

The PRSP Initiative: Old Wine in New Bottles?

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Abstract

The World Bank and the International Monetary Fund launched a joint initiative in September 1999, setting the fight against poverty at the heart of development policies. Under this initiative, developing countries wishing to apply for financial aid from either of the organizations, or for debt relief under the HIPC (*Heavily Indebted Poor Countries*) Initiative, are required to draw up poverty reduction programs known as *Poverty Reduction Strategy Papers* (PRSP). Most low-income countries are now engaged in designing or implementing such policies. All the other donors have decided to follow suit and to link their aid policies to the PRSP system. Our analysis points out three main innovations: first, it is to be welcomed that the Bretton Woods Institutions have adopted poverty reduction and not structural adjustment as their main goal; second, adopting a participatory process for defining and monitoring the PRSPs certainly has great potential for strengthening democracy; last, these new initiatives have increased coherence between donors. But this new strategy has to overcome numerous difficulties and contradictions, raising some major questions: will the participatory process really bring ownership of policies by developing countries and will it enhance their governments' accountability? Has the content of policies changed and are they able to meet the goals that have been set? What are the available means to monitor and assess these new policies?

Keywords: poverty, development policy, aid efficiency, participatory process (collective decision-making analysis), monitoring and evaluation system, political economy, voice of the poor, inequality, redistribution and the role of the State, role of international organizations.

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At the end of the last decade, three factors forced the World Bank and the International Monetary Fund (IMF) to change their attitude and to seek a renewal of their approaches and practices in the developing countries. The first reason was the acute awareness of the increase of the poverty incidence in many parts of the world. The second one was related to the failure in most countries of structural adjustment policies and the questioning of the Washington Consensus on which they are based. The third factor was the crisis in legitimacy of the Bretton Woods Institutions (BWIs) who had to answer the rising criticisms from civil society and various protest movements. As a result, a joint Initiative launched by the BWIs at the end of 1999 sets the fight against poverty at the heart of development policies. Under this Initiative, low-income countries wishing to apply for financial aid from either of the organisations, or for debt relief under the HIPC (Heavily Indebted Poor Countries) Initiative, are required to draw up poverty reduction programs known as Poverty Reduction Strategy Papers (PRSPs). Since then, the BWIs have mobilised considerable human and financial resources to implement the Initiative and to ensure its success. All the other donors rapidly decided to follow suit and link their aid policies to the PRSP Initiative. Just three years after it was launched, the new poverty reduction programs now channel all official international aid resources destined for low-income countries, that is all these countries' external resources.

Given the enormous efforts made to introduce these programs, their increasing importance for the countries concerned and the strong mobilisation of the international community, this paper aims at presenting a general diagnosis of the scope and limitations of the PRSP Initiative.¹

As the following diagram shows, PRSP principles represent a fundamental rupture with past practice, both in terms of the way policies are designed and in their content, their funding and performance indicators. In all these aspects, the failure of previous strategies required the BWIs to formulate policies based on largely opposing principles. Three major innovations should be

¹ The authors based this paper on in-depth analysis, summarized in a book they edited on this subject (Cling, Razafindrakoto, and Roubaud, 2002). The forthcoming English version, entitled *New International Poverty Reduction Strategies*, is going to be published by Routledge by the beginning of 2003.

recognised as such. First, it is to be welcomed that the BWIs have adopted poverty reduction, and not structural adjustment, as their main goal. The proposed strategy focuses on ends and no longer only on means: reduction of poverty is an end on which a consensus can be reached, but this is not the case for structural adjustment programs which are controversial. The fact that this Initiative helps in particular to secure social expenditures is one result that deserves to be emphasised. Second, adopting a participatory process for defining and monitoring the PRSPs certainly has great potential for strengthening democracy in countries where people generally have very few means of making themselves heard. Third, the PRSP/HIPC approach may lead to a better coherence between donors. This is a major change, given that interventions from the different donors were traditionally criticised for their incoherency.

Innovations brought by the PRSPs				
Main objective	<i>Structural adjustment</i>	⇒	<i>Poverty reduction</i>	<i>New Principles</i>
Instruments	<ul style="list-style-type: none"> - Economic Policy Framework Papers (PFP – World Bank) - Country Assistance Strategy (CAS – World Bank) - Enhanced Structural Adjustment Facility (ESAF – IMF) 	⇒	<ul style="list-style-type: none"> - Poverty Reduction Strategy Paper (PRSP – BWIs-countries) - Poverty Reduction Support Credit (PRSC - World Bank) - Poverty Reduction and Growth Facility (PRGF – IMF) 	<ul style="list-style-type: none"> - Ownership - Participation - Donors' coordination
Handling of debt	<ul style="list-style-type: none"> - Indirect (Paris Club) 	⇒	<ul style="list-style-type: none"> - Debt alleviation (HIPC - BWI) 	
Preparation	<ul style="list-style-type: none"> - Policies imposed from outside - Top-down decisions - Secretive 	⇒	<ul style="list-style-type: none"> - Nationally prepared policies - Bottom-up approach - Transparent 	<ul style="list-style-type: none"> - Ownership - Participation / Empowerment - Accountability
Accounting for country specificity	<ul style="list-style-type: none"> - Weak 	⇒	<ul style="list-style-type: none"> - Strong 	<ul style="list-style-type: none"> ⇒ Ownership
Funding	<ul style="list-style-type: none"> - Project aid a priority 	⇒	<ul style="list-style-type: none"> - Budget support a priority 	<ul style="list-style-type: none"> ⇒ - Ownership - Donors' coordination
Monitoring indicators / conditionalities	<ul style="list-style-type: none"> - Means indicators 	⇒	<ul style="list-style-type: none"> - Results indicators 	<ul style="list-style-type: none"> ⇒ Accountability

It might be too early to assess the entire scope of the new poverty reduction Initiative, especially since it has mainly opened the dialogue on development strategies and that through an ongoing process, gradual improvements are supposed to take place in the future. Nevertheless, alongside some positive points that can be considered as steps forward, it is clear at the present

stage that this new Initiative leads to many weaknesses and contradictions which have to be overcome. The following analyses will focus on three main questions: will the participatory process really bring ownership of policies by developing countries and will it enhance their governments' accountability? Has the content of policies changed and are they able to meet the goals that have been set? What are the available means to monitor and assess these new policies?

New relationships between stakeholders

In an attempt to break with previous practices that tended, under structural adjustment, to take away the responsibility of the countries receiving the development aid, the new approach clearly emphasizes that each country has primary responsibility for its own development.

Whilst also presenting a *mea culpa*, the World Bank stated in a report prepared for the United Nations International Conference on Financing for Development, held in Monterrey in March 2002: « *One lesson from experience is that reform does not usually succeed without strong local ownership and a broad-based approach, which includes a consideration of institutions, governance, and stakeholder participation - a lesson that has provided the impetus for the Poverty Reduction Strategy Paper (PRSP) process* » (World Bank, 2002). Learning from past experience, the new approach² recommends the active involvement of all stakeholders and the establishment of new relationships between them. This means that we can analyse the current PRSP processes, and their chances of success, using a flow chart (see below) that identifies the key stakeholders – donors (which now call themselves “development partners”), civil society and the State - and helps us understand how they interact (convergence of interests, tactical alliances, power relationships, sources of tension, open conflicts). PRSPs' objective is to respect the following principles:

² The principles of this new approach are detailed by the World Bank in a Sourcebook dedicated to PRSPs (World Bank, 2001).

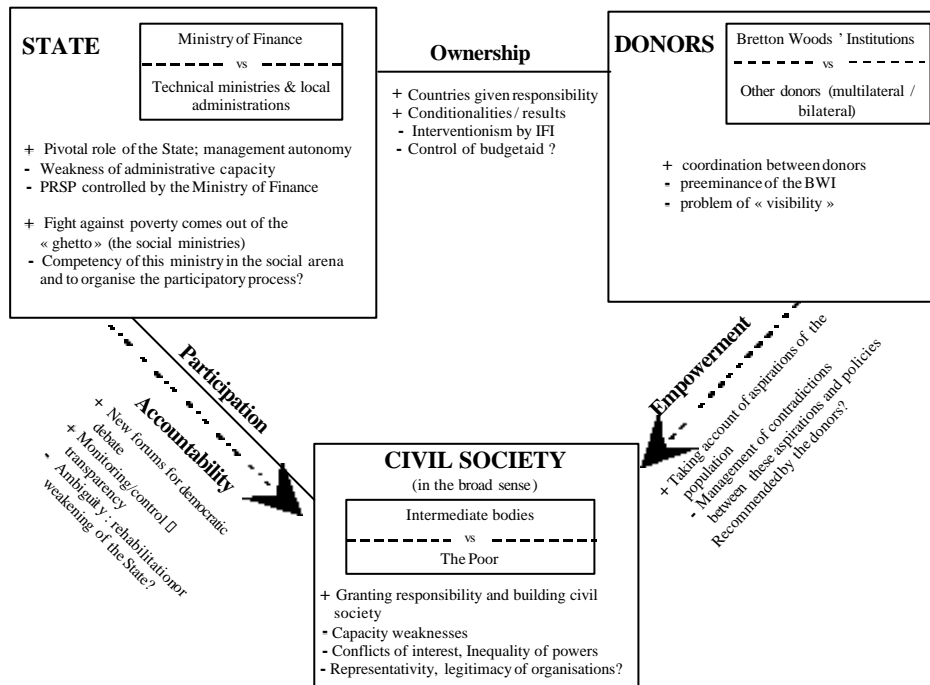
Box 1 New Interactions between stakeholders

The major novelty of the new poverty reduction strategies is their recognition of the central role and expanded scope for stakeholders to be involved in the definition and implementation of policies, thereby ending the purely technocratic approach previously favoured.

As a first approximation, three generic categories merit distinction. Each may be decomposed into two sub-groups, the one dominant and the other dominated:

- the State, in its broadest sense, differentiating between the Ministry of Finance and other public institutions (technical ministries, local administrations);
- civil society at large, differentiating between organised intermediate groups and the citizenry (whose opinions are supposed to be relayed through "public opinion"), especially the poor;
- the donor community, separating the BWIs from other donors (multilateral and bilateral).

The following diagram attempts to synthesise the intensity and the nature of relationships (both inter and intra) which generally characterise these three poles today. We have sought to determine those factors that contribute concretely in favour (+) or against (-) an efficient and balanced co-ordination of poverty alleviation policies. The interest of this diagram is not simply heuristic. It may also be applied (and eventually refined) to specific national contexts and consequently mobilised in a prescriptive perspective to reduce contradictions that threaten the realisation of objectives set by the PRSPs. In effect, the presentation of this tri-polar model is not fixed, but the result of a social construct in permanent flux.



Note: (+): positive points; (-): weak points, problems.

Source: Cling, Razafindrakoto, Roubaud (2002).

- *ownership*: government responsibility for conducting participatory process should increase its commitment to undertake efficiently the actions decided within the PRSP, while the participation of civil society, not only to the definition but also to the monitoring of policies, should ensure the whole population's support to reforms;
- *empowerment*: the participatory process is supposed to contribute to improving the quality of the political debate and to help to define a more adequate strategy meeting real social needs; by offering the poor a means to express themselves and to influence policies affecting their living conditions, this approach also aims at fighting social exclusion (which according to A. Sen is one dimension of poverty);
- *accountability*: through participation, all stakeholders are invited to discuss government policies, and government is now made accountable to all citizens.

We analyse hereafter how these principles can be put in practice.

Increased ownership and aid efficiency?

The traditional determining weight of donors in financing developing countries with no access to private capital flows has been increased with the introduction of PRSPs. These have now become essential instruments in relations between developing countries and the donor community, as a necessary condition both for debt relief and for access to new concessional BWI lending.

At the same time, PRSPs promote the establishment of new relationships between donors and beneficiaries, aimed at making recipient countries more aware of their responsibilities both in the definition of policies and in their application. The BWIs now adopt, in principle at least, a more humble attitude concerning the countries where they intervene. In parallel, they also seek better coordination between themselves and between the different donors, in order to put an end to the previous incoherency of their interventions.

The period of structural adjustment was marked by the multiplication of "conditionalities" imposed by the BWIs. This process has now been interrupted, or reversed³. But conditionalities do not evaporate in the PRSP framework, they are merely "internalised" as, in order to obtain desired debt relief, countries are required to define home-grown economic strategies that are subsequently validated by the BWIs. As such, the principles of "ownership" and "conditionality" appear antithetic. The principle extolling national sovereignty thus remains, in fact, largely illusory: the means of intervention by the international financial community remain dependent, to a great extent, on coercion. PRSPs are, above all, conditions imposed by the World Bank and the International Monetary Fund for the granting of new financial aid. This puts a bias on the process of national ownership from the start. As the strategy must be ratified by these institutions, the respect for conditionalities and policies suggested by the latter take precedence over those judged adequate by national players.

This process, which nevertheless constitutes the principal innovation of the PRSPs as a means of drawing up economic policy, is where the distance is probably greatest between laudable objectives and what pertains in practice. Observation of the PRSP preparation processes carried out to date shows that BWI intervention generally remains very marked (Cling, Razafindrakoto, Roubaud, 2002).

The principles underlying the PRSPs should also lead to a growth of budget support at the expense of project aid. Whereas project aid precludes all policy ownership, it can be assumed that this becomes easier with budget support. This is justified first by the fact that the funds released by debt relief within the PRSP framework lead to savings in public debt servicing and, as such, constitute budget aid. In addition, the recipient countries' desire to obtain aid "ownership" has as its corollary the granting of greater management control over these funds, which is inherent in budget support. This is a contradictory evolution from the donors' point of view. It may be less costly in

³ The proliferation of conditionalities observed from the beginning of the eighties has been stopped (Chavagneux, 2001). Nonetheless, a case study conducted on six poor countries (Albania, Ghana, Kenya, Mozambique, Vietnam, Zambia) concludes that the streamlining of conditionality within the new instruments put in place within the PRSP Initiative is limited to the IMF. It is narrowly conceived and restricted to structural, but not macroeconomic conditions; moreover, what may happen is that many of the more important structural conditions dropped by the IMF will be taken up in World Bank programmes. (Killick, 2002).

management terms, which ties in well with the trend to reducing official development assistance (and the human resources available for project management - particularly true of the World Bank), but it has the disadvantage of reduced "visibility". Funds appropriated to the budget are no longer identifiable, whereas those earmarked for projects allow donors to claim a role in the fulfilment of such projects.

Moreover, the relative increase of budget support raises the question of controlling the use of funds. The BWIs have put forward the principle of aid selectivity, in order to limit the risks of misappropriation; this principle consists of giving aid in priority to countries with good governance, where it is managed correctly and transparently (Banque mondiale, 1998 ; Chavagneux et Tubiana, 2000). Nonetheless, experience shows that the amount of debt relief granted to poor countries within the HIPC Initiative, which is the main source of funding of the new expenses committed within PRSPs, is allocated according to purely financial criteria connected to their debt sustainability; these criteria neither take into account their financial needs in order to conduct their poverty alleviation strategies, nor the quality of their governance.

Finally, conditionality criteria have changed in that they no longer concern only the measures to be adopted, but also and above all the outcomes regarding poverty reduction. The extent of the changes should not be underestimated. Rather than encourage developing country governments to act out a pantomime, inciting them to stress the formal aspects of their respect for their commitments, for the first time emphasis is also placed on the fundamentals, that is to say policy results, which we may say is a sensible principle for assessing any policy, whatever the field. However, it will be far more difficult than it seems to put these principles into practice, as the analysis presented on monitoring & evaluation shows below.

Conceived as a holistic development strategy, PRSPs also aim to improve the coherency of donors' interventions. Insofar as all donor countries are also shareholders in the BWIs, approvals of programmes naturally lead *a priori* to their incorporation in each country's aid policy. This is exactly what has happened progressively over recent years. However, the risk remains that greater

practical cohesion masks an alignment of all donors, whether bilateral or multilateral, behind a strategy defined and applied by the BWIs without consultation with the others. For such coordination to function effectively, the BWIs need to consider the experience of other donors, but unfortunately this is not always the case. For example, the UNDP has long experience in the fight against poverty, but the BWIs have taken very little account of it, either in terms of concepts or country strategies (Dante *et alii*, 2002).

The participatory process, a factor for strengthening democracy

One of the main innovations in the PRSP approach consists of the association of civil society in the definition and the monitoring of policies, with the goal of strengthening the democratic debate and, as such, the legitimacy and efficiency of policies.

Paradoxically, the crossfire of criticisms against this new principle comes from all sides of the political scene: on the one hand, some critics underline the inevitable interference with politics inferred by the participatory processes; according to them, the promotion of an expression of citizens other than that of the democratically-elected government risks to fragment young democracies (Summers 2001); on the other hand, suspicions are expressed regarding the BWIs duplicity, on the lines that they only adopted a slogan but they neither really have the will, nor the adequate competency (as they are mainly composed and directed by economists) to intervene in the political arena and to conduct a participative process (Chavagneux, 2001).

From our point of view, despite numerous difficulties and imperfections which are underlined by many reviews undertaken by NGOs as well as experts or by the staff of the BWIs (ODI 2001, Whaites 2002, IMF and World Bank 2002), there is no doubt that this initiative should be encouraged. Not many countries engaged in the definition and implementation of PRSPs are really democratic. In any event, and unlike historical democracies, intermediate civil society bodies (parties, trade unions, associations, NGOs) are extremely fragile if not absent. Yet it is them who are supposed to ensure democratic control between elections (lobbying groups, petitions, demonstrations, etc.). There is thus little or no mediation between the elected powers and the

people, especially the most disfavoured among them. Under such conditions, the participatory process principle is a potentially positive factor. It may contribute to the reinforcement of intermediate institutions (social capital), weigh on the accountability of the State, enlarge the democratic debate and improve the circulation of information. It provides a forum for the expression of problems and opinions, which did not exist before.

This is clearly not to say that the processes established in recent months are satisfactory. It would be naive to think that PRSPs would generate a civil society by themselves, if one were not already organised. In itself, organizing a participatory process is very difficult. This is all the more so given poor countries limitations and time constraints: poor countries need debt relief urgently, which requires them to complete their PRSP in a very short time. In fact, two questions must be addressed: First, what are the preliminary criteria allowing civil society representatives to take part in the definition of economic policies? Second, is there a real will of allowing the civil society to have an effective influence on decision-making process?

While non-governmental organizations (NGOs) are generally considered as the only representatives of civil society, they frequently lack representativeness, legitimacy and capacity, the three main criteria essential for ensuring an effective participation according to the World Bank. The central role played by NGOs (by default, in the absence of other representative organisations) risks to increase the normal perverse effects arising from their function as "development brokers" (seeking development "rents") or as "fronts" for the administration (Winter, 2001; Lautier, 2001; Raffinot and Roubaud, 2001). As argued by Hoddinott (2002): *"In fractionalised communities, or where trust and/or social capital are weak, there is a risk that community participation may result in the capture of benefits by local elites, to the detriment of the poor"*.

The sidelining of elected assemblies (especially of Parliament) in several cases is really questionable (McGee and others 2001). Moreover, trade unions are also often excluded from the process. This weakens them further, considering the fact that (where they previously existed) they have been sapped by several decades of crisis and structural adjustment. This is also the case for the

private sector which is considered *de facto* a part of civil society but which is not always explicitly involved in the participatory process. This may be explained by the frequent atrophy of employers' associations in low-income countries, and also by the fact that companies (at least the largest among them) have their own means of lobbying government.

Does this mean that the participation of civil society is useless, or even that it introduces bias to the functioning of democracy? It is clear that the lack of co-ordination and organisation of civil society in poor countries constitutes a serious handicap for the success of the process. But in most countries the process must above all be considered as a motor for strengthening civil society. The interest of this approach will be clearly manifest only where it leads to the preparation of a feasible and ultimately successful PRSP. But the definition of economic policies to alleviate poverty is a difficult exercise, both for national leaders and for civil society. For most of them it represents a first experience. Capacity weaknesses, a lack of training and inadequate information disarm them from proposing concrete policies that may withstand rigorous analysis or be defended against donor prerogatives. Ownership, as an objective, risks coming up against this problem of inadequate capacity with, in consequence, a return to the supposedly evolved practice of external policy definition.

Implementation of the principle of accountability also leads us to question the management of conflicts of interest within civil society and the way in which policy definition considers the outcome of the participatory process. The choice between a purely consultative process or, on the contrary, a process contributing to decision making is not explicit, even if there is a trend in practice towards the former alternative, which in turn generates frustrations among participants (McGee and others 2001). In addition, the principle of the participatory process does not permit the resolution of conflicts of interest, a problem which had been eluded in large part in the World Bank Development Report 2000/2001 entitled *Attacking poverty* (World Bank, 2000a). PRSPs neither take into account the need for arbitration, nor all their implications for the State in general. In this sense, the participatory process concept may be considered as "utopian" (Lautier, 2001).

Political Economy versus Economic Policy

As mentioned before, it seems that the BWIs still put most of the blame for the failure of structural adjustment down to the developing countries' failure to implement them rather than to their content. According to them, changing the methods to elaborate and to apply policies (promotion of ownership, participation and accountability) would be enough to ensure their success, without necessarily reviewing their appropriateness or adequacy. As a consequence, the necessary change in the orientation of economic policy is currently underestimated in the PRSP process.

In spite of this reluctance, the adoption of new poverty reduction strategies implicitly recognises the failure of the previous policies⁴ and the need to re-examine these policies. There is a certain consensus about some points such as: the need for a better balance between State and markets, the need to take into account the specific national and local contexts, and finally the shortcomings of liberalisation (Klasen, 2002; Stiglitz, 2002).

This part seeks to establish a first diagnosis of the content of PRSPs. The analysis rests on the examination of interim and final PRSPs prepared as at the end of 2002, paying particular attention to those of the countries which have finalised arrangements⁵, as well as to assessments undertaken by the World Bank and the IMF (notably their *Joint Staff Assessments*, see also the PRSP review, IMF and World Bank, 2002) and by various institutions (Thin and others, 2001; Whaites, 2002). Our goal is not to undertake an exhaustive review of the strengths and weaknesses of the documents. Rather, we seek to highlight a number of oversights that have implications for efficient poverty reduction, and which appear inadequately stressed to date.

⁴ Developing countries' failure to implement structural adjustment is far from being proved and deserves being questioned. In many cases, price controls has been removed, tariff and non-tariff protections decreased significantly, stabilization really took place, efforts have been made to reduce the size of the public sector (number of employees, wages, privatization), exchange rates are no longer overvalued as in the past, capital markets have been liberalized, and labor markets are more flexible. Undoubtedly, market economy has gained ground, but without significant positive results, at least in Sub-Saharan Africa.

⁵ These countries are: Albania, Bolivia, Burkina Faso, The Gambia, Guinea, Guyana, Honduras, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, Uganda, Vietnam, Zambia.

PRSPs share some common shortcomings

Detailed analysis of PRSPs shows that their content is of unequal quality, depending on the country concerned. Those where poverty alleviation programmes have been in preparation for several years (Honduras, Mozambique, Uganda, and to a lesser extent Nicaragua), and/or those to have received significant external technical assistance (Bolivia, in particular) are distinguished by more elaborate PRSPs⁶. To the contrary, strategy papers are more basic and superficial for countries that prepared them under a time constraint and that lack adequate poverty alleviation experiences (Burkina Faso, Mauritania and Tanzania).

But despite these differences, strategies consist in most cases of a simple recycling of previous policies, with marginal adjustments to establish a link with poverty. The accent placed on the fight against poverty and the establishment of a participatory process, while supposed to promote appreciation of the needs of the population and of the characteristics of each country, appears to be of marginal influence on the content of programs. The translation of general orientations into concrete operational measures raises several difficulties due in particular to the problem of the capacities of poor countries, human and financial resource constraints imposed in the field being largely underestimated (most often not even mentioned). The lack of well-defined priorities (the “shopping list” syndrome) reflects this underestimation of capacities constraints.

This question is highly relevant, given that the objectives that have been set are so ambitious, and perhaps even unrealistic: most African countries, for example, will quite obviously be far from reaching the Millennium Development Goals set down in their PRSPs to be reached by 2015. As debt relief is funding most of the additional social expenses planned within the PRSPs, the question of whether the new initiatives will lead to a significant increase in aid flows or whether, on the contrary, debt relief will cover a continuing drop in ODA (Bougouin and Raffinot, 2003; Severino, 2001) is also of enormous significance.

⁶ Uganda and Bolivia were among pilot countries for the establishment of Comprehensive Development Frameworks.

The diagnosis is ambiguous concerning the need to strengthen States' institutional capacities, whereas the management of poverty reduction strategies is even more complex and more demanding than the previous stabilisation or adjustment programs. The World Bank itself recognizes this problem is especially acute in Africa; according to its report *Can Africa claim the 21st century?*: “*the adjustment decades also saw a substantial deterioration in the quality of public institutions, a demoralization of public servants, and a decline in the effectiveness of service delivery in many countries. Together with falling incomes, these effects- which cannot be speedily reversed- translated into falling social indicators and capabilities in many countries and to losses of human capital, especially (though not exclusively) in the public service*”. The same negligence is observed in strengthening the capacities of civil society: the PRSPs do not cover the question of empowerment (i.e. the consolidation of civil society organisations);

Generally, promoting the concept of governance (that means all institutional, formal and informal decision-making procedures) seems to dilute responsibilities and to weaken the role of the State. In fact, the State has to conduct the participatory process and at the same time share the responsibility with a growing number of collective and individual, public and private actors (Banegas and Meyer, 2002).

Given that PRSPs are inspired and validated by the BWIs, their inadequacies reflect, above all, those of these institutions (see Cling, 2002). Four points illustrate their analytical shortcomings: a lack of articulation between macroeconomic policies and sectoral programmes; an inadequate appreciation of the multi-dimensional nature of poverty, formally stated but with no realisation of the consequences (see Razafindrakoto and Roubaud, 2001a on Madagascar); the absence of a realistic strategy for global insertion (Oxfam, 2002); and, a gloss over the question of links between poverty and inequality. The last issue will be developed in the following section.

The link between poverty and inequality is not addressed

As argued by Bourguignon (2002): “*Part of the ongoing debate on poverty reduction strategies bears on the issue of the actual contribution of economic growth to poverty reduction. There is no*

doubt that faster economic growth is associated with faster poverty reduction. But what is the corresponding elasticity? If it is reasonably high, then poverty reduction strategies almost exclusively relying on economic growth are probably justified. If it is low, however, ambitious poverty reduction strategies might have to combine both economic growth and some kind of redistribution”.

In practice, the impact of growth on poverty depends in a great extent on initial inequality. Higher income inequality reduces the impact of growth as the poor are further away from the poverty line and their income increases start from a lower base (Ravallion, 2002). According to the World Development Report 2000/2001, 1 per cent increase in average per capita consumption reduces the incidence of extreme poverty (proportion of people living on less than \$1 a day) by around 1.5 percent in a country with an initial Gini coefficient of 0.6. The equivalent reduction is doubled (3 percent) if the Gini coefficient is 0.2. Because of this relationship, income redistribution has a dual pay-off in poverty reduction. It reduces poverty instantaneously by giving the poor a higher income. In addition, it also contributes to a permanent increase in the elasticity of poverty reduction with respect to growth and therefore to an acceleration of poverty reduction for a given rate of economic growth (Bourguignon, *ibidem*).

One would expect poverty reduction strategies to take into account these conclusions, especially as their PRSPs assign very ambitious objectives as far as poverty reduction is concerned, such as halving extreme poverty by 2015 (which is the first of the twelve Millenium Development Goals). Cogneau (2003) underlines also the distributive justice theory developed by J. Rawls and A. Sen, who put the accent on the link between inequality of chances, poverty and future inequality.

In fact most PRSPs do not really address the question of inequalities and redistribution: a detailed analysis of available PRSPs (when this article was written) reveals that they hardly ever use the word redistribution (Bolivia excepted, whose PRSP mentions this expression seven times). More generally, our analysis shows that inequality related concepts⁷ are used very irregularly : the

⁷ That is the following words: equity/inequity ; equality/inequality ; equal/unequal ; equitable/inequitable; redistribution.

four Central and South America countries, which are also the most inegalitarian, use these concepts every other page, whereas the eight African countries, which are much poorer but also generally less inegalitarian, use them only once every three pages; Vietnam, whose socialist regime makes it more 'inequality conscious', mentions frequently these concepts (every 1.5 page), whereas Albania, in spite of high and rapidly increasing inequalities is very shy about this subject (once every five pages). No doubt most PRSPs wish to avoid head-on conflicts of interest between different categories of the population, but also to avoid questioning the social cohesion that the participatory process is meant to build or to reinforce.

This lack of interest for the inequality issue (with only few exceptions) is all the less surprising as the concept of social inequality is very neglected by the World Bank. This institution seems to consider the fight against inequalities as a simple means and not as an end (World Bank, 2001)⁸. No matter whether the question is to promote a policy aimed at reducing inequality or not, PRSPs always follow the above mentioned instrumental approach: the Guyana PRSP reaffirms: "*With per capita income of less than US\$3 per day, there is very little scope for income redistribution as a mechanism for poverty reduction... Given the evidence of a strong correlation between growth and poverty reduction, income redistribution is not a viable option*"; Unlike Guyana, but using the same approach, the PRSPs of Bolivia, Mauritania and Zambia suggest to improve income distribution in order to accelerate growth and ultimately to reduce poverty faster.

Poverty alleviation strategies necessarily imply arbitration that is almost never explicitly stated. For example, the principle of universal social protection is implicitly queried (Lautier, 2001), which raises questions about the position to be adopted regarding the non-poor, or the less poor among the poor. In the same way, access to land by the poor would require in many countries the application of a land redistribution policy to the detriment of more favoured categories. Nevertheless, measures recommended in PRSPs in this regard are generally limited to guarantees of tenure. Lastly, with few

⁸ Maxwell (2001) regrets that the reduction of social inequalities is not listed among the Millenium Development Goals.

exceptions (notably Bolivia, Mauritania and Uganda), fiscal policies are not mentioned as instruments to be used in promoting income redistribution in favour of the most impoverished.

Building an efficient monitoring and evaluation system: a real challenge

Monitoring and evaluation systems have become more important than in the past, partly because they are supposed to guide action in real time, using their findings as a basis for redirecting policies, but also because the emphasis on citizens' participation in defining policies and in leading reforms implies a wider access to two sorts of information: first, on the problems as they stand and second, on the real or expected impact of the implemented or planned options.

The question of policy evaluation becomes all the more crucial since conditionality criteria have changed in type (see above). The relative growth of budget support demands the establishment of result-based indicators, which is also a means of controlling a posteriori the use made of external funds, because permanent monitoring as applied to project aid is no longer feasible. However, the application of this idea will be more difficult than it appears. What would happen if, for example, the trajectory followed by a country differs from its goals for exogenous reasons, such as the AIDS epidemic which has reduced life expectancy in several African countries, or a prolonged slump in the prices of primary export commodities? Here, we tackle the question of understanding the links between growth and poverty, or the impact of the international environment on the poor, and generally show the weakness of policy evaluation tools..

At the present time, input to thinking on monitoring and evaluation systems is one of the main weaknesses in the current process (ODI 2001). Up to now, monitoring and evaluation systems proposed in PRSPs are, in general, nothing more than an extension of past systems, with in certain cases an effort to measure indicators directly linked to the Millenium Development Goals. Yet, the results of past practices are gloomy. For example, in terms of final indicators measuring monetary poverty, we come to the paradoxical conclusion that the multiplication of household surveys during the last decade may not have lead to a better understanding of the evolution of poverty (Razafindrakoto, Roubaud, 2002). This is due to the inadequacy and inconsistency in survey design

and indicators. Statistical data reliability is poor if not unacceptable (Deaton, 1995; Naudet, 2000). Besides, the analyses based on these data are of little relevance for decision makers. Results are rarely available to the civil society. In such conditions, the absence of linkages between diagnoses established and strategies proposed in most PRSPs is unsurprising.

A critical review of the indicators proposed in final PRSP (completed at the end of 2002) of eleven African countries gives evidence of existing shortcomings (Gubert, Robilliard, 2002)⁹: the monitoring system is neglected in the papers; the list of indicators proposed for tracking the progress of suggested policies/actions and evaluating their results is extremely poor; very few interest in intermediate indicators which however are easy to measure compared to final indicators; too much focus on monetary poverty, on access to health and education services indicators neglecting those dealing with the population's level of satisfaction; absence of indicators to measure the political clout of rural areas, or that could gauge the State's effort (share of public spending affected to rural areas); the lack of available data and the human and financial constraints affecting the collection of indicators are not taken into account, etc.

Finally, we only have very fragmented information on poor country economies, and lack relevant, reliable data. In this context, it is very difficult, if not impossible, to assess the impact of the policies. It follows that it is now urgent to mobilise all the means required to deepen our knowledge of the situation and the mechanisms in force in poor countries, both in economic and socio-political terms, given that these two factors are very closely related. An adequate monitoring and evaluation system must explore, and aim for a better understanding, of the interactions between four dimensions of development strategies: growth, distribution of income and assets, the quality of institutions (particularly public institutions), the type of political regime (democracy) and the society's value system; This need concerns the collection of information as well as the evaluation methods to put in place.

⁹ This study focuses on rural indicators but its conclusions also apply to urban areas.

Box 2

Examples of relevant information to monitor poverty reduction strategies

If we focus on household surveys, three types of information can be collected and combined in order to have an innovative and effective way of hearing and relaying the "voice of the poor", with quantified information usable for decision-makers: subjective perceptions and values (poll surveys); objective data on socio-political practices (political and social participation, religious practices, access to public services, violence, corruption, etc.); classical economic variables (education, occupation, income, consumption, etc.)

To give some examples of the results that can be drawn from this kind of approach, its application in the case of Madagascar shows first that the poor display a strong need for the State and public regulation, which reflects a strong need for protection; This result leads the BWIs to face a dilemma: how can they integrate such an aspiration for Welfare State, which seems to be incompatible with their own ideological positions? (Cling, Razafindrakoto and Roubaud, 2002)

The poor display a strong need for the State and public regulation

(%)	Per capita income quartiles				
	1 st quartile	2 nd quartile	3 rd quartile	4 th quartile	Total
Madagascar's public services are efficient	18.2	15.3	14.1	9.9	14.4
Have confidence in public services	36.8	33.5	30.1	21.5	30.5
Against any form of privatisation in 1998	31.2	25.9	25.5	11.6	23.6
In favour of free education for all (primary)*	84.2	80.0	77.4	70.3	78.5
Graduates should be guaranteed jobs in public services*	68.0	60.5	54.6	42.6	56.4

Source: 1998 employment survey, *1996 employment survey, MADIO, authors' calculations.

Second, the wide consensus on the measures to be taken to reform public services (linking salaries to performance, reinforcing the system of punishments for incompetent employees) confirms the possibility of creating a pro-poor coalitions and the legitimacy of this type of measures;

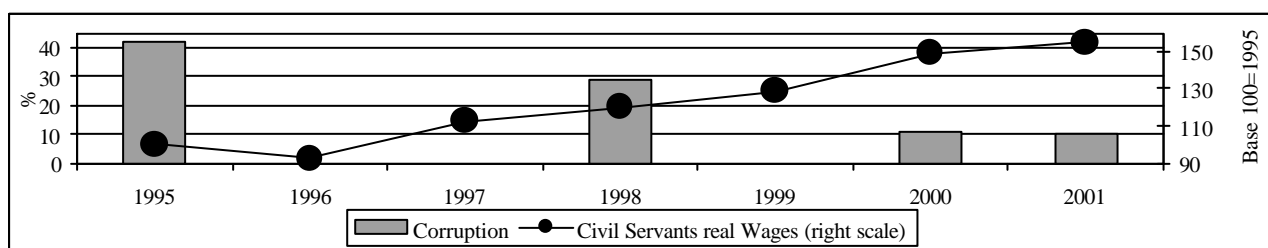
The consensus on the steps to be taken to reform public services

%	Per capita income quartiles				
	1 st quartile	2 nd quartile	3 rd quartile	4 th quartile	Total
Salary linked to performance	96.3	96.3	95.8	91.4	95.0
More severe punishments	90.3	91.8	90.6	87.5	90.0
Replace incompetent state employees with young people	89.7	89.7	87.9	86.6	88.4

Source: 1998 employment survey, MADIO, authors' calculations.

Third, empirical evidence highlights a link between the improvement of civil servant wages and a sharp drop in the incidence of corruption (Razafindrakoto and Roubaud, 2001b)

Civil servant salaries and corruption level in Madagascar 1995-2001



Source: Employment Surveys 1995-2001, INSTAT/MADIO.

These findings demonstrate the possibility of combining a certain number of basic criteria to put together an appropriate mechanism. Yet, measurement of these types of indicators remains quite exceptional in LDCs.

How to get relevant monitoring indicators?

As regards monitoring indicators, numerous paths must be explored to go beyond the narrow framework of traditional indicators (on monetary poverty, education and health) and to take into account new concepts dealing with the multiple dimensions of poverty (especially those related to vulnerability, empowerment and participation/exclusion). Overall, the necessary introduction of reliable methods of poverty monitoring, within the framework of new policies and their evaluation, calls for a radical break with past practice. This break must take place in parallel on two closely-connected fronts: technically, in terms of the production and analysis of statistics (methodology and frequency for ensuring consistency in sequential monitoring indicators, fieldwork and procedures for ensuring data quality), and institutionally (capacity building, wage issues, mobility, career management, training to ensure the permanence of the system, making the most of the data to ensure the social and democratic function of access to the information), in order to reinforce the organisations responsible for the economic and social information systems in the countries of the South.

The list of recommendations may seem nothing more than common sense. Experience nonetheless shows that they are not generally adhered to. This catalogue of good practice constitutes a minimum platform to offset the effects produced by the falling standards of data quality and institutional capacity over the past fifteen years. This is especially true given that the new generation of surveys, launched rapidly to finalise the PRSPs, bodes ill for quick improvement in the situation.

Evaluating policy: a huge challenge

Defining an effective strategy to fight against poverty particularly requires a careful assessment of the distributive impact of the economic policies that are planned or implemented. The World Bank and IMF's Poverty and Social Impact Analysis (PSIA) programs respond to this need. These recent programs represent an immense project in terms of operational research and

applications (Bourguignon, Pereira da Silva, Stern, 2002). They will be faced with three types of difficulties described hereafter.

First of all, the natural order of things would have been to use these techniques from the beginning when drawing up the PRSPs and defining policy priorities. However, the PRSP system was set up in such haste that this was not possible.

More fundamentally, there are no instruments available at the present time to enable precise assessment (*ex ante* and *ex post facto*) of the impact of the policies on poverty. Certain innovative paths of research, such as micro-simulations, represent promising methodological progress in this direction (Cogneau, Grimm, Robilliard, 2002). But two fundamental problems remain unsolved:

- how can the multi-dimensional nature of poverty be taken into account when analysing the policies' distributive effects?
- how can the impact of alternative measures be measured in terms of poverty (with a given budget, is it better to construct rural tracks or improve the quality of primary schooling)?

A program of this sort must be based on an analysis of what are still widely unknown interactions between the different forms of poverty and the wide range of alternative policies.

Finally, assuming that researchers solve these analytical difficulties and that the data required to implement the new methods is produced, the constraints of local technical and institutional capabilities will need to be lifted and the means of dialogue between those "in the know" and society will need to be rethought, in order to bring the key principles of appropriation and participation into being. Although this very ambitious project is clearly inaccessible in the short term, it is nonetheless vital to make a firm commitment in this direction. Creating and transferring appropriate instruments to be mobilised for this project will be a final challenge, and by no means the easiest.

Conclusion

Weaknesses of the process under way are clearly illustrated by confronting the goals set by new poverty reduction strategies, crystallised in PRSPs, with their concrete development in the field. In the coming years, the challenges will concern both the validity of the policies and the ability to implement them, and tools will be required to monitor and assess the results. On all three levels, participation is supposed to play a key role. It is also the main unknown factor.

The principle of participatory process makes public choices explicit and increases transparency in the management of State affairs, whilst offering the different players in society the possibility of exerting pressure, or even taking sanctions in the case of failure. In short, accountability is at stake. But the majority of the players do not seem to be fully aware of these new prospects, as they lack guidelines and are used to being excluded from decision-making circles. The real influence of the participatory process on economic policy decisions has yet to be defined.

The recognition of the role of the political economy in development strategies is laudable. Ownership and participation in the process of designing and implementing policies are important. Yet, the process cannot fill by itself the gap in terms of economic policy. One can wonder if the accent put on the process does not want to mask the inability of the BWIs to identify viable and coherent alternative economic options.

Arrangements for measuring poverty are about to play a crucial part in drafting, monitoring and evaluating new international development policies. But the full scope of the dramatic deficiencies of past statistical systems, which are simply reconducted in most cases, in poor countries has not yet been fully addressed by either national or international institutions. The diagnosis and recommendations given here are certainly fragmented, and it would be appropriate to proceed to a deeper and more systematic evaluation of existing systems. Only thus can we hope that methods of monitoring and evaluating policies will respond effectively to the ambitious objectives assigned to them by the PRSPs.

In any event, new paths have been opened by the PRSP Initiative. It offers a real opportunity of seeing changes in the nature of public policies and international aid, in a manner that favours development and calls on greater participation from citizens. Of course, nothing guarantees that this opportunity will actually be grasped. This will depend on the ability of social forces, in local contexts, to work to this end; but the formal conditions allowing these new voices to emerge have never been so favourable. One thing is for certain, it cannot be said that the outcome is settled in advance. It remains to be seen whether the numerous obstacles and constraints that still exist can be overcome, and whether the different players at national and international levels are aware of the real stakes involved and are ready to mobilise the resources needed to make the process a success.

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