

# **The PRSP Initiative: Old Wine in New Bottles?**

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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 two 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 to present a general diagnosis of the scope and limitations of the PRSP Initiative. Our point of view

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is based on in-depth analysis summarized in a book on “the new international strategies against poverty” (Cling, Razafindrakoto, and Roubaud 2002).<sup>2</sup>

## **I. A Brief Overview of the New Initiative**

The underlying principles of the PRSPs provide three major innovations, which should be 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.

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 (see boxes 1 & 2). The following analyses will focus on three main questions: Will the participatory process really enable developing countries to appropriate the policies (ownership) and will it enhance democratic responsibility, or accountability, on behalf of their governments? 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?

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<sup>2</sup> Cling, Jean-Pierre, Mireille Razafindrakoto and François Roubaud, eds. 2002. *Les nouvelles stratégies internationales de lutte contre la pauvreté*. Paris: Economica (the English version is forthcoming, Routledge, by the end of 2002).

## Box 1

### Some strong contradictions of the PRSP process

#### 1. *The new relationship between donors and poor countries*

##### ↳ **Urgency of debt alleviation versus time needed to design an elaborate PRSP**

The design of I-PRSPs is a first condition for debt relief, which is considered by the poor countries as urgent and crucial. So, in most cases, the speed is prejudicial to the quality of the process and the poverty reduction strategy.

##### ↳ **Ownership versus Conditionality**

?? The principle of conditionality still remains: PRSPs are, in effect and above all, conditions imposed by the BWIs for the granting of new financial aid. Since the strategy must be ratified by these institutions, conditions and policies suggested by the latter take precedence over those which might be judged adequate by national actors.

?? The logic of the Initiative recommends the growth of budget aid at the expense of project aid (which in most cases precludes policy appropriation), but it presents some risks (control of the use of funds).

?? Conditionality no longer concerns measures only but above all the outcomes regarding poverty reduction. But it will be difficult to assess to what extent the increase (or decrease) of the poverty incidence is due to government policy or to external factors.

##### ↳ **Selectivity of aid versus Comprehensive debt alleviation and PRSPs for all**

Is the previously favoured principle of aid selectivity (which consists in channelling aid in priority to countries where criteria of good governance are respected) compatible with the idea of standardising or expanding the initiative to all HIPC countries?

##### ↳ **Reinforcement of coordination between donors versus increase of the BWIs' hegemony**

The risk remains that greater practical cohesion masks an alignment of all donors behind a strategy defined and applied by the BWIs without consultation with the others.

#### 2. *The design and contents of PRSPs*

##### ↳ **Participatory process versus existing democratic institutions**

Involvement of Civil Society helps to strengthen democracy. But the question of legitimacy, representativeness and capacity of civil society must be addressed.

##### ↳ **Political economy versus economic policy**

The process of designing and implementing policies (ownership, participation) is important, but it will not be enough to ensure their success if the appropriateness of the orientations and the contents of development strategy are not questioned.

#### 3. *The monitoring and evaluation of PRSPs*

##### ↳ **M&E is supposed to play a key role.**

**However, it is one of the main weak points in current PRSP processes**

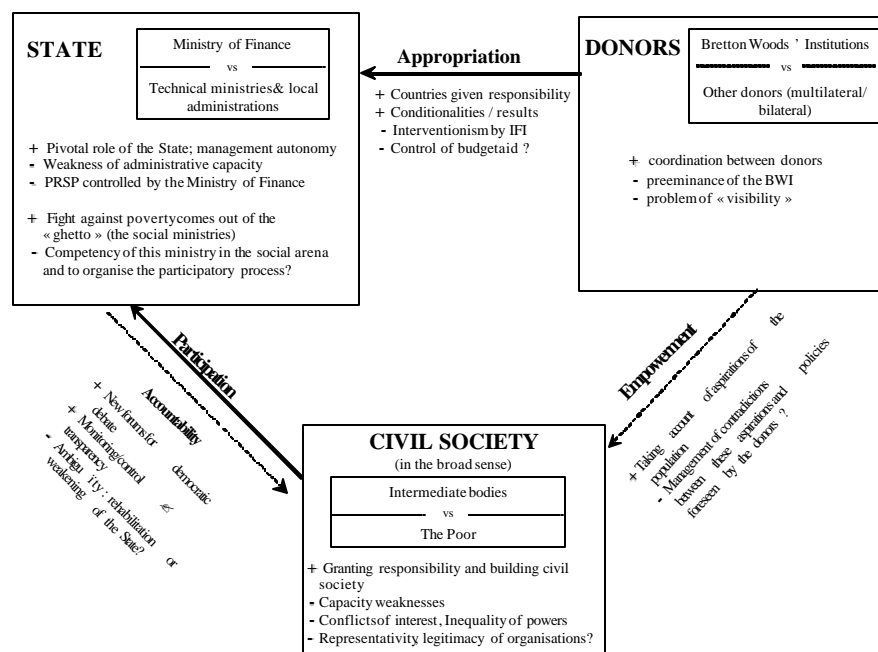
## Box 2 A readers' guide to the new anti-poverty strategies

The major novelty of the new strategies to fight poverty 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. In consequence, analysis of the PRSP processes underway, as well as their chances of success, may be guided by a schema, based on the identification of key stakeholders in the procedure, which stresses the modalities of their interaction (convergence of interests, tactical alliances, power relationships, sources of tension, open conflicts).

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.

## **II. 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 both sides of the political scene:

- On the right, rejection in the name of scientific objectivity, favouring a technocratic approach. Critics underline the inevitable interference with politics inferred by the participatory processes. The promotion of an expression of citizens other than that of the democratically-elected government risks to fragment young democracies (Summers 2001);
- On the left, suspicions regarding the BWIs duplicity, on the lines that they only adopted a slogan. But these institutions (mainly composed and directed by economists) do not really have the will nor the adequate competency 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 democratic responsibilities of the State, enlarge the democratic debate and improve the circulation of information. 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. It nevertheless provides a forum that was previously absent for the expression of problems and opinions.

However, even without the constraints of poor countries, organising a participatory process is very difficult. 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?

*The problem of legitimacy, representativeness and capacity of the civil society*

While non-governmental organisations (NGOs) are generally considered as the only representatives of civil society, they frequently lack representativeness, legitimacy and capacity. 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 (Bako-Arifari and Le Meur 2001; Lautier 2001; Raffinot and Roubaud 2001).

The sidelining of elected assemblies (Parliament) in several cases is really questionable (McGee and others 2001). Moreover, trade unions are also often excluded from the process. In any event, 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 to come up against this problem of inadequate capacity with, in consequence, a return to the supposedly evolved practice of external policy definition.

*The participatory process: a utopian ideal?*

Implementation of the principle of democratic responsibility leads us also 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 character of the process or, on the contrary, the granting of decisional power is not explicit, even if there is a trend in practice towards the former alternative, which in turn generates frustrations among participants who hope to contribute to policy definition (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 Report on poverty alleviation (World Bank 2000). PRSPs do not take into account the need for arbitration, nor all the implications for the State in the process. In this sense, the participatory process concept may be considered as "utopian".

### **III. Political Economy versus Economic Policy**

Detailed analysis of interim and final documents, available at the end of 2001, shows that the content of PRSPs is of unequal quality, depending on the analysed country concerned. But despite

the differences, they 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 programmes.

Does this mean that past policy orientations were broadly appropriate, but that their failure resulted essentially from the fact they were not really implemented? It may be recalled that mediocre performances with adjustment over the past 20 years have been mainly blamed on the lack of engagement by governments to implement measures and/or the resistance of some national actors to their effective application (World Bank 1981, 1994).

Yet, such an assertion is far from being proved and deserves being questioned. In many cases, price control has been removed, tariff and non-tariff protections decreased significantly, stabilisation really took place, efforts have been made to reduce the size of the public sector (number of employees, wages, privatisation), exchange rates are no longer over-evaluated as in the past, capital markets have been liberalised, and labor markets are more flexible. Undoubtedly, market economy has gained ground, but without significant positive results.

Of course, the adoption of new poverty reduction strategies implicitly recognises the failure of the previous policies. Despite the reluctance of some economists from the IMF or the World Bank to re-examine their positions, 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 2001).

But as the necessary change in the orientation of economic policy is currently underestimated in the PRSP process, 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. The World Bank report presented at the International Conference on Financing for Development

held in Monterrey (World Bank 2002) is in line with this point of view since it insists on this traditional reproach without questioning the global contents of adjustment policies. According to this apparently favoured hypothesis, changing the methods to elaborate and to apply policies (promotion of ownership and participation) would be enough to ensure their success, without necessarily reviewing their appropriateness or adequacy.

The invariable accent on previous strategies, with relatively minor changes to treat the poverty question, leads many PRSPs to present several gaps and inconsistencies. Some shortcomings noticed in most cases deserve to be mentioned:

- macroeconomic policy and poverty relief remain two unconnected fields, since there is a lack of articulation between macroeconomic objectives and sectoral programmes;
- PRSPs gloss over the question of links between poverty and inequality;
- the consequences of the multi-dimensional nature of poverty, formally stated, are not adequately appreciated;
- the need for a realistic strategy for global insertion which take into account the international economic environment is neglected;
- established goals, are frequently ambitious, if not unrealistic, since capacity constraints (in particular, the lack of human and financial resources) of poor countries are neglected;
- despite the recognition of the limited efficiency of policies relying only on market forces, and the fact that management of poverty reduction strategies is, in effect, even more complex than that of earlier programmes (stabilisation or adjustment), the need to rehabilitate the State and to strengthen its capacities is not explicitly underlined.

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 hide the inability of the BWIs to identify viable and coherent alternative economic options.

Will the information given by J. Stiglitz (2002) against the hypocrisy of International Institutions be able to initiate a change in the practice of the BWIs? Will it lead to a real questioning of the paradigm on which these institutions have based their past policy? This author stresses the fact that democracy means possible choices between different types of policy. But until now, due to the power of the BWIs and since the developing countries must respect conditionality and policies suggested by the latter,<sup>3</sup> proposed strategies in PRSPs are relatively uniform with weak consideration of each country's specific conditions.

#### **IV. 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.

At the present time, input to thinking on these mechanisms 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. Yet, the results of past practices are gloomy. We come to the paradoxical conclusion that the multiplication of household surveys during the last decade may not have led to a better understanding of the evolution of poverty. This is due to the inadequacy and inconsistency in survey design and indicators. Statistical data reliability is poor if not unacceptable. 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. The

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<sup>3</sup> The World Bank Sourcebook (World Bank 2001) defines a comprehensive and detailed framework for the steps to be taken in designing and implementing policies.

need for strengthening the institutional capacities of national statistical offices in poor countries must be considered.

In this context where relevant and reliable data are lacking, and only very fragmented information are available, 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 values system.

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<sup>4</sup> 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? Second, the wide consensus on the measures to be taken to reform public services (linking salaries to performance, reinforcing the system of

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<sup>4</sup> For a detailed presentation of the results of empirical analyses based on this type of approach, see Razafindrakoto and Roubaud 2001, and Cling, Razafindrakoto and Roubaud 2002.

punishments for incompetent employees) confirms the possibility of creating a pro-poor coalitions and the legitimacy of this type of measures; Third, empirical evidence highlights a link between the improvement of civil servant wages and a sharp drop in the incidence of corruption. 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.

### **Conclusion**

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 participative 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 the se 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.

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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