

Poverty Reduction Strategy Papers: A Preliminary Analysis of the Process and Outputs



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Poverty Reduction Strategy Papers: A Preliminary Analysis of the Process and Outputs

by

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EXECUTIVE SUMMARY

In 1999, the World Bank and IMF initiated the Poverty Reduction Strategy Paper (PRSP) process. Initially a mechanism to guide resources freed by debt relief through the Heavily Indebted Poor Countries Initiative, PRSPs have become the basis for World Bank and IMF concessional loans and are increasingly seen as the main development policy document of the countries involved. Indeed, the World Bank and IMF promote PRSPs as a mechanism to improve donor coordination and focus their resources on achieving meaningful results in reducing poverty. PRSPs have the potential to improve previous strategy formulation processes and outputs, mainly because of their use of participatory approaches. Participation of a broad spectrum of civil society, including the poor, should increase country ownership of the resulting strategies and lead to better priority setting, decision making, and poverty reduction policies. Participation also can place greater responsibility and accountability in the hands of the government.

Sixty-four countries currently participate or actively plan to participate in the PRSP process. Since March 2000, 21 countries have completed PRSPs, and another 28 have completed interim PRSPs. Most PRSPs (13 of the 21) and interim PRSPs (16 of 28) were prepared by African countries. Only two countries in Asia and two in Latin America have produced PRSPs.

This desk review consulted a variety of sources, including most importantly the recent World Bank/IMF internal review of the PRSP process and a number of the many analyses by external critics of the process. It also consulted country-produced PRSP documents and sought input from field-level participants and observers of the PRSP process.

Findings

This review begins with an overview of the PRSP process and the findings of a recent World Bank/IMF-led review of it. In their review, the World Bank and IMF judge that in general PRSPs are achieving their objectives and gaining widespread acceptance, as indicated by the growing participation of both low-income countries and other donors. They report that the process is helping promote broader national dialogue on poverty reduction policies and interventions, better decision making by national authorities, and more effective use of public resources to fight poverty. At the same time, the World Bank and IMF recognize that PRSPs are a major challenge for the countries involved. The technical requirements are high, and requirements for broad participation call for new skills and great patience. Difficulties in conquering these and other challenges have forced the World Bank, IMF, and countries involved to lower their expectations for the quality of the process and the outcome of initial PRSP activities.

Many participants and observers have heavily criticized the PRSP process since its inception. They believe that PRSPs fall far short of the high expectations raised by the World Bank and IMF in 1999, that their content represents nothing new, and that they are simply a cover for

standard economic targets and structural adjustment conditions. The strongest critics argue that PRSPs do not address the real needs of the poor and will have at best a marginal impact on poverty. According to its critics, the main failings of the PRSP process include:

- *Stakeholder participation is well short of expectations.* Meaningful participation of a broad spectrum of society has not occurred in most cases, leading to criticism that participation is sought only to legitimize already formulated plans.
- *Countries involved are not gaining greater ownership of the process and resulting policy packages.* Heavy World Bank/IMF involvement throughout the process—including veto power over final documents—leaves them with an excessive degree of control and influence over country policy and strategy choices.
- *Policy content is mainly unchanged from the failed and impoverishing structural adjustment policies of previous strategies.* Underlying this source of disagreement is the near absolute faith PRSPs appear to place on growth as the engine of poverty reduction.
- *Governments and civil society organizations lack the human and financial resources to adequately formulate and implement PRSPs.* Proper implementation of the PRSP process requires many types of skills that are beyond the reach of most countries. Donors provide some but not enough and not the right type of assistance to facilitate meaningful participation and effective implementation.

Despite its failings, the PRSP approach has the potential to assist countries in formulating and implementing appropriate policies to reduce poverty. Its core principles are well suited to the development and implementation of appropriate and effective poverty reduction strategies. The practice of the PRSP approach appears to have led to some tentative improvements, including more specific targeting of poverty reduction in national strategies and budgets, increased government awareness of the complexities of poverty, and improved dialogue between policy makers and civil society.

Recognizing that it is difficult at this time to demonstrate conclusively the impact—potential or otherwise—of PRSPs on poverty reduction strategies and outcomes, this review suggests that on balance the PRSP approach can add value to the *decision-making process* by which countries formulate national strategies and to a *transformation of policy environments* into something more friendly and responsive to the poor and thus more effective in reducing poverty. It is important to keep in mind, however, that evidence to support this conclusion is decidedly mixed and that much needs to be done to improve the PRSP process and consolidate its achievements so far.

Specifically, the World Bank, IMF, and the countries involved must address five interrelated challenges for the PRSP approach to achieve its potential:

- *The basic framework of the PRSP approach must be improved.* Most importantly, adjustments are needed to close the gap between expectations raised by the PRSP process

vis-à-vis country ownership of poverty reduction strategies and the realities of the ongoing relationship between the World Bank/IMF and participating countries.

- *Formulation of PRSPs—i.e., implementation of the approach—must be improved.* A critical issue is the short time frame typically allocated for the production of PRSP documents. Factors that motivate their quick development must be removed and quality of design given priority over meeting arbitrary deadlines. Furthermore, participation must be broadened and made more meaningful.
- *Countries must improve their technical capacity to determine the correct steps to reduce poverty.* Governments and civil society need to improve their capacity to work together and conduct the many required tasks called for by the PRSP process.
- *Countries and donor agencies must ensure that governments have the administrative capacity to operationalize the poverty reduction strategies.* PRSPs place new responsibilities on ministries that typically lack the technical and operational expertise required. They also correctly call for civil society organizations to take on major responsibilities in monitoring implementation of the strategy even though they often lack the skills and experience to do so.
- *Finally, PRSPs, like all programs that call for policy and budgetary reform, face severe political challenges.* Powerful figures who are opposed to changes envisaged by PRSPs should not be allowed to derail implementation of the strategy. As the PRSP process is improved and final policies and strategies become more sound, implementing reforms that confront vested interests will be a great challenge that cannot be finessed or side-stepped.

In addition to its potential to assist efforts to reduce poverty, the PRSP process also represents fertile ground for the investigation of how we might formulate and put pro-poor policies into practice. As the Pro-Poor Economic Growth Research Studies Activity moves forward, it will be important to continue to learn from the PRSP process. The PRSP approach might illuminate, for example, how best to sequence the policy and implementation decision-making processes. We also can learn from an investigation of any gaps between policy packages recommended by the PRSPs and this research project. In addition, PRSP implementation experience can provide useful lessons on how to improve monitoring and evaluation systems that track the progress of poverty reduction efforts.

INTRODUCTION

The World Bank and the International Monetary Fund (WB/IMF) initiated the Poverty Reduction Strategy Paper (PRSP) process in 1999 as an integral part of the debt relief process. They promised debt relief to highly indebted, poor countries in exchange for government commitment to spending the resulting savings on social development programs, particularly on health and education programs. The WB/IMF further agreed that these poverty reduction strategies would henceforth provide the basis for all concessional loans and that the PRSP would represent the practical plans associated with their Comprehensive Development Framework. Several donor countries have adopted PRSPs as a framework for their development cooperation. PRSPs are relevant to more than 70 low-income countries, and 49 countries have completed either a PRSP or an interim PRSP (I-PRSP) (see Appendix 1).

The PRSP approach aims to improve country ownership of poverty reduction strategies, in great part to be accomplished through a widening of the representation of civil society in the design of such strategies. Participation of civil society should not only broaden and deepen country ownership of the outcome but also help mainstream discussion and formulation of pro-poor policies. Participation also places responsibility for implementation and accountability for progress firmly in the hands of the government. The WB/IMF promote PRSPs as a mechanism to improve coordination among development partners and as a process that will focus the analytical, advisory, and financial resources of the international community on achieving results in reducing poverty (International Development Association and IMF 2002b; World Bank and IMF 2000b).

To fulfill these objectives, it is critical for governments and relevant civil society organizations (CSOs) involved to work closely in the formulation of PRSPs. They should cooperate to analyze and describe the conditions of the poor, where they live, and obstacles to poverty reduction and growth. On the basis of an enriched understanding of local poverty issues and challenges, PRSPs call for government and civil society to discuss and formulate poverty reduction goals, policies, and strategies within the context of the country's national budget. Perhaps most importantly, PRSPs also call on governments and civil society to formalize methods for monitoring the impact of poverty reduction interventions. The final PRSP document describes a country's three-year social and economic policies and programs, along with its plans to implement and monitor these programs.

Recent reviews by the WB/IMF find that the PRSP process has been successful in achieving, at least in part, its objectives. They judge that the PRSP approach has facilitated an increased sense of ownership of poverty reduction strategies and policies among most governments involved. The approach has been successful in encouraging a more open dialogue between governments and civil society and has moved poverty reduction to a more prominent place in national policy debates. Finally, the WB/IMF find that the approach has gained acceptance by the donor community as a mechanism that strengthens partnerships with countries and improves donor coordination (International Development Association and IMF 2002c).

Contrary to the findings of this WB/IMF-led review, critics argue that experience to date suggests that PRSPs are falling well short of their objectives. Critics charge that PRSPs do not represent fundamental changes in the approach of the WB/IMF in their relationship with partner countries. Many participants argue that the focus remains on growth projections and on achievement of the highest possible economic growth. Achieving the goal of ownership of the strategies is problematic given (1) the heavy WB/IMF involvement in developing PRSPs and (2) Bank Fund boards jointly assess and approve PRSPs. The depth and breadth of participation are very uneven, and many observers state that consultation, rather than participation, describes the input of civil society. Finally, most PRSPs describe strategies and policies strikingly similar to those prescribed in pre-PRSP documents. That is, the PRSP approach is—despite rhetoric to the contrary—“business as usual.”

This document comprises four sections. The first describes the PRSP process, including its objectives, rationale, and content. It discusses the present status and recent experiences in participating countries with the PRSP process and comments on pro-poor growth aspects of PRSPs.

The second section focuses on implementation issues and criticisms of the PRSP approach. It explores issues related to stakeholder participation in the design and ownership of poverty reduction policies and strategies, as well as the potential impact of these on the poor. The section also discusses macroeconomic policies resulting from the PRSP process, as well as resource constraints on the development of PRSPs.

The third section discusses the potential for PRSPs to achieve sustainable poverty reduction through pro-poor growth and the challenges they face in achieving this potential.

The final section comments briefly on how the Pro-Poor Economic Growth Research Studies Activity might continue to learn from the PRSP process and how its outputs might support or be promoted through this process.

POVERTY REDUCTION STRATEGY PAPERS

Background and Objectives

In response to growing empirical evidence and criticism in the late 1990s that their policy prescriptions were failing—particularly the IMF’s structural adjustment programs that were linked to increasing poverty and inequality in many countries—the WB/IMF moved to place new emphasis on poverty reduction. At the same time, increasing levels of debt in poor countries had become a major issue of concern, resulting in widespread support for the Jubilee 2000 anti-debt campaign. Jubilee 2000 called for a cancellation of debts owed by poor countries and for the governments involved to use the resources released by this to eradicate poverty.

In 1996, public pressure and internal debate had resulted in the WB/IMF launch of the Heavily Indebted Poor Countries (HIPC) Initiative to bring participating countries' debt burdens to sustainable levels. Following several years of slow progress, renewed public pressure to reduce the debt of poor countries more quickly and calls to ensure that governments used funds freed through debt relief to fight poverty led the WB/IMF to expand HIPC to allow for quicker and more significant debt relief to more countries (sometimes referred to as HIPC 2). The expanded program also provided a clearer link between debt relief and poverty reduction, embodied in a poverty reduction strategy that governments were required to write in exchange for debt forgiveness. The WB/IMF also agreed that these country-owned strategies should be the basis for their future concessional lending. A PRSP, prepared by the government with the participation of civil society, was the document that would describe this strategy. The fundamental principles underlying the strategy include that it be country driven, comprehensive, long term, and results oriented.

The formal objectives of the PRSP are to:

- Strengthen country ownership of poverty reduction strategies;
- Broaden representation of civil society—particularly of the poor—in the design of these strategies;
- Improve coordination among development partners; and
- Focus the international community's analytical, advisory, and financial resources on achieving results in reducing poverty (World Bank 2000a).

The WB/IMF promote PRSPs as a mechanism to ensure that the needs of the poor are included in policy debates and to focus governments on achieving real results in reducing poverty and inequality. Well-designed poverty reduction strategies would allow countries to become “master[s] of their own development” and provide them “a clearly articulated vision for their future and a systematic plan to achieve their goals” (World Bank and IMF 2000b).

The poor would benefit from a process that focused on understanding the nature of poverty and on the design of policies and programs to address the complex causes of poverty and inequality. The PRSPs would not only describe public policies and actions but also identify indicators of progress in reducing poverty, increasing the well-being of the poor, and decreasing their vulnerability to risk.

Development Assistance and PRSPs

WB/IMF endorsement of a PRSP facilitates country access to:

- *Debt relief* under the Heavily Indebted Poor Countries Initiative;
- *International Development Association* long-term low-interest loans for adjustment and projects (through links with the World Bank Country Assistance Strategy);
- *IMF Poverty Reduction and Growth Facility* loans; and
- *World Bank Poverty Reduction Support Credits* for the implementation of poverty reduction strategies.

In addition, other donors are aligning their programs with PRSPs. As a result, countries without an endorsed PRSP can find themselves cut off from international aid.

Source: Malaluan and Guttal 2002; Warnock 2002

The PRSP Process

The PRSP process typically begins with the formulation of an interim PRSP, or a “road map” to developing a full PRSP. The I-PRSP is meant to be a short document that describes the current poverty situation, policies, and programs and lays out a plan for preparing a full PRSP, including requirements for external assistance. Government officials, advised by WB/IMF staff (or consultants), draft these documents with little consultation with civil society (by design and because of the short time frame allocated for their formulation). In-country WB/IMF staff assess the content of the I-PRSP and provide recommendations for endorsement of the plan to the executive boards of the WB/IMF.¹ Upon endorsement, known as the “decision point,”² a country receives interim debt relief and continued WB/IMF assistance, and initiates actions to formulate a full PRSP (Warnock 2002).

Formulation of the full PRSP is a complex process involving several steps. First, governments and CSOs should together assess and describe the nature of poverty—who are the poor, where do they live, and what are the obstacles to poverty reduction and growth. With an enriched understanding of poverty, the government and civil society identify medium- and long-term poverty reduction goals and then design policies and a strategy for achieving them. Finally, governments and CSOs are to develop a comprehensive framework and operational strategy for monitoring progress toward stated goals and objectives. The WB/IMF view participation of civil society throughout the process as critical to its success and ownership of the poverty reduction strategy; this participation is what differentiates a PRSP from an I-PRSP. A broad spectrum of society should participate in the analysis of poverty issues, formulation of policies and strategies, and future monitoring and implementation.

PRSP Principles

As stated by the WB/IMF, five principles ground the development and implementation of poverty reduction strategies. The strategies should be:

- Country driven—involving broad-based participation by civil society and the private sector in all operational steps;
- Results oriented—focusing on outcomes that would benefit the poor;
- Comprehensive in recognizing the multidimensional nature of poverty;
- Partnership oriented—involving coordinated participation of development partners (bilateral, multilateral, and nongovernmental); and
- Based on a long-term perspective for poverty reduction.

Source: http://www.worldbank.org/poverty/strategies/overview.htm#core_principles

Upon approval by government authorities, in-country WB/IMF staff assess the content of the I-PRSP and provide recommendations for endorsement of the plan to the executive boards of the WB/IMF. Upon endorsement, national, local, and private and public sector organizations and authorities implement the PRSP. A “completion point” is reached after about one year of successful implementation; at this stage, the agreed amount of debt under HIPC is cancelled (Warnock 2002). Governments review their progress and update their PRSPs every three years.

¹ See the assessment guidelines at <http://poverty.worldbank.org/files/jsa%20guidelines.pdf>.

² In cases where there is no I-PRSP, endorsement of the PRSP is the “decision point.” For more information on the steps to debt relief, see <http://www.worldbank.org/hipc/about/FLOWCHRT4.pdf>.

Present Status

Sixty-four countries currently participate or actively plan to participate in the PRSP process. Since March 2000, when Uganda completed the first full PRSP, 20 countries have formulated PRSPs, and another 29 have completed I-PRSPs (46 I-PRSPs have been produced, including those by countries that have since formulated PRSPs). Most PRSPs (12 of the 20) and I-PRSPs (17 of 29) were prepared by African countries. Only two countries in Asia and two in Latin America have produced PRSPs. Appendix 1 presents a complete list of countries currently participating in the PRSP process.

The WB/IMF view the growing participation of countries in the PRSP process as an indicator of widespread acceptance of the approach. They report that this process is being adopted by many countries and that it has helped promote broader national dialogue on poverty reduction policies and interventions. They also state that PRSPs are leading to “better informed decision making and more effective use of public resources” (through the process of “learning by doing”) and that many donor countries support the PRSP approach (International Development Association and IMF 2002c).³

At the same time, the WB/IMF recognize that the formulation of PRSPs is a major challenge for low-income countries. The technical requirements for data collection and analysis, policy analysis, impact assessment, and monitoring systems are beyond the capability of most countries involved. Furthermore, participation between government and civil society is a decidedly new approach for most of these countries, and field experience suggests that meaningful participation, in most cases, has not been achieved. A recent WB/IMF assessment of PRSPs highlights seven themes of concern:

- Governance and accountability—the strength and permanence of participatory processes, and management of public expenditures;
- Poverty data and analysis, and target setting;
- Priority setting regarding policy action and allocation of public resources;
- Integration into other decision-making processes;
- Alignment of donor programs and processes;
- Balance between speed and quality; and
- Monitoring effectiveness (International Development Association and IMF 2002c).

³ The review does not state precisely *how* decision making or public resource use has improved, nor does it provide evidence to support this claim.

Field experience so far has forced the WB/IMF to lower their expectations for the quality of the process and outcome of initial PRSP activities. The WB/IMF review discusses a wide range of best practices that they report are now in use and that they hope will become more widespread (International Development Association and IMF 2002a, 2002c).

PRSPs and Pro-Poor Growth

Pro-poor economic growth is perhaps the central element of PRSPs. The emphasis on economic growth is clear in the *PRSP Sourcebook*, in which the WB/IMF state that “economic growth is the single most important factor influencing poverty” and “economic growth is the engine of poverty reduction” (World Bank and IMF 2002b). Growth targets are key indicators of both short- and long-term progress in all PRSPs.

Nonetheless, the WB/IMF recognize that because the wealthy tend to benefit more from growth than the poor, they encourage countries to include in their PRSPs policies and strategies to ensure that the poor benefit. This is an important function of PRSPs: they should identify and describe operational strategies for a comprehensive set of microeconomic, structural, and social policies that lead to sustainable and measurable poverty reduction. In this way, PRSPs become a mechanism to mainstream pro-poor policies in an accountable way.

This also points to a considerable challenge facing PRSPs: re-orienting government policies (and WB/IMF loans) to poverty reduction and making governments more accountable for achieving measurable progress in reducing poverty. A WB/IMF review of progress in implementing PRSPs notes that early PRSP documents contained overly optimistic predictions for economic growth and limited discussion of policies to obtain such growth and to make it pro-poor. There was also little discussion of the relationships between policy choice and poverty reduction goals. The review also states that PRSP documents did not describe alternative policies in case of (or plans to deal with) macroeconomic shocks. They attribute these shortcomings to institutional constraints and low analytic and technical capacity in the countries involved. They also indicate that more needs to be done to “improve understanding of the policies that support pro-poor growth” (World Bank and IMF 2002a).⁴

The WB/IMF plan to address these and other shortcomings in future PRSPs through capacity building of government officials and CSO representatives, improved consultative assistance during PRSP formulation, and increased monitoring of the PRSP process. Moreover, WB/IMF staff will be instructed to increase efforts to help participating countries identify policy measures needed to raise growth rates to desired levels and expand strategies to include measures to deal with exogenous shocks (World Bank and IMF 2002a).

⁴ The World Bank recently initiated a research project on pro-poor growth that seeks to clarify the meaning of pro-poor growth and how we measure it, and to understand why some growth processes are more pro-poor than others. For more information, see <http://econ.worldbank.org/programs/poverty/topic/2543>.

IMPLEMENTATION ISSUES

The PRSP approach has come under heavy criticism almost since its inception. Numerous CSOs in both the north and the south believe that PRSPs are simply a cover for standard economic targets and structural adjustment conditions and that they do not address the real needs of the poor. They argue that PRSPs produced so far fall far short of the high expectations raised by the WB/IMF in 1999. Others claim that PRSPs represent a formality that governments must produce if they want to get concessional loans and maintain relations with the WB/IMF.

Many documents produced by CSOs and donor agencies are available that provide useful commentary on the PRSP approach and offer recommendations to improve the process.⁵ This document cites many of them. PRSP experiences in developing countries highlight several critical issues, discussed in the remainder of this section. These are stakeholder participation, ownership, macroeconomic content, and resources for developing PRSPs.

Stakeholder Participation

The WB/IMF promote the participation of a broad cross-section of civil society by making it a central element of the approach and review process—this makes the PRSP approach innovative and gives it the potential to reorient development planning and resource allocation in participating countries (World Bank and IMF 2000b). Through the PRSP approach, the WB/IMF advocate for the participation of the poor in poverty assessment, priority setting, and monitoring of government interventions. These elements of the PRSP process have been widely welcomed by the nongovernmental organization (NGO) community and many donor governments.⁶

Although there have been positive experiences, critics highlight the lack of meaningful participation in most PRSPs completed to date. Many failings derive from a lack of consensus (or direction from the WB/IMF) regarding what constitutes participation.⁷ Too often, participation takes the form of consultation—government officials *informing* civil society about policies under formulation. The views of the poor are not actively sought or used in the policy-making process. There is no real debate regarding priorities, policy-options, and implementation mechanisms, and recommendations by CSOs seem rarely to make their way into final PRSP documents (Christian Aid 2001; Grusky 2000). In addition, civil society is too often narrowly defined to imply just NGOs (and usually only those that are large and have significant financial resources), thereby excluding representatives of other sectors of civil society. Community leaders, rural poor people, and women tend to be left out

⁵ The World Bank provides a good starting point for investigating non-WB/IMF insights regarding the PRSP approach. See <http://www.worldbank.org/poverty/strategies/review/extrev.htm#NorthernNGO>.

⁶ See McGee, Levene, and Hughes (2002) for an excellent external assessment of participation in PRSPs. The World Bank also has conducted an insightful assessment of participation in PRSPs (World Bank 2002).

⁷ Indeed, in countries such as Vietnam and Cambodia, even the term “civil society” is relatively new and therefore unfamiliar to most.

of the process. Somewhat surprisingly, private sector business associations are usually also left out despite their obvious potential to generate jobs and boost growth (CIDA 2001). In addition, participation as it relates to the formulation of PRSPs has been observed by many as merely a way to legitimize or “rubber stamp” an already formulated plan (Jubilee South et al. 2002). It is seen by others as something that takes place only at the beginning of the process, when it should continue throughout policy design and implementation (Oxfam International 2000).

Critics also point to shortcomings in the inclusiveness of participation in the preparation of PRSPs. Government-initiated participation tends to result in meetings with selected CSOs (often located in the capital of the country and represented by men) where government intentions are outlined for approval (World Vision 2002). In the countryside, participation is too often limited to village meetings where, again, government plans and intentions are outlined and local groups are subtly co-opted (Jubilee South et al. 2002). The fact that discussions with the poor and their organizations are typically carried out in the language of the policy-making elite (and that PRSP documents are too often written first in a foreign language) further excludes them from the process.

Washington, D.C.-based time constraints constitute another obstacle to full and meaningful participation. This is closely related to timetables for debt cancellation and the pressures facing governments to produce PRSPs so that they can be forgiven debt or receive concessional loans (and catch up with other participating countries). A short time frame implies little time for, among other things, the dissemination of information to civil society, analysis and discussion of this information by civil society, and participation by civil society in all steps of the process. It therefore reduces the breadth and role of civil society in formulating the poverty reduction strategy. A flexible time frame is necessary to allow participation to take its own dynamic course (which local circumstances, history, and so on will define). Deadlines that apply to the production of PRSPs should be those of the governments involved, not those imposed by the WB/IMF.

Several NGOs describe the implications of time constraints on participation, including ActionAid, which reported with respect to programs in Haiti, Kenya, Malawi, Nepal, Uganda, and Vietnam:

a lack of adequate prior notice regarding meetings and consultations. Many were informed only 2 or 3 days in advance, and in the case of Nepal, a 24 hour notice was

Language as a Barrier to Participation

“All drafts of the Interim PRSP (IPRSP) up to the eighth and final draft were written in English. A Khmer translation of the final draft prepared for the Council of Ministers had not yet been released to NGOs. ‘This raises serious questions about country ownership of the IPRSP. 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 [Russell] 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.’ ”

Source: Bretton Woods Project 2001

given on one occasion. . . . [These] country programs felt such last minute notification prevented them from preparing adequately for PRS consultations; lengthy reports and documents could not be commented upon and the views of community partners could not be sought (ActionAid 2002).

Despite these shortcomings, the PRSP approach has opened the door to government-civil society engagement in national discussions of the causes and consequences of poverty and poverty-reducing policies and left both parties better able to work with each other in the future. Experience in several countries, including Bolivia, Kenya, and Tanzania, suggests a growing awareness by governments that participation might enhance country planning processes and generate benefits beyond satisfying donors (McGee, Levene, and Hughes 2002).

Participation in PRSPs also is leading, albeit in a small way so far, to a broadening of the policy-making community. CSOs are increasing their skills, gaining legitimacy, and finding a voice in national policy dialogue. McGee et al. note that in some instances, CSOs have initiated parallel processes in which a broader spectrum of civil society takes part. They channel the outputs of these processes into official deliberations through media campaigns, lobbying efforts, and contacts with sympathetic officials (McGee, Levene, and Hughes 2002). As long as countries can alter initial policies, subsequent PRSPs will benefit from lessons learned about how to participate, make collective decisions, and take collective action.

Ownership

An objective of PRSPs is that they strengthen country ownership of poverty reduction strategies. As stated by the WB/IMF, “country ownership of the goals, strategy, and direction of development and poverty reduction—ownership that is shared by representative segments of society—is critical for sustainable development” (World Bank and IMF 2000b). Present practice leaves the achievement of this objective in serious doubt.

WB/IMF guidelines instruct staff to provide close assistance to governments preparing PRSPs. Staff are to develop “a shared frame of reference for informed dialogue on the country’s key impediments to faster growth and poverty reduction and the policy options for tackling them” and help country teams “understand the specific conditions in which the PRSP is to be undertaken in each country” (World Bank 2000b). Too many of these advisors do not have the expertise and experience required including, for example, flexibility in thinking and skills in participatory development, to assist governments involved in the development of PRSPs. They inevitably bring their own perspectives and biases, which frame discussions among governments, civil society, and donors (UNDP 2001).⁸ Furthermore, advisors funded by donors typically report to those agencies, rather than to the government involved—a situation that further undermines country ownership.

⁸ When combined with the poor skills of officials in the countries involved, these guidelines make it easy for the WB/IMF to fall into a situation where they might use (perhaps unintentionally) PRSPs as a teaching device for their favored policies and prescriptions.

The result is that the WB/IMF continue to exert an excessive degree of direct control and influence over the development of country poverty reduction policy and strategy choices. ActionAid noted this to be the case in all seven countries where it analyzed the PRSP process (ActionAid 2002). In most participating countries, the WB/IMF have such great control over the policy environment that the possibility for new, innovative approaches from other sources is limited (Jubilee South et al. 2002). The experience of Cambodia, described below, illustrates the control that the World Bank retains over the policy-making environment.

When the World Bank initiated the PRSP process in Cambodia, the government was in the process of formulating its Second Socio-Economic Development Plan (SEDP II). It seemed clear to the Cambodian government that it should use the SEDP II process and timetable to formulate the I-PRSP. The World Bank disagreed, stating that the SEDP II process did not pass World Bank criteria of participation, ownership, and quality. It also claimed that the Ministry of Planning, responsible for the development of the SEDP II, was unable to take on this role as it lacked capacity (Malaluan and Guttal 2002).⁹ It therefore insisted on a separate process, managed by the Ministry of Finance. The Government of Cambodia appealed to the donor community, which decided to support the World Bank. The WB/IMF and the Cambodian government eventually compromised, and the government revised its timetable and based its I-PRSP on a revised version of the SEDP II. In the end, the same consultant produced the first drafts of both the SEDP II and I-PRSP. Given these events, it is hard to imagine that the Government of Cambodia—or the Cambodian people—could feel any sense of ownership of its PRSP (World Vision 2002).

Another serious problem concerns the approval process of PRSPs. Although promoting PRSPs as country-driven, the WB/IMF nonetheless state that their staff will “assess” I-PRSPs and that their boards will “endorse” (i.e., approve) PRSPs. This message is confusing and leaves countries wondering what degree of freedom they have in developing their strategies.¹⁰ Because PRSPs are a condition for debt relief and concessional loans, it also implies that the WB/IMF can withhold lending and (through this) encourage other donors to do the same. The implication is that they retain veto power over national poverty reduction and development

Critical Issues Missing from Many PRSPs

- Land ownership and reform—no serious discussion of redistribution;
- Labor laws—minimum wages, safety, and employment standards;
- Gender—typically mentioned, but little discussion of the consequences of gender inequality and associated policies;
- Vulnerable groups—no strategies mention children’s rights; few mention orphans, people with disabilities, or refugees;
- Export competition—talk of promoting growth in high-potential areas, but no forecast of external market opportunities;
- Political context—internal political situation not considered an influential variable; and
- Contingency plans—no alternative plans in case of natural disaster, political upheaval, or lack of adequate financial or human resources.

Source: Marshall and Woodroffe 2001

⁹ In addition, Malaluan and Guttal note that “a more important concern for the World Bank (which the Bank did not admit to) appeared to be that the SEDP II was being formulated with the financial and technical support of another multilateral agency, namely the Asian Development Bank. Further, as the country’s medium term plan, the SEDP II must be passed by the National Assembly and once passed, the RCG is bound by its Constitution to honour it” (Malaluan and Guttal 2002).

¹⁰ One might guess that the WB/IMF assume that these parameters are adequately described to country officials in “consultations” prior to PRSP start-up and in the 1,000-page *PRSP Sourcebook* made available to all countries (see <http://www.worldbank.org/poverty/strategies/souretoc.htm>).

strategies and policies (Oxfam International 2000). In this situation, it is hardly surprising that countries would want to produce documents that they believe will be acceptable to the WB/IMF. As local NGO and private sector representatives in Uganda state, “the government owns the reform program but the program is based on IMF-World Bank conditionality rather than local participation. The government adapts to the donors’ priorities and there are still significant policy conditions” (Devarajan, Dollar, and Holmgren 2001).

Clarification is required over the role of the WB/IMF in the PRSP process and over the degree of freedom countries have in designing their strategies—and more importantly, the severe power imbalance between donors and developing countries must be addressed—before country ownership of poverty reduction and development strategies can be assured (see discussion below).

Macroeconomic Policies, Economic Growth, and Poverty Reduction

Most PRSPs and I-PRSPs emphasize economic growth as the central mechanism to reduce poverty (Marcus and Wilkinson 2002; Marshall and Woodroffe 2001). They typically contain predictions for annual growth and describe a range of policies and strategies to achieve these levels of growth. Liberalizing trade, finance, and labor laws and markets and attracting foreign investment are commonly planned actions.¹¹

Some critics claim that PRSPs are merely failed Structural Adjustment Policies by another name and that WB/IMF prescriptions remain dominant. They note that the PRSP approach, despite rhetoric to the contrary, encourages governments and civil society to discuss poverty and social programs, but not issues related to macroeconomic and structural adjustment policies. A study of the experience of PRSP development finds that “there is broad consensus among our civil society sources in Ghana, Malawi, Mozambique, Tanzania, Zambia and Bolivia that NGOs and their coalitions have been totally unable to influence macroeconomic policy or even engage governments in dialogue about it” (McGee, Levene, and Hughes 2002).¹²

The German NGO Brot für die Welt reported that NGOs in Mozambique and Nicaragua stated that PRSP structural adjustment measures were unchanged from former policies and that poverty reduction strategies gave macroeconomic stabilization priority over pro-poor policies. It also reported that the Honduran NGO Interforos left PRSP negotiations because of contradictions it saw between the policies and goals of poverty reduction—it was informed by the government that “the Fund’s position with regard to macroeconomic policies was not negotiable” (Knoke and Morazan 2002).

¹¹ This is not surprising since evidence suggests that macroeconomic and structural adjustment policies are the primary standard by which the WB/IMF judge PRSPs (Abugre 2001).

¹² McGee et al. do not discuss *how* NGOs tried to influence policy discussion, leaving the reader to wonder how seriously to take such complaints. Although some CSOs will probably always be dissatisfied, we can probably assume that most such complaints are well founded based on the frequency with which they are made.

Broad participation in the development of PRSPs has resulted, in some instances, in greater emphasis on health and education, and in reallocation of resources from unproductive areas toward these sectors (public expenditure reviews and improved monitoring systems are assumed to highlight “unproductive” uses of public funds).¹³ It also has increased government understanding of poverty and the needs of the poor. There is no evidence of a similar shift in, or rethinking of, structural adjustment and macroeconomic policies because government-civil society dialogue has not extended these issues. Critics are quick to point out that despite the fact that PRSPs are meant to represent the results of broad dialogue and movement toward country-owned and locally appropriate policies, many PRSPs tend to recommend the same traditional policies and prescriptions (Christian Aid 2001; Marshall and Woodroffe 2001).¹⁴

Underlying some sources of disagreement around PRSPs is the near absolute faith placed on growth as the engine of poverty reduction by PRSPs. Although there is ample evidence to support the importance of growth, there is an emerging consensus that growth does not ensure poverty reduction but rather that equitable growth is required for effective and sustainable poverty reduction.¹⁵ Investigations of PRSP documents note a distinct lack of discussion on how governments will ensure that growth is pro-poor (or even how they define pro-poor economic growth). In fact, pro-poor growth is commonly not highlighted as a goal—a study of PRSP documents from 23 countries found that only a quarter used the term “pro-poor growth” or contained statements on how to ensure that the benefits of growth were equitably distributed (Marcus and Wilkinson 2002).¹⁶

Not only is great faith placed on growth, but PRSPs often present overly optimistic expectations regarding annual levels of growth, rates attainable in only in the best of circumstances. Few PRSPs provide plans for alternative strategies in case economic growth is less robust than predicted.¹⁷

¹³ Again, this is not surprising since this is what is called for under the HIPC initiative.

¹⁴ Christian Aid (2001) reports this to be the case in Bolivia, Kenya, Lesotho, Mozambique, Tanzania, and Zambia.

¹⁵ It is perhaps not surprising that PRSPs place emphasis on growth as the paramount goal, given that most countries probably have not had time to properly determine what a more complete policy package might look like. Country and WB/IMF references to the fact that they are in the first stages of a lengthy process to design better pro-poor policy packages might be an indicator of the seriousness with which they take this process. Lack of such references would seem to signal that they are not in such a process and that they think they already have things right—which would be a confession of naiveté in most of countries involved.

¹⁶ It is important to note, however, that while the term *pro-poor growth* might be absent from these documents, what is most important is the inclusion of *policies that support* pro-poor growth. Of course, an absence of the term pro-poor growth does not imply that pro-poor growth policies also are missing. Marcus and Wilkinson do not discuss this issue. Furthermore, this might be a case of countries taking on World Bank terminology, including “poverty reducing” or “poverty focused,” in place of “pro-poor.”

¹⁷ Why the WB/IMF would endorse documents that contain unrealistic predictions of future growth is not known. WB/IMF staff guidelines for assessments state that “a positive assessment does not necessarily indicate that the staff agree with all of the analysis, targets, or public actions set forth in the PRSP” (World Bank and IMF 2000a). However, staff also are instructed to assist countries in developing “analytical foundations” for PRSPs (World Bank 2000b). This study did not compare growth rate predictions in PRSPs with those presented in other WB/IMF documents (such as Country Assistance Strategies).

World Bank/IMF Review of the PRSP Approach

The World Bank and IMF conducted a lengthy review of PRSPs between August 2001 and March 2002. The review was based on input from participating country governments, external reviews from stakeholders and development partners, and World Bank/IMF staff. Representatives from 60 low-income countries attended an international conference in Washington, D.C., in January 2002 to discuss findings, implications, and recommendations.

The WB/IMF review concludes that there is a broad agreement among low-income countries, civil society organizations, and their development partners that the objectives of the PRSP approach remain valid and that the PRSP process can improve joint efforts aimed at poverty reduction.

The WB/IMF review finds broad agreement on four key achievements of the PRSP approach:

- A growing sense of ownership among most governments of their poverty reduction strategies;
- More open dialogue within governments and at least some parts of society than previously existed;
- A more prominent place for poverty reduction in policy debates; and
- An acceptance by the donor community of the principles of the PRSP approach.

The WB/IMF review notes that this consensus is underpinned by several main themes:

- The importance of country ownership as a guiding principle;
- Recognition that the focus should now shift beyond process to content and implementation, and the importance of improving the understanding of the linkages between policies and poverty outcomes;
- The importance of using and building local capacity in core areas needed for effective poverty reduction strategies;
- The need for realism in setting goals and targets, as well as in managing expectations;
- The importance of openness and transparency, both within each country and in international development partnerships;
- The importance of flexibility to allow for different country starting points;
- The desirability of debate about alternative policy choices; and
- The importance of patience and perseverance with implementation.

The review finds substantial scope for countries to improve the preparatory process and content of their PRSPs. It states that good practices at the country level would provide high priority to (a) improve public expenditure management systems; (b) place greater emphasis on, and build capacities for, monitoring and evaluation; and (c) strengthen and institutionalize participatory processes with respect to a broad range of domestic stakeholders as well as development partners.

Finally, the WB/IMF review recognizes that a balance needs to be reached between pushing for rapid achievement of full PRSPs and ensuring realism in light of each country's capacity constraints and the need for the process to be country driven. The World Bank/IMF believe that given the primary importance of country ownership, the PRSP approach requires flexibility so that both the process and the content of poverty reduction strategies can vary across countries. Thus, any measures that would set more specific and rigid guidelines should be considered with caution.

Source: International Development Association and IMF 2002c, pp. 6-7.

Resources for Developing and Implementing PRSPs

The development and implementation of PRSPs require a great deal of human and financial resources. Experience in most, if not all, of the low-income countries involved shows that the required resources are not available; as a result, the formulation process, the content of the PRSP document, and PRSP implementation are less than desired and, in some cases, may even be detrimental to poverty reduction efforts.

Perhaps most important is the generally poor capacity of government officials and civil society to take on the many responsibilities required of PRSPs (or the limited number of people that do have the skills). Capacity—knowledge, skills, prior experience, and so on—is needed to conduct the many types of analyses required, including poverty assessment, policy impact, and quantitative and qualitative monitoring of program progress. Weak government institutions, particularly in states emerging from conflict such as Cambodia and Mozambique, also hinder the development and particularly the implementation of PRSPs. Policies and strategies to improve education and health services, for example, presuppose implementation capacity across those government sectors. More often than not, the capacity to manage large budgets (and mobilize funds) and personnel is not present. PRSPs call for resources that often do not exist.

Experience in developing PRSPs also shows that CSOs lack some of the required skills to participate effectively. In countries such as Cambodia, Ethiopia, and Senegal, these organizations lack experience in lobbying for change, carrying out information campaigns, and conducting participatory monitoring and evaluation tasks (World Vision 2002; CIDA 2001).

CSOs also vary in their orientation and capacities. Some will make their contribution in helping set broad goals, while others are more suited to opine on technical issues of policy. It takes time for governments, CSOs, and other participants to sort out their potential roles.

CSOs and the government also lack experience in working collaboratively with each other. Too often, feelings of distrust permeate the relationship.

When formulating PRSPs, countries are constrained not only by inadequate human resources but also by limited financial resources. The WB/IMF (and many bilateral donors) provide some resources for the development of PRSPs, but this is too often in the form of external consultants and capacity-building exercises for government staff. Donors are less

PRSPs: One More Step in the Process

To receive foreign aid, government officials in low-income countries must prepare, among other things:

- PRSP (which must adhere to the World Bank's Comprehensive Development Framework);
- Financial Information Management System Report;
- Report on Observance of Standards and Codes;
- Medium-Term Expenditure Framework; and
- Debt Sustainability Analysis for the Enhanced HIPC.

Each document requires special skills to develop, is often hundreds of pages long, and takes months to prepare. It is not uncommon for the same beleaguered staff to be involved in the preparation of all of these documents (Easterly 2002).

forthcoming with funding for meetings, workshops, and other elements required of a truly participatory process—particularly those that facilitate participation of the poor and CSOs that truly represent the poor—reasoning that to do so would hinder country ownership of the process. Unfortunately, this good intention has had a negative impact: with very limited resources, most countries truncate the consultative process and limit participation to those organizations and representatives with their own resources (implying representatives of the poor typically cannot get involved). Innovative solutions that do not take away from country ownership of the process or outcome (other issues, discussed above, do more to undermine this process) are required.

Developing such solutions will be an important form of learning on the part of the WB/IMF in collaboration with the countries involved. Overall, the required learning on the part of the WB/IMF should not be underestimated. Participating in decision making without dominating the process is undoubtedly a subtle art and a difficult challenge, especially in those countries where human capital is not in abundant supply.

Finally, financial resources to implement PRSPs are lacking. It is doubtful that the amount of money released through debt repayment will be adequate to support PRSP activities—new money is needed, either from national budgets (doubtful) or from donors (no commitments to date) (Warnock 2002). To placate donors and achieve PRSP targets, countries might be tempted to divert money from other, less high-profile sectors to education and health.

Most countries assume that funding for implementation of PRSPs will come from projected increases in tax payments and the benefits of economic growth. But increases in tax revenues seem problematic (particularly in countries with large informal sectors). Moreover, experience has been for countries to fall short of projected growth rates. This leaves PRSPs vulnerable to economic downturns and negative fluctuations in trade. Even the WB/IMF express concern over this issue:

Sometimes the PRSPs assume unrealistically high growth rates of overall GDP, fiscal revenues, and/or exports. This may reflect weakness in the analysis of the likely sources of growth. In that event, the set of priorities may be unrealistic in light of likely fiscal resources, and projected targets for poverty reduction will likely prove too ambitious. Also, the programs do not analyze macroeconomic risks or alternative scenarios and do not present contingency plans to respond to economic shocks (World Bank and IMF 2002c).

Lack of resources to properly design and implement PRSPs is a serious problem. Expectations are high in the countries involved: for perhaps the first time, they are initiating steps to develop their own strategies, civil society (and in some cases the poor) is gaining a voice in national policy making, and issues of the poor are beginning to take center stage. However, without adequate funding, the hopes that accompany the PRSP process will not be realized.

HIV/AIDS and PRSPs

In many developing countries, the impact of HIV/AIDS on well-being is staggering. It increases consumption needs and depletes household assets. Affected households lose income from wage earners. Studies in Thailand, for example, found that food consumption in affected households fell by 15 to 30 percent, and that farm output and income fell by more than 50 percent. These and other effects increase household poverty. The UNDP estimates that in Burkina Faso the proportion of people living in poverty will rise from 45 to 60 percent by 2010 as a result of HIV/AIDS.

As poverty reduction strategies become central to national planning efforts, it is critical that they incorporate policies and actions to combat HIV/AIDS. This will ensure integration of HIV/AIDS priorities in the national development agenda and mobilization of resources to combat HIV/AIDS and its effects on socio-economic well-being. Full incorporation of HIV/AIDS in poverty reduction strategies also will institutionalize government response across all sectors and move interventions beyond their current narrow focus on health.

Unfortunately, most PRSP documents contain little discussion of HIV/AIDS; those that do reference it under health issues (exceptions include Malawi, Mozambique, and Uganda). Thus, these strategies ignore the impact of HIV/AIDS on poverty and fail to seize the opportunity to place HIV/AIDS at the forefront of development concerns. To address this issue, the UNDP has developed an extensive checklist to guide countries on the integration of HIV/AIDS into the PRSP process. For example, during the formulation of their strategies, countries should ask whether:

- The impact of HIV/AIDS on poverty and poverty reduction efforts has been thoroughly analyzed—does the PRSP clearly discuss the dynamics between HIV/AIDS and poverty, and the contribution that prevention can make in efforts to reduce poverty?
- The strategy includes specific commitments, targets, goals, and actions related to HIV prevention, care, and impact mitigation, and are adequate resources available for interventions at the local, provincial, and national levels?
- HIV/AIDS mortality has been factored into calculations of poverty reduction, growth targets, and public revenues flows?
- HIV/AIDS strategies are prominent only in the health section or is HIV/AIDS treated as a crosscutting, global concern?

Source: UNDP 2002

The original intent of the WB/IMF was to “bring all development partners fully and early into the process” (World Bank and IMF 2000b). This promise needs to be fulfilled to avoid the PRSP approach being derided by participating countries as just another condition imposed on them by the wealthy.¹⁸

¹⁸ Unfortunately, there is emerging evidence that the involvement of other major donors in the PRSP process, rather than helping, is further overwhelming government capacity to formulate PRSPs (see Cambodia, for example). Greater donor involvement means more missions to tend to, more consultants to lead around the country, and more papers to write for already heavily burdened government officials and CSO representatives (the most skilled government staff—those most needed in the PRSP process—are usually assigned to these tasks). Coordination and targeting of assistance can be poor.

PRSPs AND POVERTY REDUCTION—FUTURE CHALLENGES

The intensity of the debate regarding the PRSP approach indicates that most observers believe that PRSPs represent an opportunity to change the ways policies and programs are designed and implemented. As with any new approach, tactics need to be reconsidered and methods adjusted. Dialogue among the WB/IMF, participating countries, CSOs (from the north and south), and bilateral donors holds promise that the development community—and most directly the WB/IMF—will draw lessons from country experiences and make critical changes to the PRSP approach.

The challenge facing the development community is to put this new framework to work to achieve sustainable and measurable reductions in poverty. Although it is too early to assess the impact of PRSPs on poverty reduction, we do have some hints of its potential. We also know that it faces a number of obstacles in fulfilling this potential.

Poverty Reduction Potential

The *potential* for PRSPs to assist countries in formulating and implementing appropriate policies to reduce poverty appears to be great. Its core principles—country driven, results oriented, comprehensive, partnership oriented, and long term in perspective—are well suited to the development and implementation of appropriate and effective poverty reduction strategies. Indeed, many NGOs and development agencies embrace these same principles.

According to some observers, the *practice* of the PRSP approach has led to great debate as to whether it will reach its potential. There have been improvements over previous development strategies and heartening achievements to report:

- Poverty reduction is targeted specifically, as opposed to being treated simply as a by-product of growth and development;
- Discussions and analyses have greatly enriched awareness of the complexities of poverty and have highlighted the need for better data on poverty and inequality;
- The principle of participation, although problematic in implementation in many instances, has opened the door to dialogue between policy makers and civil society—poverty reduction strategies are no longer the private domain of (outside) specialists and experts (UNDP 2001);
- Transparency in policy making and budgeting is improving, leading to associated improvements in monitoring government interventions and expenditures associated with poverty reduction; and
- Governments have been pressured to increase expenditures on sectors such as education and health that help the poor create and benefit from economic growth (Warnock 2002).

Combined, these achievements imply improved conditions for poverty reduction: better understanding of the problem, improved policies and strategies, and strong monitoring systems should lead to improved results.

Skeptics argue, however, that improved results are not forthcoming and that current achievements represent the best that we can hope for from the PRSP approach. They believe that the framework is fatally flawed and that PRSPs will at best have a marginal impact on poverty (Abugre 2001). Their main concerns include:

- Faith (near absolute) in the power of economic growth to lift people out of poverty;
- Prescription of the same package of macroeconomic and structural adjustment policies as under previous strategies, which have proven to be decidedly impoverishing;
- Failure to incorporate major issues related to poverty, including gender, vulnerable groups, and asset distribution;
- Lack of clear analysis of the potential impact of policies and strategies on the poor; and
- The dominant role of the WB/IMF in PRSP formulation, assessment, and implementation.

The focus on these factors as key obstacles to the success of the PRSP approach leads many to doubt that it will assist in reducing poverty in a meaningful way.

It is difficult at this time to demonstrate conclusively the impact—potential or otherwise—of PRSPs on poverty reduction strategies and outcomes. The limitations of a desk study are great, and more important the process is too young in implementation to permit firm conclusions. Nonetheless, this review suggests that on balance the PRSP approach can add value to the *decision-making process* by which countries formulate national strategies and to a *transformation of policy environments* into something more friendly and responsive to the poor and thus more effective in reducing poverty. It is important to keep in mind, however, that evidence from the field is decidedly mixed: although the process appears to have been beneficial in some countries, the opposite may be true in others. Certainly, much needs to be done to improve the PRSP process and consolidate its achievements.

As indicated in their review of the PRSP process, the WB/IMF have initiated steps to address many of the concerns discussed in this review. Again, it is too early to tell whether WB/IMF statements will be translated into action and whether such actions will improve the process and its outcome. But if countries and their development partners remain serious about implementation of the PRSP process, we can reasonably expect significant improvements to be made as countries move into and through the PRSP process.

At the same time, it is important that overly inflated expectations be lowered regarding, *inter alia*, participation, ownership, and outcomes. Early unrealistic expectations have dashed the hopes of many participants and undermined their commitment to the process. They facilitated

unhelpful criticism of PRSPs and led many key actors to consider withdrawing from the process altogether (McGee, Levene, and Hughes 2002).

Future Challenges

How might the WB/IMF (as authors and main promoters of the approach) and participating countries (as authors and implementers of the final product) improve PRSPs to better ensure that they achieve their paramount objective of reducing poverty? Concerns expressed by advocates and critics alike give us a picture of how and why the WB/IMF and countries are falling short of hopes. They also make it clear that there is room for improvement. Experience so far indicates that the PRSP approach faces five interrelated challenges:

The first challenge is to improve the basic framework of the approach. Although PRSP principles and objectives are basically sound, adjustments are needed to close the gap between expectations raised by the PRSP process vis-à-vis country ownership of poverty reduction strategies and the realities of the ongoing relationship between the WB/IMF and participating countries.¹⁹

Specifically, countries need greater freedom to adopt the policy package that they believe is best suited to their particular circumstances. Local solutions may better accommodate local cultural, social, and geographic diversity and be more flexible in response to exogenous shocks—even though the WB/IMF may deem them ill advised. So far, critics contend that PRSP policies align too closely with WB/IMF prescriptions, even in cases where experience casts doubt on the wisdom of these policies. Macroeconomic policies that are appropriate—and stand up to scrutiny—should be allowed, even if these diverge from WB/IMF advice. The range of *core* poverty reduction policy options should be expanded beyond those related to economic growth to include, for example, HIV/AIDS and land reform. Convergence toward a process that would both satisfy country need and desire for ownership and at the same time be acceptable to the WB/IMF should entail:

- An agreement to undertake some degree of policy experimentation in selected areas, after consultation among the government, CSOs, and the WB/IMF;
- A broadening of the range of acceptable poverty-reducing policies in some areas where past WB/IMF policy preferences have not proven unequivocally successful; and
- An increased level of monitoring and evaluation to ensure that all policies are being implemented as planned and that existing uncertainties with respect to likely success of policies will be reduced as quickly as possible.

In addition, the assessment and endorsement of PRSPs should be undertaken, at least in part, by an independent group that focuses on participation, ownership, policy content, and

¹⁹ This issue could be extended to include relationships between poor countries and donors—see *The Cartel of Good Intentions*, by William Easterly (Easterly 2002)

operational strategies. The present process of exclusive WB/IMF assessment and approval short-circuits the PRSP principle of country ownership.

The second challenge is to improve implementation of the approach (i.e., how the PRSP is formulated in practice). The shortcomings described in this document are very much to be expected of a new approach. Improvements are likely in subsequent rounds—assuming all partners are serious about the process and its outcome. Perhaps the most important issue here is the time allocated to the production of PRSPs. The short time frame for their development affects all other major areas of concern, including participation, ownership, and content of the final document. Factors that motivate an overly speedy development of PRSPs must be removed, and quality of design must be given priority over meeting arbitrary deadlines. Other related challenges include the following:

- Participation must include a broader spectrum of civil society groups, including private sector associations and organizations in which the poor have meaningful representation. This implies giving governments more concrete guidance on participation and higher expectations from review committees on participation in the PRSP process. Donors need to make funds available to facilitate participation, particularly by the poor. Documents must be made available in major local languages.
- Participation must become more meaningful—the recommendations of CSOs and the poor must be given appropriate weight in national policy debates. Governments, CSOs, and, most important, the poor must share control over the setting of priorities, the selection of policies, and the implementation of resulting programs. At the same time, participation should not be allowed to result in documents and policies that attempt to please everyone (and thus become long lists of pet causes).
- In the future, as governments and CSOs work more closely together and the issues they debate become more contentious, it will be important to enhance their capacity to manage the conflicts that will inevitably arise (McGee, Levene, and Hughes 2002).
- The PRSP process and documents should have a clear and sustained focus on poverty reduction and should include discussion of the potential impact of policies on the poor (Marshall and Woodroffe 2001). Sharp focus is critical if resource-poor countries are to achieve meaningful results.

The third challenge is to ensure that countries have the technical capacity to determine the correct steps to reduce poverty. Government and civil society need to improve their capacity to work together and conduct the many required tasks called for by the PRSP process. Too often, they lack the skills required to analyze properly the potential impact of various policies on the poor.

The fourth challenge is to ensure administrative capacity to operationalize the poverty reduction strategy. Even the best policies and strategies can be harmful if they are improperly implemented. In many countries, the depth of technical and operational expertise across ministries is thin. PRSPs sometimes place new responsibilities on ministries: more

than ever, they must manage larger budgets (and sometimes mobilize funding for new programs) and reallocate staff to new assignments (for which they might not be prepared).²⁰

In addition, few government institutions have the skills required to monitor and evaluate the impact of a complex system of policies and programs effectively. Experience so far suggests a wide gap between PRSP discussion on this point and the actual implementation of monitoring systems. Although analysts are correct that CSOs should be given major responsibilities in this area, it would be naïve to assume that this alone will ensure proper monitoring of PRSP implementation.

The fifth and final challenge is political—to ensure that powerful figures who stand opposed are unable to derail implementation of the strategy. This challenge is not unique to PRSPs. Nonetheless, it bears mentioning because of the power of the vested elite to block the policy changes necessary to achieve sustainable poverty reduction. Entrenched bureaucrats will likely challenge redirections of funds from non-performing sectors to education and health. Firms that monopolize agricultural markets will fight reforms in their areas of concern. In these early stages, proponents and critics focus on the process and early outputs related to policy selection and implementation strategies. As these concerns are addressed, and the final strategies become sounder, implementing reforms that confront vested interests will be a great challenge that cannot be finessed or side-stepped.

PRO-POOR ECONOMIC GROWTH RESEARCH STUDIES RECOMMENDATIONS

The PRSP process is fertile ground for the investigation of how pro-poor policies may be pursued. Experience in some countries provides lessons on how to engage a wide variety of groups with often opposing points of view in decision-making processes and on how these same groups might agree on actions to reduce poverty—how they can come to “own” their poverty reduction strategies. PRSPs also offer countries and donors opportunities to test and give higher priority to new policies and strategies, such as those focused on health and education.

Importantly, PRSPs have broadened government-WB/IMF discussions of pro-poor policies and actions beyond their previous focus on macroeconomic and structural adjustment policies. Evidence suggests that in many countries civil society and government officials are looking more seriously at and reaching a deeper understanding of the many causes and consequences of poverty. This can lead to better decision making and more appropriate poverty reduction policies and strategies.

As the Pro-Poor Economic Growth Research Studies Activity moves forward, it will be important to continue to learn from the PRSP process. Potentially useful learning opportunities include the following:

²⁰ In Cambodia, for example, most ministry staff hold positions two to three times higher than their education and experience would qualify them for; their ability to manage large programs is severely limited.

- *How best to sequence the policy and implementation decision-making process.* Countries with a considerable range of initial conditions have been involved in the PRSP process. Comparisons across these country types can provide important lessons on how the participation of civil society and cooperation between civil society and government may best be encouraged, and how they may improve the policy analysis and decision-making process. Analysis of PRSPs also can lead to better understanding of how governments and donors might achieve consensus across a broad spectrum of society on pro-poor policies and activities. It can offer key insights into potential gains from including CSOs and the poor in the decision-making process and implementation of poverty programs, and how to encourage participation of key stakeholders. The Pro-Poor Economic Growth Research Studies Activity aims to provide recommendations on appropriate pro-poor policies and activities across a variety of country types. Lessons learned from PRSPs may provide important insights on how to operationalize these policies.
- *How do the pro-poor policies recommended by PRSPs compare with those recommended by the Pro-Poor Economic Growth Research Studies Activity?* It will be instructive to explore any gaps between the policy packages recommended by the PRSPs and this research project. Where they diverge, it will be useful to explore the reasons: what advantages and disadvantage does the PRSP decision-making process have vis-à-vis an effort like this project? Are divergences the result of differences in degrees of freedom in policy choice (e.g., did this research project enjoy greater freedom of choice than most PRSPs)? Such a comparison will help indicate the degree to which this research project's recommendations may be directly useful in existing PRSP frameworks. It also could indicate the extent to which policy packages flowing from the PRSP exercise are rooted in the empirical evidence and do or do not diverge from what similar countries are implementing.
- *How can monitoring and evaluation systems be improved to better track the progress of poverty reduction efforts?* The Pro-Poor Economic Growth Research Studies Activity will make recommendations regarding monitoring and evaluating the impact of pro-poor policies. This is traditionally a weak component of poverty reduction strategies, and PRSP experience so far suggests that ready solutions do not yet exist. Nonetheless, the WB/IMF have flagged monitoring and evaluation of PRSPs as an important area of concern and have paid it particular attention. The WB/IMF, low-income countries, and CSOs are engaged in an ongoing discussion over how to monitor and evaluate efforts; their work to implement improved practices may provide critical insights for this project. For example, they might point to practices useful in increasing the extent and effectiveness of CSO participation in monitoring and evaluating poverty reduction interventions.

It is a lengthy and complex process to identify appropriate and effective pro-poor policies. The PRSP approach provides ample evidence of this and underlines the patience required to see the process through to its end. Although it is far too early to judge the success of PRSPs in reducing poverty, it is not too early to gather important lessons from the implementation of the process so far. Because PRSPs are becoming the focus of policy debate and the central mechanism through which low-income countries select their policies, it is important for

people working to design and improve poverty reduction strategies in all developing countries to understand and internalize these lessons.

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APPENDIX 1
PRSP COUNTRY PARTICIPATION

PRSP Country Participation

(as of 12 December 2002)

No.	Country	Region	Date of Production			
			I-PRSP	PRSP	Progress Review 1	Progress Review 2
1	Angola	Africa	planned—early 2003			
2	Benin	Africa	6/26/00	planned—2002		
3	Burkina Faso	Africa		5/25/00	12/14/01	10/18/02
4	Burundi	Africa	planned—mid 2003			
5	Cameroon	Africa	8/23/00	planned—2002		
6	Cape Verde	Africa	4/9/02	planned—mid 2003		
7	Central African Republic	Africa	12/13/00	planned—late 2003		
8	Chad	Africa	7/16/00	planned—2002		
9	Comoros	Africa	planned—2002	planned—late 2003		
10	Congo, Dem. Republic	Africa	6/28/02			
11	Congo, Rep. of	Africa	planned—early 2003			
12	Cote d'Ivoire	Africa	3/29/02	planned—2002		
13	Djibouti	Africa	12/14/01	planned—mid 2003		
14	Eritrea	Africa	planned—no date			
15	Ethiopia	Africa	11/1/00	10/9/02		
16	Gambia	Africa	10/5/00	7/10/02		
17	Ghana	Africa	6/1/00	planned—2002		
18	Guinea	Africa	10/30/00	7/17/02		
19	Guinea Bissau	Africa	9/1/00	planned—early 2003		
20	Kenya	Africa	7/13/00	planned—early 2003		
21	Lesotho	Africa	12/1/00	planned—2002		
22	Madagascar	Africa	11/20/00	planned—2002		
23	Malawi	Africa	8/1/00	8/6/02		
24	Mali	Africa	7/19/00	planned—2002		
25	Mauritania	Africa		12/13/00	6/13/02	
26	Mozambique	Africa	2/16/00	10/1/01		
27	Niger	Africa	10/6/00	1/31/02		
28	Nigeria	Africa	planned—2002			
29	Rwanda	Africa	11/30/00	7/31/02		
30	Sao Tome & Principe	Africa	4/6/00	planned—2002		
31	Senegal	Africa	5/8/00	11/20/02		
32	Sierra Leone	Africa	9/21/01			
33	Tanzania	Africa	3/14/00	10/1/00	12/14/01	
34	Togo	Africa	planned—2002			
35	Uganda	Africa		3/24/00	3/2/01	9/20/02
36	Zambia	Africa	7/7/00	5/16/02		

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

PRSP Country Participation (continued)

No.	Country	Region	Date of Production			
			I-PRSP	PRSP	Progress Review 1	Progress Review 2
37	Bangladesh	ANE	planned—2002			
38	Cambodia	ANE	10/1/00	planned—early 2003		
39	East Timor	ANE	planned—early 2003			
40	Indonesia	ANE	planned—2002			
41	Lao PDR	ANE	3/20/01	planned—early 2003		
42	Mongolia	ANE	9/27/01	planned—2002		
43	Nepal	ANE		planned—early 2003		
44	Pakistan	ANE	12/14/01	planned—early 2003		
45	Sri Lanka	ANE		planned—2002		
46	Vietnam	ANE	3/14/01	6/20/02		
47	Yemen	ANE	12/1/00	7/23/02		
48	Albania	EE	5/3/00	2/21/02		
49	Armenia	EE	3/1/2001	planned—early 2003		
50	Azerbaijan	EE	5/1/01	planned—2002		
51	Bosnia	EE	10/2/02	planned—mid 2003		
52	Georgia	EE	11/1/00	planned—2002		
53	Kyrgyz Rep	EE	6/13/01	planned—2002		
54	Macedonia	EE	11/10/00	planned—2002		
55	Moldova	EE	7/17/02	planned—early 2003		
56	Tajikistan	EE	3/24/00	10/10/02		
57	Uzbekistan	EE	planned—early 2003			
58	Yugoslavia	EE	8/21/02	planned—late 2003		
59	Bolivia	LAC	1/1/00	3/1/01		
60	Dominica	LAC	planned—2002	planned—mid 2003		
61	Guyana	LAC	10/30/00	5/3/02		
62	Haiti	LAC	planned—mid 2003			
63	Honduras	LAC	3/1/00	9/27/01		
64	Nicaragua	LAC	8/1/00	9/13/01	14/4/02	

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

APPENDIX 2
PRSPS AND I-PRSPS CONSULTED

PRSPS and I-PRSPS Consulted

Country	Document	Date Produced
Bolivia	PRSP	3/1/01
Bosnia	I-PRSP	10/2/02
Burkina Faso	PRSP (and 2nd Progress Review)	5/25/00 (10/18/02)
Cambodia	I-PRSP	10/1/00
Ghana	I-PRSP	6/1/00
Nicaragua	PRSP	9/13/01
Pakistan	I-PRSP	12/14/01
Uganda	PRSP (and 2nd Progress Review)	3/24/00 (9/20/02)
Vietnam	PRSP	6/20/02

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

The goal of the USAID-funded Pro-Poor Economic Growth Research Studies and Guidance Manual Activity is to identify and disseminate policies, reforms, and activities that USAID decision makers can incorporate into their programs and that they can recommend to countries wishing to pursue strongly pro-poor, poverty-reducing, economic growth objectives.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the author. They do not necessarily represent the views of USAID.



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