultural sector. Promotion of a set of incentives to encourage the formal private sector to invest more intensively in this field (livestock). Retrenchment of state monopolies in the electricity, oil and gas, water, and telecommunications sectors. Make private sector support programmes more effective.
Central African Republic	Create an institutional and regulatory environment favourable to private initiative ... promoting private sector development ... greater mobilization of foreign and domestic private investment ... speed up privatization of the large public enterprises, restructure the cotton sector ... reduction of state role in banking ...
Chad	Structural reforms planned for 2000-02 include development of the private sector. Government divestment of COTONTCHAD. Launching the call for bids for divestment.
Ethiopia	... development of the private sector ... encourage private investment ... encourage public-private sector partnership ... make the business environment and incentive structure attractive ... development of the private sector ... privatizing the second biggest bank

(Table continues)

Table 6: Privatization and courting of private sector  
(continued)

Country	Extracts from PRSPs and I-PRSPs
Guyana	Rationalization and streamlining of the public sector. Guyana's private sector remains embryonic. To ensure its rapid development and success ... government support is essential. To promote increased private sector participation in the economy, a new securities law will be implemented ... In the public sector, the goal will be the efficient delivery of services to the private sector by all government ministries and agencies. Government will continue its drive to complete its privatization programme. The three remaining public enterprises will be restructured and modernized.
Kenya	The role of the Ministry of Tourism, Trade and Industry has been fundamentally redefined ... Its mission is to 'facilitate, promote and champion' the private sector and to create a positive enabling environment for business ... the private sector will be invited to consult with and to participate along side government in global trade negotiations ... The government acknowledges that private institutions are best suited for implementing investment programmes and that the role of government needs to be limited to establishing prudential rules ... The ministry recognizes that only the private sector can create value for Kenya's economy and that its primary mission is to assure that obstacles and constraints to the process of private sector value creation are minimized ... new privatization strategy (for parastatal reform) ... divest the large infrastructure and service enterprises ... (including) the Kenya Pipeline Company ... rationalization of the sugar industry as a prelude to privatization is a priority ...
Madagascar	Quickly advance the privatization programme ... advancement of the public enterprises privatization programme... The private sector being considered as the engine of economic growth ... stimulation of national and foreign private investment ... privatization of state-run societies ...
Mali	Committed to far-reaching structural reform aimed at promoting private sector activities ... Promote the development of private investment. ... concluding the privatization initiatives currently under way, especially in the energy, telecommunications and transport sectors ... encouraging private sector involvement (in housing) ... Bank privatization will take place in two phases. The role of private sector management units will be strengthened to enhance the private sector's contribution to transformation of the economy in favour of the manufacturing sector.
Malawi	Increase efficiency and broaden ownership base by privatizing public enterprises. Promote mining by the private sector. Finalize reforms to privatize Malawi Railways. Finalize reforms to introduce private sector participation in the operation of lake transport facilities. Consolidate reforms to deregulate the air transport industry and privatize Air Malawi. Initiate work on the commercialization/privatization of some airports. Improve telecom services and reduce costs by encouraging private sector participation. Implement reforms to allow for the entry of private firms into production of electricity.

(Table continues)



Table 6: Privatization and courting of private sector  
(continued)

Country	Extracts from PRSPs and I-PRSPs
Mauritania	The structural changes in the Mauritanian economy place the private sector at the centre of economic development ... Private initiative will increasingly drive economic growth. The government's objective is to promote the development of a dynamic private sector and to make the country more competitive and attractive to private foreign investment. State divestiture and the liberalization of the productive and main infrastructure sectors are offering a considerable range of opportunities to the private sector ... the services sector which should continue to expand because of sustained and significant private investment in tourism, telecommunications and trade ... the new role assigned to the private sector ... increased investment in the energy, telecommunications and transportation sectors, flowing the privatization of these sectors ... involve the private sector in the financing of infrastructures (refers to road removal, air transport, maritime transport, oil, gas, electricity).
Nicaragua	Further moves towards a private sector driven market economy ...
Tanzania	Implement reforms that will help reduce the excessive cost of utilities (incl. electricity) to industry.
Uganda	Place greater emphasis ... on the actions which promote private sector development and therefore contribute indirectly to poverty reduction. Uganda requires a framework within which the private sector can expand. ... Constraints on private sector competitiveness need to be removed. Privatization will transfer the need for major investment expenditures on power to the private sector.
Zambia	Non-mining sectors, continue to implement accelerated privatization programme. Add utilities, transport companies and financial institutions to the portfolio of Zambia privatization or liquidate the remaining 50 commercial entities in ZPA portfolio. For public utilities ... offer for sale telecommunications company (ZAMTEL). Discontinue the government's direct involvement in retail credit operations and privatize the state-owned enterprises. Develop plans for selling Zambia National Savings and Credit Bank ... government to reduce its majority shareholding in the oil distribution company (ZNOC) ... reform and liberalize the energy (including power) sector. Commercialize the operations of the electricity company. Encourage large-scale corporate involvement in the tourism sector. Facilitate private sector activity in supply of maize and inputs.

Table 7  
Cost recovery, user fee systems and pricing policies for education, health care and water

Country	Extracts from PRSPs and I-PRSPs (author's comments in italics)
Benin	Elimination of tuition fees for rural students (p9) ( <i>implies a continuation of fees elsewhere</i> )... Introducing an appropriate pricing policy for water use (in relation to rural areas) (p9).
Burkina Faso	... encourage private sector involvement in meeting health needs (p25) ... exemption of monthly school fees paid by parents of girl students or in the twenty provinces with the lowest school enrolment (p38) ( <i>implies continuation of fees for others</i> ) ... limiting the impact of health care costs on the income of underprivileged households (p39) ... lowering the cost of preventative medicine for users ... by introducing flexible rates and subsidies (p40) ... government plans to ... clearly define the uses to be made of resources generated by cost recovery at the health district level (p41).
Chad	Increase the participation of local communities in health service operations (p4) ... Increase the participation of civil society in the provision of health care services by gradually introducing a harmonized system of minimal user fees for certain services (p9) ... (education) increase community participation ... examine and define a user cost-sharing policy, particularly at the secondary and tertiary levels (p10) ... not currently include specific measures to protect vulnerable groups (p12).
Ethiopia	A clear policy framework has also been put in place to allow the active participation of the private sector in financing and managing education (p20) ... The Ethiopian Social Rehabilitation and Development Fund's intervention is concentrated in areas like basic education, basic health, water supply ... Beneficiary communities are expected to participate not only in labour and material contributions, but also in decision making, cost sharing and overall ownership of schemes (p22).
Guyana	In the area of cost recovery, measures will be taken to free up more resources to improve the health system ... Guyana operates a reimbursable co-payment health insurance programme ... however ... rules of reimbursement are not clear and patients pay full medical costs up front... reimbursement takes an extraordinarily long time ... to reverse these constraints, reforms will be introduced ... to (i) extend its area of coverage to include the self-employed (ii) directly reimburse public hospitals and clinics for medical services; and (iii) publicly issue ratios of co-payment (p27) ( <i>will these reforms make enough difference to poor people?</i> ) ... (water and sanitation) implementing a subsidy programme to help poor households connect to the system and/or pay a portion of their monthly bill ... a major objective is to ensure the financial sustainability of the water sector (p29) ( <i>will this assistance make enough difference for poor people and how compatible is it with the sustainability objective?</i> )
Madagascar	For the water and sanitation sector ... cost recovery and rational exploitation of available resources are yet to organize (p30) ... The poor will have facilitated access to health services thanks to the setting up of pre-payment schemes for risk-sharing purposes and a solidarity mechanism for the poor as a strategy to supplement the user's financial participation (p33).

(Table continues)

Table 7: Cost recovery, user fee systems and pricing policies for education, health care and water (continued)

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Country	Extracts from PRSPs and I-PRSPs (author's comments in italics)
Mali	Significant participation by ... and users in investment for drinking water infrastructure.
Malawi	Important to introduce a greater level of cost sharing in secondary education with progressive removal of subsidies on boarding costs in secondary schools ... there is also need to remove subsidies on tertiary education (p16) ... Other initiatives in the health sector include ... introduction and strengthening of cost recovery/user fees. In this regard, all hospitals will be encouraged to establish fee-paying wards and outpatients departments services for users with the ability to pay (p18).
Mauritania	Introduce a sustainable primary health cost recovery system based on efficient sharing of costs among the community, the local governments and the state; (p33) ... Promote the cost and fee recovery system at the secondary and tertiary level (p37).
Tanzania	The government will strategically support cost-sharing, co-financing, and other initiatives aimed at catalysing deeper involvement of communities and other shareholders in well-conceived poverty reduction programmes (p22) ... Promote the participation of private sector and civil society involvement in public health services delivery (p43).
Uganda	Health care ... The pro-poor implementation of cost-recovery will require the successful identification of targeting mechanisms, perhaps geographically based (p17) ... Water and sanitation are being supported by major public interventions with communities paying a small proportion of the investment costs and being responsible for the maintenance of facilities (p17).

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Table 8  
Governance and public sector reform

Country	Extracts from PRSP or I-PRSP
Benin	... improve governance ... national anti-corruption strategy ... reforming the civil service and ... quickening the pace of decentralization ...
Bolivia	... modernize the state and fight corruption ... reform of the judicial system ... promote the participation of the private sector in areas previously assumed by the public sector ... reduce red tape and bureaucracy in public entities, limit discretionality through the transfer of a number of responsibilities from the public sector ... decentralization ... transfer political power to municipal governments ...
Burkina Faso	Redefinition of the role of the state ... Promote good governance ... accelerate reforms to strengthen democratic forums and promote the efficient management and transparency of government finance ... local governance ... combat corruption ... Refocus the role of the state on its sovereign tasks and ensure that it has the means to refine its role in the context of decentralization ... The strategy adopted by the government to reduce poverty in Burkina Faso presumes that the state will only intervene in the context of a clear definition of its powers and role as compared with those of civil society and of the private sector. Public intervention will always be guided by two major motivations: compensating for the market's shortcomings in the efficient allocation of resources and seeking social equity ... the state will play a regulatory and redistributory role ... Good governance has an economic and a political dimension ... reform of the judicial system ... decentralization ... comprehensive reform of the civil service ... better management of public finances ...
Central African Republic	Intense fight against corruption and fraud ... create an institutional and regulatory environment favourable to private initiative ... Introduce decentralized administrative and political structures, with a view to strengthening democracy, encouraging good governance and fostering wider participation ... reinforce the rule of law ... clarification of the role of the state in redistributing growth equitably, with a view to improving both the quality of expenditure and good governance policy ...
Chad	... continuing and consolidating the democratization process of political and social life ... (pertaining to health) strengthening the deconcentration/decentralization process ... (pertaining to education) increased decentralization ...
Ethiopia	... decentralization and empowerment, judiciary and civil service reform, and institutional capacity building. Judicial and civil service reform will have the effect of encouraging private sector in particular, while decentralization and empowerment will mainly encourage the smallholder farmer.

(Table continues)

Table 8: Governance and public sector reform  
(continued)

Country	Extracts from PRSP or I-PRSP
Guyana	Good governance and an improved business environment are essential for accountability, transparency and the restoration of business confidence ... In the public sector, the goal will be the efficient delivery of services to the private sector by all government ministries and agencies. In the short term, government will eliminate redundant positions and reduce vacant positions in the establishment from over 25,000 to 12,000. ... improving the rule of law ...
Kenya	Good governance is a fundamental building block of a just and economically prosperous society and therefore, is an essential component of action to reduce poverty. ... A sustained drive against corruption ... reforming the public service ... Its mandate, structure and operation are to be reshaped while productivity is raised to more effectively facilitate private sector activities and lead the battle against poverty ... The operational structure of the entire public sector will be rationalized and reduced to reflect the functions appropriate to government. ... reduced workforce ... restructuring and retrenchment ... Completion of the civil service retrenchment exercise to reduce the service by at least 48,000...In order to restore the credibility of the public service the moral of "service" to the public together with a work ethic based on honesty and endeavour will be re-established. ... not just decentralization, but devolution of powers to local levels of government ... There are strong linkages between devolution, accountable local governance and the quality of services at the local level. There will be a deliberate shift to increase the functional responsibilities of local authorities ... Government is committed to removing itself from business and commercial activities in the medium term ... To make Kenya more attractive to investors, the government will take a number of reform actions that should lead to increased transparency in and accessibility to dispensing justice and ensure the rule of law is upheld.
Mauritania	... good governance ... improvement in the government's regulatory and redistributive functions ... consolidation of decentralization ... promote true institutional development based on good governance and ... full participation ... The government's mandate has evolved considerably in Mauritania, following the profound alteration of the economic landscape resulting from the incessant structural reforms implemented since 1985 that have reduced the government's scope for intervention. This evolution has not, however, deprived the government of its strategic and exclusive role of designing policies and development strategies and of producing the standards, laws and regulations that regulate economic activity ... more far-reaching reforms of the legal and judicial framework. Consolidation of the rule of law ... strengthening of civil service capabilities ... judicial reform...
Madagascar	... reforms in the civil service ... decentralization and the devolution of power in favour of local government ... combat corruption ... fight against corruption ... reform in the civil service ...
Mali	... creating an enabling regulatory, legislative, and institutional framework; ... strengthening democracy and the rule of law; implementing the decentralization policy ... public sector restructuring and privatization ... good governance ... fight to end corruption ...

(Table continues)

Table 8: Governance and public sector reform  
(continued)

Country	Extracts from PRSP or I-PRSP
Malawi	<p>... civil service reform ... retrenchment of 20,000 temporary employees ... improve financial management and accountability ... good governance ... decentralization process ... democratic environment ... rationalizing government ministries, departments, and agencies ... improve financial management and accountability ...</p>
Tanzania	<p>... shifting the responsibility for formulating, implementing, and monitoring poverty reduction intervention by the districts, municipalities, and communities ... has started. Improve effectiveness in the delivery of public services and the overall incentive environment. A governance system that is efficiently and effectively decentralized.</p>
Zambia	<p>Improve efficiency and reduce cost of public service ...</p>
Uganda	<p>Good governance and security. The public sector's role is to intervene in areas where markets function poorly or would produce very inequitable outcomes. ... Good governance is increasingly recognized as a prerequisite to economic growth and development. ... consultations with the poor have shown that insecurity is among their most pressing concerns. The democratization of Uganda has been pursued in a context of decentralization.</p>

Table 9  
Gender

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Country	Comments by civil society
Cambodia	<p>Although the I-PRSP contains many references to gender equality and closing the gender gap, it does not have a clear policy articulation on how women can be integrated into development efforts and can contribute to poverty reduction. Moreover, although problems such as violence against women and trafficking are recognized in the I-PRSP, it does not provide concrete solutions in terms of legislation or relevant policy measures to address these problems (NGO Forum on Cambodia 2001).</p>
Malawi	<p>... studies have shown that women's unequal access to markets, e.g. for credit, and their lack of control over assets such as land and income, mean that they often cannot respond to economic signals as planners intend. For instance, a study in Malawi shows how women did not take up the new opportunities presented by the export maize market in the early 1980s, because they had little access to credit and tended to work the poorest land (Due and Gladwin 1991, quoted in Terry 2001). Such gender inequalities impede the effectiveness of Bank programmes, even on their own terms.</p>
Tanzania	<p>On the whole, the final PRSP document does not demonstrate any gender perspectives and civil society inputs in a meaningful way (Tanzania Gender Networking Project).</p>
Uganda	<p>However, while making references to women, the plan has a very weak gender analysis. Plans do not in themselves overcome existing biases in government policy and practice. For example, in agriculture, plans for improved extension service make no reference to gender, yet there are major problems with extension workers targeting male farmers or groups, and ignoring women. The foundation of a PRSP is the sectoral plan. Government should undertake proper analysis to understand female and male perspectives on current service delivery and other government action, and then ensure that policy design and practice is improved in sectoral plans (Burdon 2000).</p>

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Table 10  
 Countries citing sector as a major growth hope  
 (where these are specified in the text)

Mining	Tourism	Cotton
Bolivia	Burkina Faso	Benin
Burkina Faso	Central African Republic	Burkina Faso
Central African Republic	Guyana	Chad
Guyana	Kenya	Kenya
Madagascar	Madagascar	Mali
Mali	Malawi	Malawi
Malawi	Mauritania	
Mauritania	Uganda	
	Zambia	



## ANNEX II

### PRSP timetable

Countries implementing a full PRSP:	
Uganda	from March 2000
Burkina Faso	from May 2000
Tanzania	from November 2000
Mauritania	from December 2000
Bolivia	from February 2001
Countries preparing a full PRSP, having already reached decision point:	
Benin	for March 2001
Cameroon	for 4 <sup>th</sup> quarter 2001
Guinea	for 4 <sup>th</sup> quarter 2001
Guinea Bissau	for 4 <sup>th</sup> quarter 2001
Guyana	for May 2001
Honduras	for March 2001
Madagascar	for 4 <sup>th</sup> quarter 2001
Malawi	for 4 <sup>th</sup> quarter 2001
Mali	for June 2001
Mozambique	for March 2001
Nicaragua	for March 2001
Niger	for 4 <sup>th</sup> quarter 2001
Rwanda	for 3 <sup>rd</sup> quarter 2001
Sao Tome and Principe	for 4 <sup>th</sup> quarter 2001
Senegal	for November 2001
Zambia	for 2 <sup>nd</sup> quarter 2001
Countries, which have not yet reached decision point:	
Angola	I-PRSP for 2 <sup>nd</sup> quarter 2001
Burundi	I-PRSP for 4 <sup>th</sup> quarter 2001
Central African Republic	I-PRSP for 3 <sup>rd</sup> quarter 2001
Chad	PRSP for June 2001
DR Congo	no PRSP process
Rep Congo	I-PRSP for 4 <sup>th</sup> quarter 2001
Côte d'Ivoire	I-PRSP for 2 <sup>nd</sup> quarter 2001
Ethiopia	I-PRSP for 1 <sup>st</sup> quarter 2001
Ghana	PRSP for April 2001
Kenya	PRSP for May 2001
Lao PDR	I-PRSP for 1 <sup>st</sup> quarter 2001
Liberia	no PRSP process
Burma	no PRSP process
Sierra Leone	I-PRSP for 1 <sup>st</sup> quarter 2001
Somalia	no PRSP process
Sudan	no PRSP process
Togo	I-PRSP for 2 <sup>nd</sup> quarter 2001
Vietnam	I-PRSP for 1 <sup>st</sup> quarter 2001
Yemen	no information on PRSP process

Source: HIPC Debt Strategy, Newsletter Issue 7, 1<sup>st</sup> quarter 2001, Debt Relief International (taken from DRI and IMF documents).

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