PRSP rhetoric: sugar-coated structural adjustment reality?

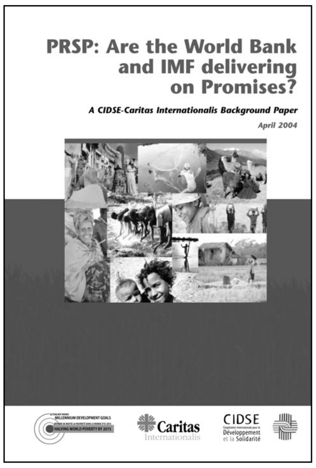
by ATIENO NDOMO

Introduction

The Poverty Reduction Strategy Paper (PRSP) approach was initiated in 1999 by the International Monetary Fund (IMF) and the World Bank. PRSPs were to be the operational basis for their concessional lending to low income countries and for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. PRSPs are prepared by governments through ‘participatory’ processes involving national stakeholders and external development partners, including the International Financial Institutions (IFIs). According to the World Bank, PRSPs describe the macro-economic, structural and social policies and programmes that a country will pursue to promote broad based growth and reduce poverty. At the time of writing, 34 countries are implementing PRSPs.

Five principles are stated to underlie the PRSP approach:

- country ownership through broad based participation of civil society;
- results should be focused on outcomes that are beneficial to the poor;
- long term perspective on poverty reduction;
- recognition of the multidimensional nature of poverty; and
- partnerships should be orientated to ensure the involvement of governments, domestic stakeholders and external donors.



In April 2004, an analysis based on the experiences of 19 countries noted slow progress in PRSP implementation.[1] It observed modest improvements in pro-poor policy formulation and a marginal increase in openness to civil society participation in policy-making.

The IMF’s Independent Evaluation Office (IEO) review of PRSPs in 2004 conceded shortcomings in the initiative’s design, pointing out ‘actual achievements fall considerably short of potential’.[2] Calling for greater country policy ownership, the report notes that PRSP processes are not well embedded within national processes and that ‘participatory processes were typically not designed to strengthen existing domestic institutional processes for policy formulation and accountability’. The

[1] This analysis was carried out by TroCaire, the Irish Catholic agency for World Development, Cooperation Internationale pour le Développement et la Solidarité (CIDSE), an international network of Catholic development organisations in Europe and North America, and Caritas Internationalis (CIDSE-Caritas Internationalis Background Paper, April 2004).

[2] The IEO provides objective and independent evaluation on issues related to the IMF. The Office operates independently of IMF management and at arm's length from the IMF’s Executive Board.

review acknowledges tension between conditionality and the principle of country ownership and that 'rushed preparation of documents to meet IFI deadlines was cited as a problem in Cambodia, Mozambique, Nicaragua and Tanzania'.

The World Bank's Operations Evaluation Department (OED) July 2004 report conceded that while the PRSP initiative is an improvement on the Policy Framework Papers of the 90s it is 'yet to fulfil its full potential' and changes are suggested to 'reduce/eliminate uniform requirements and encourage PRSPs to explore a wider range of policy options'.[3]

This article will analyse the PRSP experience by looking at four of the five principles outlined above to assess the formulation, monitoring and implementation of the PRS processes and contents on the part of civil society. The analysis is primarily based on a review of secondary literature.[4]

Country ownership through broad-based participation of civil society

Influencing PRSPs through participation?

The limitations to meaningful participation in both the processes and in being able to exert an influence over the content of PRSPs have been well documented (see Stewart and Wang, 2003; AFRODAD, 2003).

From the CIDSE-Caritas analysis, it emerged that in the worst of cases, participation is undertaken under donor pressure, is ad hoc and disjointed. Ethiopia and Niger are cited as examples of this. Honduras' experience suggests a lack of genuine dialogue where civil society views were ignored. In Ethiopia there was little policy debate, and its government is also seen to have conducted 'participation' under donor pressure.

Another limitation to meaningful participation by a majority of the population in many countries is the production of documents in English and in a technical language. This has been cited as problematic in Bolivia, Mozambique, Rwanda and Niger. It is also considered a barrier to effective and influential participation in the Ugandan and Kenyan experiences. See contributions in this issue.

Thirdly, groups deemed critical of government are often excluded from PRS consultations, for example, trade unions in Malawi, and women's groups and parliamentarians across most countries (CIDSE-Caritas, 2004). This is true despite the fact that the World Bank's PRSP Sourcebook (2002) lists stakeholder groups as national- and regional-level governments and civil society groups such as non-governmental organisations (NGOs), community-based organisations, trade unions, academic institutions, parliament, private sector actors, professional associations, and donors.[5]

Box 1: The case of Uganda

Rowden and Nyamugasira 2002, give the example of Uganda where in spite of multistakeholder discussions very little change was noted in key policy areas and in fact, the conditionality in the Bank's loans to Uganda did not match the conclusions of the PRSP discussions. Also, although greater levels of participation **have** been observed in Uganda and the government is seen to have taken concrete steps to engage civil society in the formulation of the Ugandan Poverty Eradication Action Plan (PEAP), many CSOs there have continued to express concern over a consultation period too short to allow for effective engagement (Rowden and Nyamugasira 2002).

Similarly, according to AFRODAD (2003), in Rwanda and other francophone West and Central African countries, very short notice was given for civil society responses to documents and their participation in consultations.

In spite of some recognition of the limitation of excluding these groups, the World Bank and IMF have made very little progress in addressing this gap. Arguably, this may be deliberate given that broad participation would complicate the negotiation process and undermine the imposition of policy conditionality. They consider the IFIs to be invoking their articles of association to claim sole obligation to negotiate and sign loan agreements with executive branches of governments. This would appear to contradict democratic principles, which affirm parliamentary oversight over policy choices.

Stewart and Wang (2003) note that governments generally tend to be remote and ill disposed to engage in participatory dialogue with civil society. Other limitations to meaningful participation include:

- a lack of transparency about PRSP processes;
- selective and inadequate provision of information;
- closing off macro-economic issues for discussion; and
- poor communication channels.

Together, these experiences suggest that PRSP processes typically amount to consultation, information exchange and selective engagement with only certain civil society groups. Final documents rarely reflect the inputs of those consulted. Participation is rarely anchored in institutional frameworks and hence governments do not feel obliged to facilitate quality participation.

A limited capacity for civil society engagement owing to

[3] The OED is an independent unit within the World Bank. It reports directly to the Bank's Board of Executive Directors. The goals of OED's evaluations are to draw lessons from Bank experience, and to provide an objective basis for assessing the results of the Bank's work.

[4] The analysis will draw a great deal from the author's work experience with the Bretton Woods Project, a UK-based NGO network critical of the World Bank and IMF policies.

[5] www.worldbank.org/poverty/strategies/sourctoc.htm

Box 2: Conditionality in Tanzania

According to AFRODAD (2002) only 25 of the 30 conditions in Tanzania's HIPC matrix were drawn from the Poverty Reduction Growth Facility (PRGF) agreement and only five derived from the PRSP. This raises questions around the actual relevance of the PRSP as a policy document and civil societies' struggles to influence it.
Source: AFRODAD (2002)

poor coordination; resource and technical constraints; self censorship by groups bowing to government and IFI pressures; and the co-option of groups are also important factors. Other articles in this issue also point to related challenges that CSOs face in their engagement in PRSP processes.

PRSPs and CPIAs: what really matters?

The World Bank's concessional lending to low-income countries is administered through the Poverty Reduction Support Credit (PRSC). PRSCs are conditional on countries designing PRSPs. PRSC disbursements are also contingent upon implementation of prior actions and a demonstrated reform track record. This includes an improved policy environment as judged by the Bank through Country Policy and Institutional Assessments, or CPIAs.

Consisting of 20 criteria across four clusters, the CPIAs assess institutional and policy performance in each country. A high CPIA score typically means that that country has complied with IFI orthodox economic policies. These assessments are closed to public scrutiny. So if the CPIA exerts more influence in defining country policy than the PRSP, it may undermine country ownership of policy choices. CPIA scores confirm the Bank's 'one size fits all' approach to borrowing governments and according to Wood (2004) countries with high CPIA scores are eligible for more assistance, whereas governments who do not conform mostly receive policy advice and limited (if any) financial assistance. CPIAs are therefore considered critical in determining policy choices and outcomes and ultimately levels of funding.

Conditional country ownership?

Finally, and perhaps most importantly is the fact that the idea of conditionality is actually contradictory to the principle of ownership. It underscores the mistrust and power that IFIs hold over borrower countries. In their April 2004 report, CARITAS and CIDSE contend that conditionality may be the single most crucial factor setting the PRSP up for failure.

One of the IMF conditions includes 'prior actions'. These are specific reforms governments have to undertake to receive financing. According to Collingwood (2003), 'prior actions constituted half of all the conditions in agreements with Rwanda, the Central African Republic and Ethiopia'. Quantitative performance criteria relate to conditions on the macro economy such as acceptable levels of budget deficit. Added to these are structural performance criteria and indicators. As will be seen in the next section, few of these items have been open to dialogue and negotiation with civil society actors.

Box 3: A staff monitoring programme: Zambia's experience

Zambia went 'off track' with the IMF's Poverty Reduction Growth Facility (PRGF) programme over the IMF's insistence on a certain level of fiscal deficit. This was one of the HIPC 'triggers' the country had to comply with. A country is considered 'on track' on an IMF programme as long as it implements predefined policy conditions under the IMF's tutelage. In the Zambian case, the country was put on a staff monitoring programme for not complying.

It took a lot of advocacy work for Zambia to gain IFI concessions, including a statement made by Stephen Lewes, special United Nations envoy on HIV/AIDs. Lewes pointed out the IFI's insensitivity to Zambia's HIV/AIDs pandemic. This finally led to the resumption of the PRGF programme. Yet Zambia still has yet to qualify for HIPC funds.
Source: AFRODAD (2003)

AFRODAD (2003) note the lack of influence over macro economic policy in the case of Zambia. Although the Civil Society for Poverty Reduction (CSPR) (Mpepo and Seshamani, this issue) notes effective civil society collaboration with government, they also recognise the constraining political and economic trade-offs their government faces in dealings with the IFIs (see Box 3).

So although it appears that PRSP processes can redefine the terms of engagement between governments and civil society by opening up spaces for policy dialogue, this is not guaranteed given the constraints elaborated above. An emphasis on 'ownership' may redefine 'process conditionality' through increased policy dialogue. But it is evident that conditionality underpins how PRS are monitored and evaluated (through performance benchmarks, for instance). Here, a key tension and conflict of interest remains between the World Bank and IMF's active role in offering policy advice at the design stages of PRSPs and still retaining the final role of endorsing the PRSP.

Are results focusing on outcomes that are beneficial to the poor?

Budgeting for poverty reduction: are we putting our money where our mouth is?

Studies suggest that PRSP priorities for poverty reduction rarely find their way into national budgets (Africa Budget project, 2002; Rowden and Nyamugasira, 2002). This means a lack of implementation and hence negative outcomes for the poor.

In Rwanda, budgets do not reflect PRSP priorities. Higher-level education, specialist healthcare and expenditure on the police dwarf expenditure on primary education and healthcare. Money reaches the affluent population rather than the very poor. In Zambia and Malawi budgetary allocations have not matched poverty reducing priorities outlined in the PRSPs. In Ethiopia, policy-making is marked by the government's refusal to adopt alternative policies or engage in policy dialogue with civil society. Consequently, concerns over agricultural policy and land access were not adopted in the PRSP in spite of their importance to poverty reduction (CIDSE-Caritas, 2004).

Who defines effective poverty reduction?

Whereas PRSP processes affirm a poverty focus, they fall short of entrenching the principle in practice. Firstly, policy formulation is constrained and defined by IFI conditionality. Poverty Reduction Support Credits (PRSC) and PRGF programmes often contain structural adjustment conditionalities which conflict with poverty reducing objectives. Structural adjustment conditionalities include policies for unilateral trade liberalisation and privatising utilities. In a recent report, ActionAid (2004) notes that in Ghana and Uganda, the privatisation of utilities has been imposed, even though there is no evidence that this increases access and accountability for poor people.

Secondly, the structural causes of poverty are rarely dealt with. There is no serious examination of access to land and credit, or of women's participation in the economy. AFRODAD (2003) argues that the IFIs' focus on market-driven policies avoids any analysis of power relations. For instance, in Nicaragua measures set out in the PRSP sit within a neo-liberal framework that promotes economic growth, structural reforms, liberalisation and privatisation. This framework pays little attention to structural issues around inequitable access to land, income and resources (CIDSE-Caritas, 2004).

Thirdly, aid flows are unpredictable in countries that go on/off track. Delays in decisions about allocating HIPC debt relief mean that countries that are aid dependent suffer. And they spend less on poverty reduction. So the IMF's approach has implications that constrain a long-term poverty reduction perspective. The IMF functions as a gatekeeper for poor countries to access multilateral, bilateral and commercial financing. And access to World Bank loans, HIPC debt relief, and Paris Club debt restructuring depends on whether or not

Cartoon: Bretton Woods Project

a government complies with IMF programmes.

The potential improvements in budget monitoring and evaluation through the Medium Term Expenditure Framework (MTEF) are limited by their donor-focused and donor-driven nature. Civil society and other country actors still have limited access to information on budgets, which is also in inaccessible and technical language. Transparency and accountability are narrow and skewed in favour of donors rather than citizens and their representatives in parliament.

Poor poverty data and weak monitoring systems limit the effective evaluation of outcomes. For instance, in Uganda, there is a disconnection between the PRSC policy matrix and the PEAP indicators. **Quantitative** data dominates, leading to the 'sanitisation' and 'depoliticisation' of **qualitative** indicators. The selective use of Participatory Poverty Assessment findings means that the Bank and government's poverty agendas are legitimised. The benefits of allocating expenditure for identified PRSP priority areas were undermined by increased spending on defence (CIDSE-Caritas, 2004). Gariyo (2000) and Rowden and Nyamugasira (2002) point out that in 1998/1999 defence spending constituted 26% of total budget expenditure as compared to 20% on education and 7% on health.

Effective monitoring and evaluation of the PRS process would require a flexible system capable of engaging and drawing on citizen feedback on outcomes. The budget perhaps remains the single most important mechanism to gauge commitment to implementing PRS priorities. Although the constraints outlined above have meant slow progress, the challenge to CSOs is how to expand and utilise the opportunities presented by the Medium Term Expenditure Framework (MTEF) budgeting framework (a step towards outcome oriented budgeting). Innovative approaches could include exploring alternatives to accessing information and collaboration with structures such as parliaments for better accountability. See the experience of the CSPR in Zambia in this issue.

Recognising poverty's multidimensional nature?

Who defines poverty?

PRSPs seem to be guided by a uniform approach to poverty analysis and an over emphasis on income measures. Yet they seem to ignore power disparities and issues of empowerment. Figures on poverty incidence fail to offer explanations as to why poverty persists.

Most poverty analysis is 'narrow and too monetary based' (CIDSE-Caritas, 2004). Poverty analysis within PRSPs typically falls short of discussing gender dimensions, differences between transient and chronic poverty, regional disparities and the experiences of excluded minority groups. Wilks and Lefrancois (2002) and CIDSE-Caritas (2004) cite Bolivia where commentators argue that equity concerns were not addressed in the government's assessment of poverty. Whitehead (2003) found a clear lack of gendered poverty analysis in PRSPs in Malawi, Bolivia, Yemen and Tanzania. Gender equity, the environment and the rights of ethnic and other vulnerable groups are not adequately dealt with either.

The Bank's country analysis and assessments remain influential, through the production of poverty statistics, economic analysis, and public expenditure reviews. Predominantly quantitative in nature, they form the basis for what is considered 'objective and rational' decision-making and are a major source of baseline data for PRSPs.

For instance, World Bank trade studies have been cited as based on misleading indicators of trade policy, which are selected to systematically bias results in favour of trade liberalisation and growth. Yet it is these Bank studies – the Diagnostic Trade Integration Studies (DTIS) – that are to be integrated within PRSPs.

In spite of IMF promises, similarities in policy proposals within PRSPs suggest limited debate on the macro economic framework. According to a 2001 Fund fact sheet, discussions on the macro-economic framework were to be opened up for public consultation.[6] In reality, the IMF has reserved to itself the right to prescribe growth and inflation targets, fiscal and monetary policy and structural policies for growth. Policy and process conditionality are effective tools for ensuring compliance and self-censorship by borrower low-income countries. This would explain the disparity between PRSP proposals emerging from consultations (typically termed as 'wish lists' by the Bank and the IMF) and the actual policy proposals contained within loan agreements and funded programmes.

While the Bank is open to dialogue on social policy it is reluctant to do so on macro economic policy. In Honduras, civil society organisations were consulted on one pillar of the PRSP dealing with governance, transparency and public sector efficiency. However the section on growth, investment and competition was closed to their input.

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In spite of the references to poverty's multidimensional nature, income poverty retains a dominant focus even with the use of Participatory Poverty Assessments. A disconnect is also noted between the policy areas identified in the PRSP and the indicators used to assess performance. Indicators tend to be too generic and aggregated. Although the costs of collecting, monitoring and evaluating data remain prohibitive, CSOs involvement in M&E could emphasise qualitative assessments.

The opportunities

While the analysis above points to a general failure of the PRSPs to live up to the principles they espouse; some opportunities and potential for improvement can be noted. In Uganda and Zambia, the PRSP process is seen to have legitimised civil society's role as partner in dialogue with government. Uganda and Bolivia have formal frameworks for participation with a legal obligation on the government to facilitate civil society participation in policy processes. Recent legislation in Uganda has also created the possibility for greater involvement of parliament in the budgetary process. Vocal lobbying in Malawi conceded some space for CSO participation in policy debates. These included opportunities for civil society to make presentations to influence the budget process and monitor government implementation of the PRSP. Civil society in Malawi is seeking leverage through partnership with parliament, although still at very formative stages and vulnerable to political interference by government. In Rwanda there was significant engagement by civil society around the diagnosis of poverty.

Greater civil society scrutiny of the budgetary process has been noted. This creates the potential for scaling up accountability and transparency, improving public expenditure management and responsiveness to the social sector. It would seem that given their outreach and interaction with

[6] http://www.imf.org/external/np/exr/ib/2001/042601b.htm

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citizens, CSOs have the potential capacity to effectively track the link between policies, financing and performance. The annual PRSP progress report (a requirement by the boards of the IMF and the World Bank) offers an opportunity to CSOs to conduct such audits.

Conclusion

PRSPs can be credited for marginal improvements in poverty orientation and opening up policy debates. But the level of participation remains limited and not anchored in formal processes and frameworks that can assure country ownership and accountability. Participation is observed to be largely ad hoc, and consultative rather than deep and meaningful. Participation that is rules- and rights-based, inclusive and legitimate remains a challenge. PRSPs would need to be anchored in national budgetary and parliamentary processes for greater accountability.

PRS monitoring and implementation is constrained by limitations of data, weak and non-institutionalised M&E systems, capacity limitations and the tendency to view M&E more as a 'technical' rather than 'political' process.

Country PRSP processes are defined by power dynamics, which restrict and narrow debates on policy choices. The World Bank's control over knowledge filters through most PRSPs. IFI dominance of the policy discourse is a key constraint to broad participation and policy alternatives that are country and locale specific. The IFIs use their lending function to impose policy conditions, driving countries to self-censorship. Major policy directions within PRSPs are remarkably similar to those pursued under the structural adjustment frameworks of the 80s and 90s. This suggests that countries' perception of what is acceptable to donors and the IFIs takes precedence over their own policy priorities.

The continued use of conditionality by IFIs undermines country ownership and the definition of alternative policy choices in PRS processes. Consequently PRSP priorities remain disconnected from actual policy implementation as reflected in most national budgets. This is a challenge to pro-poor outcomes.

The positive gains made appear fragile and uneven across countries. The Bank and Fund are largely failing to meet commitments under the PRSP principles. In July 2004, the World Bank released its own evaluation of the PRS process where it conceded much of the previously documented criticisms.[7]

[7] See the World Bank's OED Evaluation Report, July 2004.

CONTACT DETAILS
Atieno Ndomo (Ms.)
PO Box 5734-00200
Nairobi, Kenya.
Tel: 254- 723 351 345 or 254- 733 912930
Email: atienondomo@yahoo.co.uk

ABOUT THE AUTHOR
Ms Atieno Ndomo is a Kenyan citizen, currently working as Policy and Advocacy officer with the Bretton Woods project in London analysing World Bank and IMF policy issues and preparing accessible articles and briefings; and in collaboration with a range of NGOs to push for reforms to the World Bank and IMF.

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