



# **REVIEW OF THE POVERTY REDUCTION STRATEGY PAPER INITIATIVE**

**Based upon the Experiences and Comments of CRS  
Partners in Bolivia, Honduras, Zambia and Cameroon**

Contribution to the PRSP Comprehensive Review

by Catholic Relief Services

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## Introduction

Catholic Relief Services, the relief and development agency of the US Conference of Catholic Bishops, is pleased to have an opportunity to contribute to the review of the Poverty Reduction Strategy Paper. Since its introduction in September 1999, we have recognized the PRSP as a significant innovation that responds in concept to many of the concerns and recommendations that we have made over several years throughout the course of our work on debt and related issues. In particular, we have insisted that debt reduction lead directly to improvements in the lives of the poor, and that civil society groups in indebted countries actively participate in determining the priorities and conditions for debt relief as well as foreign loans. Our ultimate objective is to increase the participation of people in decisions about the nature and direction of the national and international economy, and to ensure that decisions serve the common good, with particular concern for the poorest members of society.

As a result, we have worked through our offices in a number of countries in Africa, Latin America, and more recently in Eastern Europe to assist partners who have chosen to engage in PRSP processes. We provide not only financial assistance, but also share information, materials, help to develop strategy, and act in solidarity with them to bring their experience and perspective to the attention of policy officials in the United States and in international institutions. Furthermore, we have collaborated with a dozen other Catholic development agencies that are members of CIDSE (International Cooperation for Development and Solidarity) and Caritas Internationalis to review and analyze the PRSP framework and to produce resources for our partners overseas. Earlier this year, CIDSE-Caritas International produced a publication "From Debt to Poverty Reduction," which examined the PRSP through the lens of Catholic Social Teaching and offered guidance for effective participation in the PRSP.

We believe that the PRSP continues to have considerable potential for reorienting development planning and resources on the part of both donors and developing countries toward the overarching goal of poverty reduction, and with broad public participation. At the same time, we are concerned that, in practice, the PRSP has fallen far short of this potential. We believe that the immediate and significant improvements to the PRSP framework and to its implementation should be made in order to prevent the initiative from being relegated to failure.

In the following pages, we provide answers to some of the questions generated by the World Bank and the IMF for the PRSP Review. Our answers deliberately draw as much as possible on the direct experience of church and civil society partners in four countries where we have directly supported involvement in PRSP processes, rather than on extensive other analyses and studies that have been widely circulated. These countries are Bolivia, Honduras, Cameroon and Zambia. Clearly, this small sample does not allow us to draw conclusions about the record of PRSPs overall, but it does offer some perspective on some common issues and experiences across borders and across continents.

Please note that the answers will necessarily reflect the perspective and interest of our civil society partners in those countries, rather than the government. Furthermore, where we had insufficient information to answer a review question, the question was not included.

## **1. What have been the main achievements and challenges to date in developing and implementing poverty reduction strategies?**

*Nearly all of our partners expressed strong appreciation for the important engagement among civil society, the government and the international financial institutions as a result of the PRSP. Despite some significant limitations in the process (outlined in more detail below), most partners valued the spirit of participation and transparency that characterized the formulation of the national development priorities and strategies outlined in PRSP, in some cases involving impoverished sectors of the population. This positive assessment comes despite some serious reservations that partners have about the PRSP itself, especially the role of the IMF and World Bank.*

*Our Bolivian partners, in particular, have expressed appreciation that the respect and legitimacy given to the role of civil society in public administration did not stop with the development of the PRSP. To an important degree, it was institutionalized through a “social control mechanism” established in Bolivian law in July 2001. Furthermore, in general, our partners have affirmed the central emphasis given to poverty reduction in the dialogue with the government and partners. As our Zambian partners in the Catholic Commission for Justice and Peace have commented, “the PRSP has provided the opportunity for poverty reduction to be tackled in the mainstream in planning and resource allocation.”<sup>1</sup> However, they also called upon the government to apply the same spirit of participation and transparency that infused the PRSP process to the annual budget process, and to ensure that the PRSP priorities were reflected in the 2002 budget. Partners in Honduras, too, have expressed strong fears that the positive dialogue would not continue into the future, and that civil society’s roles in national development will not be institutionalized.*

*Yet we are growing increasingly concerned that the practice of the PRSP is far from fulfilling the principles that it states. A number of major challenges remain, including:*

- Strengthening the participatory process, which is too often plagued by inadequate time for thorough participation, insufficient dissemination of information in advance, in local languages and in forms accessible to the majority of the population, exclusion of key social groups and local communities from participation, exclusion of civil society representatives in PRSP drafting as well other decision-making roles, and inadequate technical and organizational capacity among civil society organizations for effective participation.*
- Reducing the role of the World Bank and IMF in directly or indirectly influencing the content of strategies, which serves to stifle broader national ownership and a fuller examination of economic policy approaches for reducing poverty as well as excludes the important perspective and contribution of other donor agencies.*
- Subsuming loans from the IMF and World Bank to the goals, indicators and strategies outlined in the PRSPs.*

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<sup>1</sup> “From Structural Adjustment Programme to Poverty Reduction: Lessons Learnt and the Way Forward – Zambia” by Mulima Kufekisa Akapelwa, presented to the Economic Association of Zambia, October 2001.

- *Broadening the approach to poverty reduction, which has tended to overemphasize social services and a limited number of income-generating programs, without a thorough review of the poverty-reducing impact of economic growth strategies promoted through macroeconomic and structural adjustment policies. Furthermore, in some cases PRSPs did not fully address the need to strengthen democratic processes as an essential element of poverty reduction.*
- *Overcoming serious capacity weaknesses on the part of civil society organizations as well as governments to analyze and propose poverty reduction strategies, especially in the areas of data collection and analysis, evaluation of past and current economic and development policies, and methods for presenting and analyzing alternative policy options.*

## **2. In light of experience to date, how might the guidelines and modalities of the PRSP approach be modified in order to improve its long-term developmental impact?**

*Based upon our analysis of the experiences described in more detail in subsequent pages, we recommend the following modifications to the PRSP approach*

- a) ***Delink the PRSP and HIPC initiative.*** *Though the HIPC initiative gave rise to the PRSP, we believe that it is now important to separate the two initiatives. The continuing linkage is only serving to speed up the process of PRSP formulation, at the cost of fuller participation, and to cause confusion among various stakeholders about whether the scope of the PRSP pertains to HIPC debt relief, all World Bank and IMF aid, all donor aid or all domestic and aid resources. Moreover, we believe that the PRSP is too weighty a requirement to attach to the limited resources provided through the HIPC initiative, and should instead be unambiguously linked to future external development aid resources.*

*In order to qualify for HIPC debt reduction, countries should merely be required to: 1) produce a roadmap to the **process** of developing a full PRSP, and allow civil society to have a voice in that roadmap; and 2) specify a transparent mechanism to use HIPC funds for previously identified poverty reduction needs.*

*At a minimum, we urge the World Bank and IMF to eliminate the Interim PRSP, which has been ineffective as a solution to the problem of the tension between the need for immediate debt reduction and the time needed to develop a quality PRSP.*

- b) ***Improve the quality of civil society participation*** *by developing guidelines for participation that would encourage government to:*
- *Disseminate key documents with adequate lead time and in local languages*
  - *Give sufficient notice for meetings*
  - *Involve the broad range of civil society organizations, with particular emphasis on women, who are often excluded*

- *Include civil society representatives in the PRSP drafting process*
- *Ensure an ongoing role for civil society in the implementation, monitoring and evaluation of the PRSP.*

*Furthermore, we urge the World Bank and IMF to publicly disclose all information about the amount and schedule of funds released through the HIPC initiative, as soon as a country qualifies for HIPC debt reduction.*

- c) ***Increase accountability to civil society input.*** *The World Bank, IMF and other donors should increase their accountability to civil society's perspective on the PRSP by inviting civil society groups to comment on the process of developing the PRSPs as well as the substance of the final document, and to include this comment as an annex in a PRSP or as a separate document, to be made available to the members of the boards of the IMF and World Bank. This would allow members of the boards— and other donors -- to receive civil society's perspective directly, rather than have it be filtered through the Joint Staff Assessment, which tends to rely primarily on the judgment of governments.*

*Similarly, governments should increase their accountability by adopting feedback mechanisms that would document civil society recommendations, and provide an explanation for why these recommendations were either accepted or rejected.*

- d) ***Ensure much greater coherence between PRSPs and loans or other aid.*** *It is essential that the PRSP lead to substantive changes in the loans and lending practices of the World Bank, IMF and other donors. We believe that the following steps should be taken to ensure greater coherence between the two.*

- *In order to ensure that loans support the PRSP, loan negotiations and documents must be made transparent and subject to democratic processes. The World Bank and IMF, together with borrowing governments, should publish complete information about proposed loans, including the amounts, purposes and conditions, and encourage borrowing countries to conduct public review before loan agreements are finalized.*
- *All external loans should state an explicit rationale for how it will fulfill the goals and be measured by the indicators set out in the PRSP. In the event that loans are concluded prior to the completion of the PRSP, they should be considered interim and subject to review and modification following the adoption of the PRSP. A summary of the loan agreements and documents concluded before completion of the PRSP should be included in PRSP document.*
- *The World Bank and IMF should adopt social and environmental impact assessments of proposed macroeconomic policy measures, which will examine the likely micro-level impacts of macro-level policies, as a standard procedure in loans and PRSPs. They should prioritize the development of such methodology, employing participatory research*

*methods, carried out by mixed teams of researchers drawing upon economic as well as other social science expertise, and familiar with the country context.*

- *The lessons from the joint World Bank-civil society Structural Adjustment Participatory Review Initiative conducted over the past four years should be carefully examined and integrated into this Comprehensive Poverty Reduction Strategy Review process.*
- e) ***Broaden donor acceptance of the PRSP beyond the World Bank and IMF.*** *To foster true stronger donor coordination with PRSPs, the IMF and World Bank should surrender the sole power to "endorse" the PRSP. Instead, both institutions should accept equal status with a broader set of official donors, including United Nations development agencies and bilateral donors, in the decision whether or not to support PRSPs through finance, through a forum similar to consultative groups. Donors should consider not only the substance of the PRSP but also the quality of the participatory process in formulating it.*

*The above summary assessment and recommendations flow from the detailed response to the questions of the review which follow.*

## Key questions

### **Ownership and Participation**

#### **3. Has the preparation of PRSPs been country-led and, if so, have governments assumed full leadership of the PRSP process?**

*Although we have incomplete information about the extent of involvement in the PRSP process by various sectors of government and the behavior of the staff of international financial institutions, the information that we do have raises questions over the extent to which ownership over the strategies has genuinely been transferred to the country level. For example, we were disturbed to learn that Honduran government officials presented their draft PRSP to international financial institutions in April, even before making it available to their own national legislature and to Honduran civil society groups. This action suggests that the government had greater concern with meeting the expectations of the IFIs than those of their own people.<sup>2</sup> We also understand that candidates in Honduras' recent presidential election were also not informed about the content of the PRSP, raising considerable doubts about whether the PRSP will be accepted by the new political leadership.<sup>3</sup>*

*Indeed, our partners in Honduras questioned the degree of genuine commitment to the strategy by the departing government, speculating that the Honduran government viewed PRSP as a simple hurdle to overcome to receive debt relief. "The GOH may not be embracing with full conviction the idea that an anti-poverty strategy is essential in and of itself, whether or not the carrot of debt relief were offered,"<sup>4</sup> they noted. They also expressed frustration over what they perceived to be a double standard by officials of the international financial institutions, who "knew, for example, that the consultation process was flawed but lavish it with praise publicly; they know that corruption is a huge issue but give the impression that huge advances in this area are taking place."<sup>5</sup>*

*In Bolivia, our partners note that political parties participating in the Political Agenda of the National Dialogue (one of three fora established to inform the PRSP, and mandated to address issues such as democracy, corruption and the political system) failed to conclude their dialogue, and therefore failed to act upon the civil society proposals for certain political reforms. They see this as a sign of lack of commitment on the part of politicians to the reforms necessary for poverty reduction, with the corresponding risk that a change in governments will result in rejection of or revisions in the Poverty Reduction Strategy.<sup>6</sup>*

*In Zambia, Members of Parliament were marginalized from the decisions surrounding HIPC and PRSP. One independent Member of Parliament in Zambia noted,*

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<sup>2</sup> "Process and Experience for the Preparation of a PRSP in Honduras," Social Forum of External Debt and Development of Honduras (FOSDEH), Tegucigalpa, October 2001.

<sup>3</sup> Internal memo from Country Director, Catholic Relief Services/Honduras, September 26, 2001, and visits of Father German Calix and Gilberto Rios, Caritas Honduras, October 2001.

<sup>4</sup> Internal memo from, Catholic Relief Services/Honduras, op cit.

<sup>5</sup> Ibid

<sup>6</sup> "Posición Respecto al Proceso de Elaboración de la Estrategia Boliviana de Reducción de la Pobreza," memo from Pastoral Social Caritas Bolivia to CRS, November 23, 2001.

*“At present, there is no role for Parliament in Zambia regarding the HIPC initiative. This matter has never been debated in the House or at committee level. As a Member of Parliament, I am not aware of the specific amounts or the conditionalities involved in the initiative. I am sure not even the government itself can state with certainty how this country will benefit from its HIPC status....”<sup>7</sup>*

*In general, we continue to question the degree to which true ownership of the PRSP can be transferred to the country level as long as the final endorsement rests exclusively with the international financial institutions, and as long as countries are so heavily dependent on this endorsement to receive debt reduction as well as new loans. We also question the appropriateness and ability of the IMF to judge a country’s poverty reduction strategy.*

#### **4. To what extent have governments been preparing and implementing PRSPs in an open and participatory way?**

*Our partners in Caritas Honduras remarked that the PRSP was the first government strategy in which priority was given to the comments of civil society. It also opened the door for future collaboration between the government of Honduras and civil society during the monitoring and implementation phases of the PRSP. They also report that by leading 19 consultations on the PRSP that included broad sectors of civil society, the government set an unprecedented example of open government planning. Nevertheless, they also voiced the consistent complaint that time and space for deeper dialogue and a full commitment to arrive at consensus did not take place. Indeed, they believed that approximately one more year of dialogue consultation was necessary in order to gain national consensus around key issues of the national debate, including economic growth vs. distribution of wealth, the approach to rural poverty; fiscal reform, the ecological/environmental vulnerability issues; and mechanisms that would turn the ERP effort into a long-term plan.<sup>8</sup> Indeed, tensions arose between the government and civil society over the failure to reach consensus, with the government accusing some sectors of civil society of failure to cooperate.*

*In Bolivia, our partners believe that the National Dialogue carried out by the government to inform the PRSP permitted greater citizen input than a similar process did three years ago, by including sectors that had been ignored earlier. In Zambia, our partner praised the mobilization of a wide spectrum of civil society group and the energetic leadership of selected civil society leaders.*

*Nevertheless, in virtually all countries where we supported partners, there were limitations that prevented participation from reaching its full potential. For example, there appeared to be varying understandings of what constitutes adequate civil society participation. In several countries, it was limited chiefly to consultation, without a clearly defined role for civil society in decision-making, especially in the drafting process. As our Zambian partners noted, “The PRSP consultation process needs to go further than*

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<sup>7</sup>Hon R. Sichinga, MP and former chairman of the Public Accounts Committee in the National Assembly of Zambia, interview of 30 May 2001, in *Social and Economic Implications of HIPC*, by Jubilee 2000 Zambia, and Oxfam Zambia, June 2001.

<sup>8</sup> Internal memo from Country Director, CRS-Honduras, op. cit.

the formal 'workshop' type of consultation to more participatory ones.<sup>9</sup> Furthermore, partners in Zambia as well as Honduras expressed strong apprehension that the positive civil society involvement in the formulation of the PRSP – despite the limitations elaborated below -- would not be sustained in the long-term. Not only would this fail to build upon positive opening created by the PRSP, but it would disappoint citizens whose expectations for participation had been raised. "Having participated in a consultative process, citizens would expect a more open and accountable government than is the case now. Alienated people are a dangerous people!" assert our Zambian partners.<sup>10</sup>

Other specific shortcomings of the participatory process that were common in several of the countries included:

- **Access to information.** In several cases, civil society even had difficulty obtaining a copy of the draft or final PRSP document. In Bolivia, civil society groups were compelled to obtain a copy of the draft PRSP from a European development cooperation agency, when they could not succeed in obtaining it from their own government. In Honduras, civil society did not receive the final document until late September 2001 -- three weeks before the IMF and WB Board decision. This did not leave adequate time to review the document, compare the earlier drafts, and examine how civil society input was (or was not) incorporated into the document, much less to reach consensus over whether to endorse or reject the document. Furthermore, they were disturbed to discover that the final document included a chapter on macroeconomics that had not appeared in the penultimate draft.<sup>11</sup> Such practices undermine the very spirit of openness and participation that the PRSP is supposed to promote.

Zambian NGOs expressed concern that they did not receive all key documents and information necessary for effective participation in PRSP formulation, even information as basic as the amount of interim debt reduction they had received under the HIPC initiative since qualifying for the initiative in December 2000. "Benefits from the debt relief proposed by HIPC still remain a mystery, indeed a myth. In the last six months, different sources – IMF and World Bank, government, and our partners here and outside Zambia -- have given us different figures as to expected debt stock reductions and expected debt servicing in the future. Moreover, we do not know how much actual savings in cash will be realized in the process, when it would come, how it would be allocated, how its disbursement would be monitored, etc." Jubilee-Zambia and Oxfam-Zambia wrote in a joint report.<sup>12</sup>

Furthermore, Zambian partners who have an extensive local-level network have called for simpler, more accessible information on the PRSP to be developed and disseminated, in order to permit greater participation at the grassroots level. Indeed, the government's efforts at broad dissemination of PRSP information and documents have often been lacking. In Bolivia, the government posted the draft PRSP on the

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<sup>9</sup> "From Structural Adjustment Programme to Poverty Reduction: Lessons Learnt and the Way Forward," op. cit.

<sup>10</sup> Ibid.

<sup>11</sup> Internal memo from Country Director, CRS Honduras, op. cit.

<sup>12</sup> *Social and Economic Implications of HIPC*, by Jubilee 2000 Zambia, and Oxfam Zambia, June 2001.

Internet for comment, failing to recognize that the vast majority of Bolivians do not have access to the Internet.

- **Inadequate notice and rushed timeframe.** In Honduras, civil society did succeed in lengthening the timeframe for consultations on the PRSP for several more months. Still, consultations at the local level were only one day, civil society did not receive the documents until two days before meetings, and meetings were mainly dedicated to GOH presentation of the document. Our partners in Cameroon also complain that they are often notified about meetings with only a day's notice, and with insufficient preparatory information or material. Similarly, in Bolivia, civil society organizations were often invited to meetings at the last minute, documents were made available at short notice, and the technical language of documents and discussions often made it difficult for civil society representatives to participate effectively.
- **Limitations on civil society participation.** In Bolivia, the government planning team announced that the National Dialogue organized to develop the PRSP would be divided into three separate events -- the Social Agenda, the Economic Agenda, and the Political Agenda -- and then proceeded to select participants for these three fora. Civil society organizations tended to be concentrated in the Social Agenda, while business leaders made up most of the participants in the Economic Agenda, and representatives of political parties and the government made up those in the Political Agenda. In the view of our partners, this prevented a more holistic analysis of the interrelated dimensions of poverty reduction, and precluded civil society from sharing its views and recommendations on crucial economic and political issues.

In Cameroon, the government originally handpicked participants in civil society consultations, bypassing major institutions such as the Catholic Church.

- **Insufficient civil society representation and authority.** Upon qualifying for HIPC relief, the government in Cameroon convened a committee of 19 members of government, donors, civil society and churches to oversee the allocation of interim HIPC relief. Yet, there was no consultation over the composition of the committee, with the result that government representatives comprise fully half of the members. Of even greater concern is the fact that, under time pressure from the IMF, government officials made decisions about allocating HIPC funds, rendering the committee effectively powerless.
- **Exclusion from the PRSP drafting process.** A recurring complaint among nearly all of our partners was the exclusion of civil society from the government committees charged with conducting the drafting of the strategy. This was the case among our partners in Zambia, Honduras and Bolivia.

In Bolivia, citizen participation in the PRSP drafting process was severely limited. Instead, a small circle of government economists undertook drafting of the PRSP plan for more than four months without including or even informing civil society organizations that had participated in the National Dialogue. Bolivian organizations tried repeatedly to pressure the government to be more inclusive, even appealing to international donors and the World Bank and IMF, but to no avail.

*In Zambia, civil society organizations have been denied representation on the Technical Committee for drafting the PRSP, despite a large and active coalition of groups organized to coordinate input into the PRSP. Their exclusion has led to the question the ultimate value of their participation, if they have no involvement in the most critical decision-making forum.*

## **5. To what extent have participatory processes influenced the content and implementation of poverty reduction strategies?**

*This has probably been the most disappointing aspect of the PRSP processes in many countries. Despite some positive and real openings for dialogue between government and civil society, there has been little noticeable impact on the content of PRSPs.*

*Our partners in Bolivia assert that the final PRSP in important respects did not reflect the conclusions of the civil society-led consultation process known as Foro Jubileo 2000, or even the government-led National Dialogue process. Instead, the PRSP continued to promote traditional approaches to economic growth as the primary strategy for reducing poverty, ignoring the sectoral policies as well as the policies for redistribution of income prioritized during the respective consultation processes.<sup>13</sup> The strategy did not recognize that Bolivia had experienced steady economic growth for a number of years, and yet poverty had not decreased.*

*In many cases, there has been a marked lack of accountability to civil society input. In Bolivia, after excluding civil society from drafting process, the government did hold a meeting to solicit civil society comments to the draft PRSP, but participation in this meeting was limited to a small circle of civil society representatives based in the capital city of La Paz. Furthermore discussions during this session revealed strong and widespread civil society disapproval of the draft PRSP and government officials agreed to take these concerns into consideration in the final version. Nevertheless, according to CRS partners, the final PRSP contains few substantial changes from the contents of the draft version. It fails to include a series of agreements reached through the government-led National Dialogue. Neither does the PRSP respect agreements reached between civil society and the government during the periods of social conflict in 2000. In general, partners in Bolivia are concerned that the government technical team charged with drafting the PRSP failed to grasp the essence of civil society proposals and distorted them in the process of their inclusion.*

*However, although they were disappointed with the final document, they did see the agreement to legally establish a “social control mechanism,” or a citizen watchdog mechanism, as an important step forward. They ultimately decided not to reject the PRSP and to rely on this mechanism in order to influence the way in which the strategy is implemented.*

*In Honduras, civil society groups were successful in lengthening the timeline for civil society consultation from December 2000 to March 2001 and in expanding the*

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<sup>13</sup> “Posición Respect al Proceso de Elaboración de la Estrategia Boliviana de Reducción de la Pobreza,” Foro Jubileo 2000, November 23, 2001.

consultation from 7 to 19 cities. However, it is less clear that they were able to influence the content of the strategy. They asked specifically and repeatedly for the government to present a matrix showing the areas of agreement, disagreement and the shortcomings of the process, as well as list of issues to be revisited in a year's time. But the government never responded to this request for such feedback.<sup>14</sup>

As a result, some civil society organizations express a strong concern that their participation in PRSPs that they will be used to legitimize a strategy that they haven't really influenced. This could serve to undermine the trust and relationship established through the civil society-government dialogue on the PRSP.

**6. Have countries drawn on existing strategies and integrated the preparation and implementation of their PRSPs with their core processes for policy making and program implementation, including annual budget cycles and medium-term expenditure frameworks?**

Although we do not have information on existing poverty reduction strategies for all countries, we know that in Zambia, the National Poverty Reduction Action Plan preceded the PRSP. This consisted of an ambitious plan to cut poverty from 73 percent to 50 percent in three years. Yet copies of the Action Plan were not made available to the PRSP working groups even though the document, according to some analysts, could serve as a very useful baseline to build upon when drawing up the PRSP.<sup>15</sup>

**Content of Strategies**

**7. To what extent do poverty reduction strategies represent an improvement over previous development strategies?**

In general, the effort to place poverty reduction at the center of the development agenda, and the increased effort to establish measurable poverty outcomes is a welcome improvement over past development planning exercises. It does appear that the PRSPs are in many cases leading to increased attention to expenditures on social services and improvement in the quality of social services. This is clearly quite necessary, but it is insufficient as a solution to poverty. Too often, PRSPs fail to reflect a broader approach to poverty reduction that fully addresses dimensions related to security or empowerment as essential ingredients for poverty reduction. For example, Bolivian partners noted that the PRSP focused heavily on programs to expand economic opportunities and to expand primary education, primary health and infrastructure, with scant attention to programs to protect or provide opportunities for vulnerable groups (including programs for the protection for children and others against exploitation or abuse) as well as to promote citizen participation and government accountability.<sup>16</sup>

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<sup>14</sup> Process and Experience for the Preparation of a PRSP in Honduras," op. cit.

<sup>15</sup> *What good can Debt Relief and PRSP Do? The Case of Zambia*, Bread for the World, Debt and Development Dossier, #5, April 2001.

<sup>16</sup> CRS letter to World Bank and IMF Executive Directors on Bolivian PRSP, May 25, 2001.

*As elaborated below, we believe that one of the major failings of the PRSPs is the fact that the macroeconomic and adjustment conditions have either been left out of the discussions or are simply uncritically included.*

**9. To what extent do PRSPs have relevant targets and indicators for poverty reduction and appropriate proposals for monitoring and evaluation?**

*Our partners in Pastoral Social Caritas Bolivia have suggested that the indicators are both too general, failing to take particularities of Bolivian context into account, and too technically complex for civil society groups to monitor easily. Furthermore, they maintain that the “social control mechanism” formally established in law as result of civil society demands to institutionalize an oversight role for civil society role in the implementation of the PRSP will fail unless it has a sustainable source of financing. To date, the government and international donors have not guaranteed financing for this mechanism.<sup>17</sup>*

**Donor Assistance and Partnerships**

**13. To what extent have external development partners, including the Bank and the Fund, begun to align their financial assistance and policy conditionalities behind the PRSPs?**

*We are deeply concerned that the IMF and World Bank continue to negotiate agreements and loans with HIPC-PRSP countries in secret, in contradiction to the spirit of openness and participation which is supposed to characterize the PRSP and without regard to how the policies and conditions included in these loans will affect the country’s ability to pursue its poverty reduction goals. Instead, loans and conditions are negotiated parallel to and independent of the PRSP process.*

*Our partners in Honduras noted their fear that the PRSP presents a “business as usual social compensation set of measures with the real game being played out in the structural adjustment policy set. There is, therefore, a need to see these two elements working in tandem toward a single objective.”<sup>18</sup> Indeed, the Honduran government concluded agreements and PRGF loans with the IMF in June 2000 and again in September 2001, without public participation or even prior public disclosure. Yet such agreements committed the government to policies and actions on issues such as privatization of the electricity and telecommunications sectors, pension reform, and civil service wage reform -- all of which will certainly have some impact upon poor people.*

*Similarly, in Zambia, partners questioned the country’s flexibility to design a Poverty Reduction Strategy given the fact that the government has committed to certain economic reforms through its Letter of Intent and PRGF loan.*

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<sup>17</sup> “Posición Respecto al Proceso de Elaboración de la Estrategia Boliviana de Reducción de la Pobreza,” op. cit.

<sup>18</sup> Internal memo from CRS Country Director, CRS-Honduras, op cit.

Below we have produced a table for the four countries where we have supported partners' involvement in PRSP processes. It demonstrates that IMF Letters of Intent and PRGF loans, which are negotiated in secret, almost always preceded the completion of PRSPs and I-PRSPs, although in principle the PRGF is supposed to be derived from the PRSP. The outlines of the agreements are publicly disclosed only after they have been signed. Although they might report on the progress made toward completing the PRSP, they rarely examine the impact of the macroeconomic policies on the goals of poverty reduction, nor do they recognize how they might constrain the policy choices available to the country in designing its PRSP. Neither is there any indication that these loan agreements are subject to modification following the completion of the PRSP.

	<b>Date of IMF Letter of Intent</b>	<b>Date of PRGF Loan</b>	<b>Date of I-PRSP</b>	<b>Date of PRSP</b>
<b>Bolivia</b>	Dec. 20, 1999	Feb. 7, 2000	Jan. 13, 2000	May 21, 2001
<b>Honduras</b>	March 10, 1999 Sept. 20, 2001	Dec. 8, 1999 June 7, 2000	April 13, 2000	August 31, 2001
<b>Cameroon</b>	May 23, 2000 Dec. 6, 2000 June 28, 2001	Dec. 22, 2000 July 16, 2001	August 23, 2000	2002
<b>Zambia</b>	June 30, 2000 March 29, 2001 Oct. 15, 2001	July 27, 2000 April 17, 2001 Nov. 8, 2001	July 7, 2000	Early 2002

Source: IMF Website

Furthermore, it does appear that there has been change in the content of loans and policy. The IMF itself has promised that the core objective of the PRGF is "to arrive at policies that are more clearly focused on growth and poverty reduction, in which the poverty reduction and macro-economic elements of the program are fully integrated."<sup>19</sup> Yet we see scant evidence of this in the Letters of Intent or the descriptions of PRGFs, which continue to focus heavily upon issues such as control of inflation, deficit reduction and fiscal prudence, taxation, civil service reform, financial sector reform, privatization, and other standard macroeconomic policies. Although there is some greater attention to social sector expenditure, there is no attempt to define an approach to growth that examine the distribution, or to look at the impact of specific macroeconomic or structural reform policies on particular sectors of poor people. For example, Jubilee 2000 and Oxfam Zambia found that the macroeconomic conditions tied to HIPC debt relief largely mirror resemble the ones earlier, with a focus on privatization of electricity, banking and copper companies. The important exception was the demand to increase social sector expenditure.<sup>20</sup> This highlights the importance of developing and using tools to assess the impact on people and on the environment of macro- and structural policies in order to ensure that loans are consistent with poverty reduction and sustainable development objectives.

We would like to express our disappointment that the joint civil society-World Bank exercise known as SAPRI, the "Structural Adjustment Participatory Research Initiative,"

<sup>19</sup> "Key Features of IMF Poverty Reduction and Growth Facility Supported Programs," prepared by the IMF Development and Review Department, August 2000.

<sup>20</sup> "Social and Economic Implications of HIPC in Zambia," Jubilee Zambia and Oxfam Zambia, June 2001.

has been largely disconnected from the PRSP initiative. We believe that the research could provide numerous lessons about the poverty-reducing impact of macroeconomic and adjustment policies that could inform policy choices for the PRSP, yet these lessons have been ignored.

Finally, we question the degree to which donors beyond the World Bank and IMF have accepted the PRSP as an organizing vehicle for their aid programs. We were pleased to learn that bilateral donors engaged strongly in government-led working groups to develop the PRSP in Zambia. Nevertheless, some bilateral donors have highlighted the lack of willingness of World Bank staff to cooperate with them on aid to address HIV/AIDS.<sup>21</sup>

### **Constraints**

#### **15. To what extent have financial, institutional, and political constraints facing both governments and civil society adversely affected the development and implementation of PRSPs, and has the PRSP approach to date taken adequate account of these country-level constraints?**

Clearly, capacity weaknesses on the part of both government and civil society groups circumscribe the potential for achieving the larger goals of the PRSP. We have been particularly concerned about the burden participation in the PRSP places on the time, resources, and organizational capacity of civil society organizations. Furthermore, civil society groups have identified the need for improved expertise on economic analyses and policy formulation. Some donors such as UNDP have invested resources in capacity building, but much greater resources and technical assistance are needed in this area.

#### **17. To what extent have external factors affected timing of PRSP preparation?**

We believe that the I-PRSP, which was created as a device to address the tension between the demand for quick debt reduction and that time required for developing a thorough PRSP, has created more problems than it has solved. It caused considerable confusion among various stakeholders as to the scope, detail, and process entailed in producing this document. Civil society organizations rightly expect a voice and role in the interim process, yet are generally not included. Furthermore, a number of Interim PRSPs are long on substance, reflecting little more than a regurgitation of existing policies, yet quite short on the “roadmap” for developing the full PRSP. Civil society groups express legitimate concerns that the I-PRSP will end up prescribing many of the policy directions for the full PRSP before there has been a chance for full public dialogue.

There is also a tendency to hurry the process in order to reach HIPC completion point. As mentioned earlier, although our partners in Honduras succeeded in lengthening the time-frame for developing the PRSP by several months, they believed that as much as one more year was needed in order to reach genuine national consensus over a series of specific development items.

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<sup>21</sup> “Whose Poverty Reduction Strategies – Developing Countries or External Donors?” by Jean Somers, *Development Review*, Trocaire, Dublin (forthcoming).

