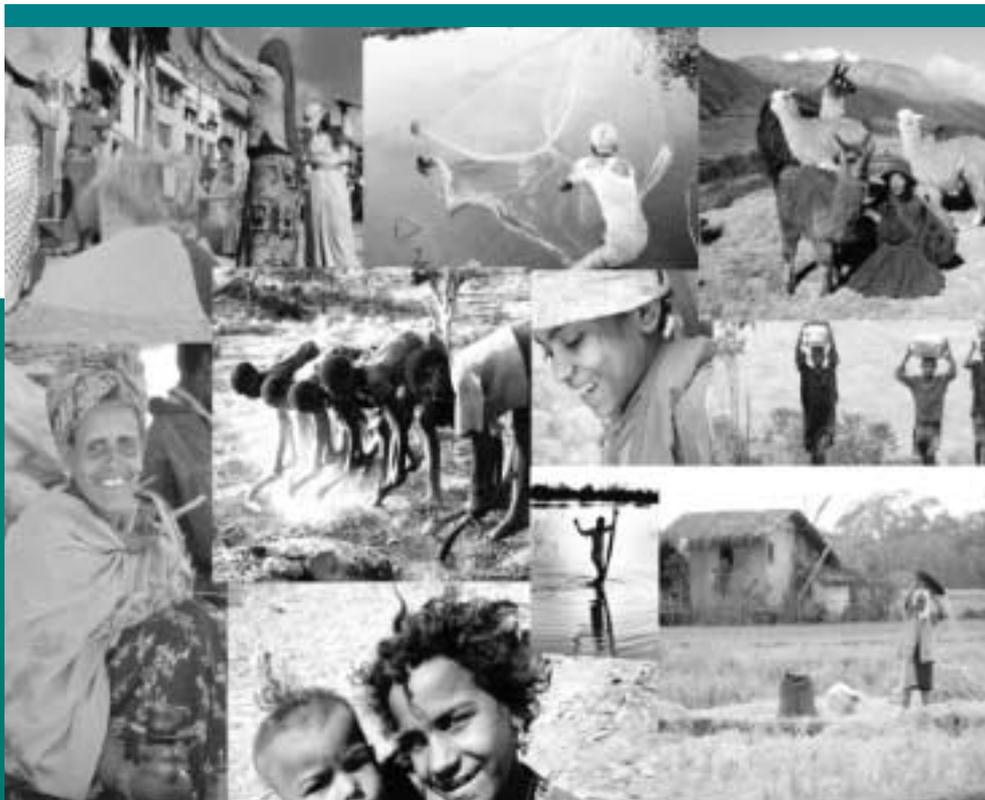


PRSP: Are the World Bank and IMF delivering on Promises?

A CIDSE-Caritas Internationalis Background Paper

April 2004



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Summary

This review looks at the quality and results of Poverty Reduction Strategy Papers (PRSPs) in 19 countries with a focus on the effectiveness of the IMF and World Bank's roles in the PRSP process. When compared against the principles that are meant to underpin the PRSP, it has found that progress has been slow, but noticeable, in most countries. There has been a marginal increase in the openness to civil society participation by most governments and there have been modest improvements in pro-poor policy formulation. The gains made are fragile and uneven across countries however.

The Bank and Fund are largely failing to meet the commitments made under the

principles of the PRSP and PRGF. A key problem is the failure of the Bank and Fund to adopt roles which allow broad country ownership of PRSPs. An overarching recommendation therefore, is that a development forum with broad stakeholder participation, including government, parliament, civil society, donors and the IFIs should be adopted as a structure within which to take key decisions on the PRSP framework. This should include design, implementation, monitoring and reporting of the PRSP; harmonisation of donor conditionalities; PSIA implementation; and determining appropriate responses to policy failure.

Contents

1. Background	2
2. Key challenges to Bank and Fund involvement in PRSP	3
3. Process and Content of PRSPs: Principles and Practice	4
4. Role of the World Bank	13
5. Role of the IMF	19
6. Conclusions	25
7. Recommendations	27
References	29
Appendix I: Respondents to CIDSE Questionnaire	30

1. Background

In late 2002, the International Monetary Fund's (IMF) Independent Evaluation Office (IEO) and the World Bank's Operations Evaluation Department (OED) began a process of evaluating both institutions' roles so far in the PRSP process. With the aim of inputting to this review, CIDSE/CI¹ undertook a survey of key partners and field office staff.² The survey aimed to draw out civil society views on the aims, objectives and implementation of the Bank and Fund's role in the PRSP process. This document contains a synthesis of the views of some civil society stakeholders in 19 countries.³ It does not claim to be representative of civil society as a whole in the countries surveyed but is nonetheless a valuable contribution to the debate on PRSPs.

This paper will examine evidence from civil society respondents along with illustrations from recent literature on the application by the World Bank and IMF of the principles underpinning the PRSP and the features that were to distinguish the PRGF from the ESAF. The principles are:

PRSP

- 1) Country-driven, involving broad-based participation of civil society;
- 2) Results-oriented and focused on outcomes that benefit the poor;
- 3) Based on a longterm perspective for poverty reduction;
- 4) Comprehensive, to address the multidimensional nature of poverty and the policies needed to reduce it;
- 5) Partnership-oriented, involving all stakeholders and with/among donors, particularly the IMF and World Bank.

PRGF

- 1) Broad participation and greater country ownership;
- 2) Embedding the PRGF-supported programme in a broader set of measures set out in an overall strategy for growth and poverty reduction;
- 3) Government budgets that are more pro-poor and pro-growth;
- 4) Ensuring appropriate flexibility in fiscal targets;

- 5) More selective structural conditionality;
- 6) Emphasis on measures to improve public resource management/accountability;
- 7) Social impact analysis of major macroeconomic adjustment and structural reforms.

¹ CIDSE (International Cooperation for Development and Solidarity), is an international network that brings together 15 Catholic development organisations in Europe and North America. Caritas Internationalis is a confederation of 154 Catholic relief, development, and social service organizations, present in 200 states and territories throughout the world. Trócaire is a member of CIDSE and CI.

² See Appendix I for list of Respondents.

³ Benin, Bolivia, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Cote d'Ivoire, Ethiopia, Guinea(Conakry), Honduras, Mali, Niger, Malawi, Senegal, Rwanda, Vietnam, Uganda, Zambia. Most of the Francophone African countries were surveyed as part of a group process and therefore individual information per country is not reflected to the same degree as other countries.

2. Key challenges to Bank and Fund involvement in PRSP

In March 2002, internal and external reviews of the PRSP process were carried out by or at the invitation of the World Bank and IMF. These produced a range of insights and challenges which have since informed Bank and Fund work on PRSPs.⁴

Internal Review

The internal review noted general areas that would require continuing attention including the importance of openness and transparency; flexibility, to allow for different country circumstances; and the desirability of debate about alternative policy choices.

Specific problems identified in a significant number of early PRSPs and Interim PRSPs at that time included: the lack of involvement of certain groups, including Parliaments, in the participatory process; unsatisfactory modalities for donor involvement (apart from the Bretton Woods Institutions); weaknesses in poverty data and analysis and in target setting; lack of adequate poverty and social impact analyses (PSIAs); lack of satisfactory monitoring indicators and/or institutional arrangements; insufficient prioritisation and specificity of public actions identified in PRSPs; uneven coverage of cross-cutting issues such as gender, HIV/AIDS, good governance and rural development; persistent weaknesses in public expenditure management systems and accountability in general; uneven integration of the PRSP process into existing decision-making processes; and the need for more opportunities for learning and disseminating lessons and good practices.

For the Fund and its Poverty Reduction and Growth (PRGF) programme, areas leaving most scope for further improvements included systematic incorporation of Poverty and Social Impact Assessments (PSIAs) into program design, increased efforts towards improving the quality and management of public spending, a perceived need to encourage deeper and broader discussion and analysis of the macroeconomic framework and the policies in PRGF-supported programs, with increasing focus on the analysis of the sources of growth.⁵

External Review

Many external contributions highlighted the incongruity between the IFIs' role as endorsers of the PRSPs and country ownership. Typically, IFI policy continued to be reflected in PRSP design in anticipation of Bank and Fund requirements. At the time of the review, there was a relatively open question as to the degree to which PRGFs were changing to comply with PRSP priorities. However, there is now sufficient evidence to suggest strongly that the IMF does not put its principle of drawing the policy prescriptions of the PRGF from the content of PRSPs into practice (see Section 5).

The external review also reflected the frustration felt at the linkage between PRSP, PRGF and the Heavily Indebted Poor Country initiative (HIPC), largely due to the delays that this imposed in freeing up debt relief. The frustration remains and has deepened: HIPC Completion Point conditionality is linked to the implementation of a PRSP for a year, plus being on-track with a PRGF, plus completing other triggers as part of the HIPC Decision Point agreement. Many governments that drew up PRSPs largely on the basis of additional funds becoming available through debt relief and more predictable donor funding have found that the resources have not materialised. These governments can show the public little impact in terms of poverty reduction and are still required to implement unpopular stringent macroeconomic and structural conditionalities which are often not derived from the PRSP. The calls for delinkage of HIPC and the PRSP/PRGF continue therefore.

Many of the criticisms at the time of the review centred around uneven participation and the exclusion of certain groups (e.g. rural dwellers, women, people living with HIV AIDS etc.). An assessment of the extent of institutionalisation of participation is outlined in Section 3. In this paper, relevant elements raised as challenges in the internal or external reviews are reflected upon in the context of the increased number of country experiences with PRSPs.

⁴ E.g. the 'Progress in Implementation' Reports in September 2002 and 2003.

⁵ IEO (2003)

3. Process and Content of PRSPs: Principles and Practice

This section synthesises respondents' views of the preparation and implementation of the PRS process at national level with a focus on the roles played by governments and civil society. Relevant cross-reference to recent literature, particularly that based on multi-country surveys, is also included. The process and, where possible, outputs of the PRSP are analysed against PRSP principles 1-4 as noted above. The roles of the World Bank and IMF are examined in later sections (4 and 5). Participation, for the purposes of this paper, is interpreted as meaningful involvement of civil society in partnership-based dialogue on process and policy content of PRSPs.

3.1 PRSP Process: Participation

PRSP Principle 1: Country-driven, based on broad-based participation of civil society

If the PRSP process was genuinely country-driven, involving broad-based participation of civil society, this could reasonably be expected to result in an opening up of policy debate and decision-making processes in those countries undertaking PRSPs. In this section the degree of progress towards this aim is assessed for the countries concerned.

3.1.1 Limitations and obstacles to participation in PRSP design

The limitations to participation in the drawing up of PRSPs have been well-documented.⁶ The lessons from this piece of research repeat many of those already widely known but are nonetheless worth summarising.

In all countries surveyed, the governments' interpretation of participation was limited to consultation and information exchange, where participants had the right to express opinions but were not guaranteed that their perspectives would be incorporated into the final decision-making process or outcome document. This contrasts with 'joint decision-making' or the right to negotiate strategy content.⁷ Uganda provides the only example of more enlightened participation policies, where at the outset the

government made concrete provision for civil society involvement in monitoring and evaluation of PRS work as well as inputting to the initial PRSP.

In some cases governments carried out consultation under donor pressure but insisted that they already knew the answers to the questions being addressed.

In most countries surveyed civil society experienced similar problems in attempting to participate in dialogue on the PRSP. In some cases, participation was deeply compromised by poor processes. In other cases problems related to specific exclusion or neglect of certain groups.

Process difficulties included the widespread tendency of governments to call meetings or make documents available and require civil society to respond at very short notice (this was noted in Uganda, Rwanda and the other Francophone West and Central African countries and reflected in Afrodad (2003)). Documents were produced in languages which were inaccessible to the majority of the population (Bolivia, Mozambique,⁸ Rwanda, Niger). The government gave civil society incomplete information, for example on budget limitations (Honduras, Bolivia), which limited civil society's capacity to respond.

In some cases governments carried out consultation under donor pressure but insisted that they already knew the answers to the questions being addressed (Ethiopia, Vietnam). The Government focused on short-term solutions or programmes rather than on strategies to address underlying structures perpetuating poverty (Bolivia) or else maintained its existing strategies almost unchanged (Ethiopia).

⁶ See Stewart and Wang (2003) for a classification of civil society participation and an overview of issues around participation in a recent survey of all countries with PRSPs. See also Afrodad's (2003) ten country survey and Cash and Sanchez's (2003) nine country survey.

⁷ Stewart and Wang (2003), *ibid*, p. 7.

⁸ Cases of Bolivia and Mozambique cited in Cash and Sanchez (2003, p. 16).

The internal PRSP review conducted by the Bank and Fund in 2002 identified problems in the participatory process that urgently needed attention. These included the involvement of specific groups including the marginalised (e.g. women, ethnic minorities, trade unions) and those with a formal mandate for government oversight (e.g. Parliament).⁹ While the Bank and Fund recently identified improvement in these areas,¹⁰ it is clear from the evidence from respondents in this survey that such advances are fragile, where they exist.

Some civil society bodies are still more likely to be excluded than others, notably those out of favour with the government (ex. trade unions in Malawi) or those which are traditionally marginalized such as women or rural communities. Exclusion of certain groups has been reflected in literature, notably Stewart and Wong (2003, p. 11), who identify the particular exclusion of trade unions, women and parliamentarians, while Cash and Sanchez (2003, p. 15) also identify the exclusion of children and indigenous people as a key issue.

Some civil society bodies are still more likely to be excluded than others, notably those out of favour with the government.

Further obstacles to participation can be summarized as follows:

- Lack of transparency by the government about the PRSP process and government policies;
- Lack of civil society capacity to undertake analysis of relevant documents and make policy responses, particularly in relation to macro-economic issues;
- Low levels of civil society coordination and cooperation;
- Lack of resources in Civil Society Organisations (CSOs), which also meant that some CSOs were vulnerable to being dictated to by funding NGOs, rather than maintaining control over their own agenda or that participation would be by NGOs not representative of the poor;

- Self-censorship by CSOs due either to presence of government officials in consultations (Vietnam) or awareness that alternative proposals would be rejected by donors (Niger);
- Co-option of certain CSOs by government rather than involvement on an equal and consensual basis;
- Inadequate efforts to communicate with the broader public in accessible formats (e.g. through community radio or visual aids, in appropriate language etc.

Ongoing obstacles to participation in the implementation of the PRS process include lack of transparency about the implementation of the PRS; lack of civil society capacity to monitor implementation of the PRS; and lack of institutional structures involving civil society in follow-up and monitoring of implementation (see below).

3.1.2 Changes in space for policy debate as a result of the PRSP process

As many other reviews have found, the PRSP process has contributed to opening up of space for civil society to engage in debate on policy issues. The central question is what lasting impact these processes have had on structures and cultures of participation. It has been suggested that the PRSP is opening up policy spaces in the 'hoped-for' ways, creating potential for greater changes in the future.¹¹ Findings from this review of 19 countries shows that the changes have been limited so far but provide useful lessons for the future achievement of this aim. The country experiences can be divided broadly in three categories.

In the **first** category are countries where civil society engagement in public policy was already relatively well-organised in advance of the PRSP process. In Uganda, the PRSP process further legitimised the role of civil society as a partner in dialogue with government. The same is true of Zambia, where a permanent forum for civil society coordination around the PRSP was set up and is still very active.

In Bolivia, a recent national dialogue law built upon the municipal law on civil society

⁹ IDA and IMF (2002, p. 9)

¹⁰ IMF / World Bank (2003, para. 11)

¹¹ See Booth (2003).

participation, dating from 1994. It has been found that openness to participation and monitoring by civil society is increasing in Bolivia as a result of the PRSP process, albeit slowly. There is some recognition by government that public policies for the reduction of poverty will only be effective to the degree that they respond to the demands of the poor. In February 2003 riots over the imposition of income tax on low-paid public servants resulted in the deaths of dozens of people. In October 2003, more violent riots followed government proposals on exporting gas through a pipeline via Chile. These tragedies, building upon the mass demonstrations that accompanied the preparation of the first PRSP, have meant that stakeholders are aware, at least in theory, that processes of dialogue must also include the space for joint decision-making. A recent assessment by CEPAS¹² and Caritas on the Bolivian Government's proposal for its second (2004 – 2007) PRSP finds that some of the criticism of the previous PRSP have been taken on board in the new proposal. However, the government has not published its proposed macroeconomic framework and civil society is to be excluded from formal negotiation procedures around the drawing up of the multi-year budget, which represents a rowing-back on an earlier government proposal for its second PRSP.¹³

A **second** category exists where civil society was limited in its level of organisation and where the concept of participation was relatively new for the government but has been accepted in principle. In Malawi, the PRS process allowed civil society to begin to play a more active role in public policy but only after active and vocal lobbying. Civil society has since embarked on a process of consolidation which is allowing it to continue to have a voice on policy issues. Openness to participation on the part of the government has improved to the degree that the government has allowed civil society to make presentations on the findings of its sectoral budget monitoring initiatives to government. It has also recommended that civil society deepen its role in the PRS process as an impartial monitor of the government's implementation of the PRSP. However, this can not yet be described as an institutional change, as the government has recently

tended to slip back into exclusionary and closed practices. Consultation still generally happens as a result of donor demands.

One significant change in the policy environment in Malawi is the nascent partnership between civil society and Parliament. A small but important parliamentary committee has been working with civil society organisations to hold the government accountable on budget expenditure. In almost all other countries except Zambia and Uganda parliaments have had no role in the PRS process. Given the need to deepen democratic structures beyond civil society and central government, this is an important finding, if not a new one.¹⁴ The success of this case should not be overstated however, as this accountability mechanism, along with other formal state accountability institutions in Malawi, is constrained by political interference and underfunding (Booth 2003, p. 208).

The PRSP (has) the potential to define a new relationship between civil society and the (Rwandan) State in an environment where participation has not heretofore been seen as a right by either side.

Rwanda also falls into the second category of countries. The PRSP design stage was characterised by a significant level of Government engagement with civil society at a grassroots level. However, this was almost entirely in the area of poverty diagnosis rather than dialogue on policy. Parallel experiences were reported across the Francophone African group. Nonetheless, such engagement was new to Rwanda and could be viewed as a first step along the road to a deeper process of systematic engagement. The PRSP is recognized by NGOs as having the potential to define a new relationship between civil society and the State in an environment where participation has not heretofore been

¹² CEPAS is the Social Commission of the Bolivian Episcopal Commission.

¹³ CEPAS-CARITAS (2003, p.1-2)

¹⁴ See synthesis of several country experiences in Stewart and Wang (2003), p. 11.

seen as a right by either side. It remains to be seen how entrenched this process will become. Consultative processes have been employed on proposed land reform, the constitution and the education sector review. However such processes have yet to be extended to other sectors and to areas of economic policy formulation such as the budget. Momentum in the implementation, monitoring and evaluation of strategies in the PRSP has declined and civil society remains relatively weak and uncoordinated.

Honduras falls into this group by virtue of the level of organization of civil society primarily, though the government's approach to participation is unsupported by a genuine will to dialogue. It improved in the post-Mitch era, when mechanisms for participation were introduced. However these remain weak and lacking in influence. It has been noted that the failure by the Government of Honduras to consider and incorporate the views of civil society is weakening the credibility of the government and indeed of the PRS process.

With rare exceptions, civil society has not been able to play an effective role in influencing macro-economic policy.

In the **third** category are countries which experienced little or no change in the space for participation in policy debate and decision-making, including most of the Francophone African countries. In Ethiopia, there was very little policy debate on the content of the PRSP or the diagnostics that informed it, in spite of attempts by civil society to engage with the government. Attempts carried out were perfunctory and lacked credibility, such as the attempt to carry out a participatory process in over 100 districts in 3 days (Stewart and Wang, 2003, p. 13). Participation and openness were imposed on the government by donors, with the predictable result that few of civil society's proposals were taken on board in the PRSP. The government remains remote and ill-disposed to participatory dialogue with civil society. Indeed, its tendency is towards the reduction of space for civil society participation rather than its amplification.

A similar situation arose in Niger, with limited and poor quality consultation being carried out in order to fulfill donor requirements. However the consultation process, though inadequate, left civil society with the hope that the marginally increased space for public debate would be maintained.

The experience in Vietnam is instructive as participation was initially quite strong. However, it has not proven sustainable. Participation by all stakeholders, (including the government, donors, World Bank, UNDP, civil society etc.) was very high in the beginning. This was due in large part to the animation of the process by a World Bank official, who has since left the country. The Government of Vietnam appears to see the PRSP process as a means of receiving funding rather than a process with an intrinsic value. The participatory processes which were built around the initial consultation have not been sustained. The government's commitment to participatory processes around monitoring and policy discussion has waned. This illustrates the fragility of the participatory elements of this process when it is not embedded in the government's approach to development.

3.1.3 Participation and Macro-economic policy content

In all cases, one of the greatest concerns to civil society was the lack of access to debates on macro-economic policy. While civil society has been allowed into debates on social policy and monitoring of service delivery to varying degrees, the macro-economic arena has remained strictly off-limits. This was specifically cited in cases such as Honduras, Bolivia, Malawi, Zambia and the group of Francophone African countries.

With rare exceptions, civil society has not been able to play an effective role in influencing macro-economic policy. This is either due to a lack of space – government not taking suggested alternatives on board (Zambia¹⁵) – or a lack of civil society capacity to generate analysis and policy proposals.¹⁶ While the latter needs to be seriously addressed by civil society (see 3.1.4), the former is to a large degree a result of the

¹⁵ Afrodad (2003, p. 31)

¹⁶ See also Stewart and Wang (2003, p. 18)

dominance of the IMF in determining the macro-economic framework (see Section 5.4).

3.1.4 Institutionalisation of Participation

The September 2003 Review of Implementation of PRSPs prepared for the Development Committee of the Bank and Fund acknowledges that there is continuing criticism from CSOs on institutional mechanisms for participation. The complaints noted are that CSOs are asked to react to existing programmes rather than contribute to an overall rethink of the government's programme, and that the macroeconomic framework is not sufficiently open to debate. It is noted in the Review of Implementation that the challenge remains for governments to create institutional mechanisms to ensure 'effective communication to, and feedback from, civil society, as well as delineate clear roles for civil society actors to play'. However, civil society demands, as reflected in responses to this paper, stretch further than 'effective communication'. They recognise that (as highlighted in the Bolivian experience) social and economic progress are contingent upon processes where policy is not just communicated but negotiated among different stakeholders, including civil society.

Social and economic progress are contingent upon processes where policy is not just communicated but negotiated among different stakeholders.

A key demand of civil society in almost every PRSP country has been for formal structures for public participation in policy dialogue. In all countries in this survey however, frustrations were felt to greater or lesser degrees. Uganda is the most advanced in having formal, institutionalised frameworks for participation. There is a legal obligation on central and local government to facilitate civil society participation in policy formulation. The legislative framework allows for it under the Constitution and a Local Government Act, though implementation of the laws need be improved. Critically, open attitudes in

government have led to the actual implementation of participatory processes.

Experiences elsewhere are mixed. In Bolivia, a national dialogue law increased the scope for citizen participation at both departmental and national levels. This builds on previous law for participation at municipal level which has been very important in the implementation of the PRSP. Zambia doesn't have any statutory provisions for participation but a relatively recent opening up of government attitudes to participation has meant that at central level cooperation with civil society organizations is relatively strong. Frustrations arise due to the lack of implementation of structures for participation at provincial level, however. In other countries, such as Rwanda, participation has been approached in a fractured and almost ad hoc manner. In Malawi and Honduras, participation is negotiated with government on an ongoing basis. In Niger, Senegal and Vietnam it is apparent that participation has not been institutionalised at all, while in Ethiopia the tendency has been to clamp down on civil liberties, such as press freedom, rather than to open spaces for dialogue.

The Ugandan experience of developing joint decision-making and monitoring mechanisms¹⁷ offers elements of a framework for participation which provide valuable and well-documented lessons. Indeed, it fits several of the four standards for participation which Eberlei (2003) has identified:

- 1) Rights-based: existence of basic rights such as freedom of expression and association, freedom of information, along with a rule-based role for civil society and parliaments in the PRS cycle.
- 2) Structurally integrated: clearly defined political structures for dialogue and decision-making exist at national as well as regional and local levels; there are relevant regular information flows, enabling effective monitoring.
- 3) Legitimacy: including formal democratic legitimization of policy choices through parliamentary approval; civil society

¹⁷ E.g. through the Poverty Action Fund (PAF) which includes 35% of the national Budget, the Uganda Participatory Poverty Assessment Project (UPPAP) and the new Budget Act; see Eberlei (2003, p.7).

must be representative of the poor, independent of government and other major players and democratically organised internally; the poor are empowered to participate.

- 4) Capacity: well-developed human, technical and organisational resources on the part of all stakeholders, including government.

Recommendations¹⁸ for institutionalisation of participation could therefore draw on these four standards to establish working processes. A priority must be to develop modalities of participation that are not only rule-based, legitimate and representative of the poor but which generate a higher quality of debate on the more difficult political and technical issues, including macroeconomic policy.¹⁹ This will require an investment by civil society organisations and their partners in ongoing development of analytical capacity on macro-economic issues as well as education and mobilisation of grassroots communities to seek accountability and progress in poverty reduction.

There is a need for more varied and innovative approaches to participation drawing on proven good practice, such as parliamentary committees working with CSOs (Malawi) and research institutions and think tanks inputting to policy debates (Zambia, Ethiopia). Governments need to initiate permanent, formal frameworks for participation and commit to transparency. Donors should provide consistent, long-term support to both civil society and government in order to institutionalise participation based on the above standards.

3.2 PRSP Content

PRSP Principles 2 & 3: results-oriented and focused on outcomes that benefit the poor; based on a longterm perspective for poverty reduction

3.2.1 The PRSP process and improvements in pro-poor policy formulation

Overall, the PRSP process has been seen in most countries in this survey to have led to modest improvements in pro-poor policy formulation. However, the gains are fragile or in some cases theoretical given lack of

concrete implementation of policies which prioritise poverty reduction. There is a frequent disconnect between the PRSP's stated priorities and the actual budget allocations to those priority areas.

In Uganda, Rwanda, Malawi and Zambia priority areas were identified in the PRSPs. In Uganda, expenditure on these priority areas was ringfenced and has remained on-track in spite of increased budgetary allocations to defence. However, to accommodate increased defence expenditure there were budget cuts in other ministries. Progress in areas where expenditure is ringfenced is reduced due to the fact that these often need expenditure in other areas to have an impact.

There is a frequent disconnect between the PRSP's stated priorities and the actual budget allocations to those priority areas.

In Rwanda, priorities are outlined but there is no clear rationale for how certain policies and expenditures will lead to specific poverty reduction outcomes. Furthermore, the budget does not reflect the priorities outlined in the PRSP. Primary education, agriculture and primary health care are dwarfed by expenditure on third level education, National Police and specialist healthcare, accessible only to the affluent. In Malawi and Zambia priorities for poverty reducing expenditure were identified but the actual allocation of budget resources has failed to fulfil policy commitments. In both countries, civil society has been trenchantly critical of government expenditure on non-poverty reducing initiatives. Monitoring has been identified by civil society as crucial in both of these countries. In Zambia however, the government is resisting the development of concrete, participatory monitoring mechanisms for public accountability. In Malawi, the government is currently open to

¹⁸ For further elaboration of civil society recommendations on participation see Afrodad (2003) and Cash and Sanchez (2003); for recommendations oriented at donors: Booth (2003, p. 148 – 149).

¹⁹ Booth (2003, p.149)

civil society's role in monitoring progress, but as noted above, government policy on transparency and participation is unreliable.

In most countries in Francophone Africa the principle of poverty focus has been affirmed but the practice is not entrenched. This leads to much polemic on central issues such as access by the poor to social services. In Bolivia, improvements in pro-poor policy (such as increased expenditure on health and education using HIPC funds and allocation of expenditure on the basis of positive discrimination) are undermined by failure of the government to prioritise amongst them and to deal with the structural issues causing poverty, particularly access to land and credit. In Honduras, the primary funds to have been made available for poverty reduction programmes are in the form of external loans. Civil society is both deeply critical of the government's failure to mobilise resources for poverty reduction and of the IMF's role in delaying Completion Point, and hence debt relief disbursement, through delaying agreement of a PRGF arrangement (see under IMF below).

Policy formulation is still heavily directed by conditionality under IMF and World Bank programmes.

Ethiopian policy-making is characterised by blank refusal of the government to alter its policies in any way, or to engage with civil society about the orientation of policies. Civil society's concerns on land access and agricultural policy were not adopted by the Government of Ethiopia in the PRSP, in spite of their overwhelming importance for poverty reduction.

Overall, many respondents noted that policy formulation is still heavily directed by conditionality under IMF and World Bank programmes and that these were often incompatible with the goals of poverty reduction (Bolivia, Zambia).²⁰ This illustrates the need for PRSCs and PRGFs to be based on PRSPs rather than to undermine them (see Section 4.3 & 5.2). As many other civil society commentators have highlighted, the

link between the PRSP and HIPC debt relief is of primary concern because it both undermines country ownership and, perversely, because money to fund poverty reduction (e.g. through debt relief) becomes contingent on implementing conditions which are antithetical to poverty reduction (Honduras, Senegal).²¹

Furthermore, the unpredictability of funds available through debt relief and bi- and multilateral aid are adversely affecting the implementation of poverty reduction programmes. This is particularly the case where countries go off-track with the IMF, resulting in suspension of bilateral budget support, regardless of whether that support is related to the problem area or not (Honduras, Zambia, Malawi). This presents particularly difficult financial management questions given that many low income countries are dependent on external finance for over half of their budgets (53% of Uganda's budget comes from grants and loans).²²

Governments need to challenge the assumptions underpinning IMF and World Bank policy prescriptions, based on evidence of their failure or ex-ante Poverty and Social Impact Analysis, and to proactively seek out ways of developing alternative policy options. Donors must change their aid modalities towards those that strengthen government systems, focusing on budget support as much as possible. Donors should also work with government and civil society to determine clear criteria for the reduction or increase in aid flows based on government performance, instead of allowing the IMF's 'signalling' function to derail longterm development investment. Donors roles in providing support for PSIAs is also very important though this must be government-led.

²⁰ This is also a key critique in Afrodad 2003 (p.6): the focus on market-driven policies by the IFIs avoids an analysis of power relations which ultimately determine inequality and poverty.

²¹ See also: WDM (2003); Trocaire (2003); Afrodad (2003); CIDSE / CI (2001).

²² Mutume (2003), quoted in Cash and Sanchez (2003, p. 37).

3.2.2 Institutional arrangements for the delivery of broad-based growth and poverty reduction.

Some of the key challenges in terms of institutional arrangements for the PRSP identified in the IMF/World Bank PRSP review in 2002 were: persistent weaknesses in public expenditure management systems and accountability in general; lack of satisfactory monitoring indicators and institutional arrangements for monitoring and evaluation; weaknesses in poverty data and in target setting; lack of adequate poverty and social impact assessments; lack of integration of PRSPs with other decision-making processes, notably the budget; and weak prioritisation of priority public actions – partly as a result of demands generated through diverse donors and the domestic constituencies.²³ Several of these areas were addressed by respondents to this survey.

● Budget management

Management, monitoring and transparency in budgets could be expected to have improved as a result of the PRS process and the donor focus on this area. The results of this inquiry have indicated that while some improvements have been obtained, these have largely been for the benefit of the donors rather than for purposes of public accountability. In many countries, reluctance by the government to make budget figures and expenditures publicly available in an accessible format is a critical impediment to improved monitoring and hence democratisation of the budget process. This was cited in the cases of Ethiopia, Senegal, Bolivia, Rwanda, Zambia and Malawi.

Budget allocations for poverty reduction initiatives were reported not to match actual expenditure in several countries, notably Malawi and Zambia, illustrating a lack of high-level political commitment to expenditure management reforms. However, such a commitment is dependent in turn on predictable multi-year flows of grants and loans from donors, particularly in the form of budget support. Booth (2003) notes that the PRSP approach is more likely to be effective where there is a Medium Term Expenditure Framework (MTEF) in place and where outcome oriented

programme budgeting is being implemented. However in Rwanda, the failure to make progress on an MTEF is a result of weak institutional capacity and lack of real engagement by donors in committing to predictable aid flows and budget support.²⁴

Institutional arrangements for overseeing the debt relief process should include a formal role for civil society.

● Debt relief

Institutional arrangements for the use of the proceeds from debt relief appear to have improved in the countries which have improved performance, relative to others, in terms of institutional transparency and governance. This is not surprising but illustrates the ongoing need to promote transparency - not just towards donors - but towards the public. No system of public accountability on debt relief exists in Ethiopia for example. In Niger, funds released as a result of debt relief go into a Presidential Fund which is supposedly allocated towards poverty reduction programmes. Failure to have proper institutional mechanisms for oversight of the use of debt relief means that, firstly, funds may be misdirected as a result of corruption and secondly, the programmes which are funded can be of poor quality.

Governments with somewhat more progressive attitudes towards accountability and participation, such as Zambia and Bolivia, have still failed to put in place transparent instruments to allow public monitoring of the use of debt relief. The same is true in Rwanda and Malawi where systems for tracking debt relief expenditure exist on paper but are not in public view. In many countries, civil society organisations are advocating that institutional arrangements for overseeing the debt relief process should include a formal role for civil society.

²³ IDA and IMF (2002); IEO (2003, p. 6-7)

²⁴ Booth (2003; p.143-4; 263-4).

● **Corruption**

In many cases (e.g. Bolivia, Honduras, Malawi, Niger and Ethiopia), the national anti-corruption commissions are failing to deliver on their mandates for political reasons. In Ethiopia and Malawi, they are neither impartial nor independent. In the former, the commission is rooted in the ethnic-based party system and accuses critics of the government of corruption while leaving actual corruption within government unchecked. In Malawi, the commission reports to the President rather than to an independent parliamentary committee, which renders it toothless. In Francophone African group of countries, most respondents noted that while some measures to combat corruption have been introduced, implementation is extremely slow. The magnitude of the behavioural changes required at all levels governs this process and impedes the pace of change significantly.

3.2.3 Incorporating the multidimensional nature of poverty

PRSP Principle 4: Comprehensive, to address the multidimensional nature of poverty and the policies needed to reduce it

An underlying determinant of the quality of the PRSP is the interpretation of poverty and manner in which poverty diagnostics were carried out. In several countries a strong critique was made of the narrow nature and non-participatory method of government-led poverty diagnostics. In Niger and Malawi, for example, it was found that the poverty diagnostics were narrow and monetary-based. Bolivian commentators note that the question of equity has not been adequately addressed in the government's assessment of poverty. In Honduras, Bolivia and in the Francophone African group of countries, it was noted that the cross-cutting issues of gender equity, the environment and the rights of ethnic and other vulnerable groups are not dealt with adequately.²⁵ These are clear examples of the failure to apply the PRSP principle of addressing the multidimensional nature of poverty.

Processes (which) empower citizens to become more active in holding government to account, deepen democracy and increase the prospects for good governance.

In Zambia the poverty diagnosis was heavily dominated by government to the exclusion of non-governmental organizations such as the Catholic Commission for Justice Development and Peace which has many years of experience in participatory research and poverty assessment. The exclusion of those who are expert in this field is a failing which has inevitably coloured the end-analysis in many countries. This includes Honduras where a key civil society critique of the government's PRSP was that it selected priority municipalities rather than regions. This led to a scattered approach to poverty reduction instead of a comprehensive national plan. Civil society has since developed in-depth processes for participatory poverty analysis and poverty reduction strategy development in at least four regions of the country. These are resulting in proposals for poverty reduction that are rooted in the complex nature of poverty and its varied impacts on different vulnerable groups.²⁶ Such processes also empower citizens to become more active in holding government to account, thereby deepening democracy and increasing the prospects for good governance.

²⁵ Whitehead (2003) found a clear lack of gendered poverty analysis in PRSPs in Malawi, Bolivia, the Yemen and Tanzania.

²⁶ E.g. work carried out by the Association of Honduran NGOs (ASONOG) in Western Honduras and FOSDEH in Valle da Sula; Trócaire-supported Participatory Poverty Assessment in Southern Honduras.

4. Role of the World Bank

The level of knowledge and analysis of Bank policies among respondents was uneven. In countries with the weakest institutional infrastructure for participation this was particularly noticeable. A key lesson is that greatly increased efforts must be made by both the Bank and civil society to hold meaningful dialogue on policy issues. This hinges upon both increased openness in the Bank's attitude and transparency in its policies and actions and greater focus by civil society on coordination and on generating capacity to critique Bank policy. This should be one element of an active citizenry's role in holding stakeholders such as the government, IFIs and donors to account.

4.1 The World Bank's approach to Participation

In the PRSP Sourcebook (2002, p.237) the World Bank defines participation as "the process by which stakeholders influence and share control over priority setting, policy making resource allocations, and/or program implementation". Stakeholder groups listed by the Bank (2002, p. 250) include: the government – at national, regional and local levels; CSOs - such as NGOs, community-based organisations, trade unions, academic institutions; parliament; private sector actors - such as professional associations; and donors – bilateral and multilateral.

The implication therefore is that the Bank supports both (a) the promotion of joint-decision making on policy issues among all stakeholders; and (b) engaging in that joint decision-making itself. The latter would require high standards of openness, transparency and engagement with CSOs independent of the other stakeholders as well as within a multi-stakeholder forum.

Across all countries surveyed for this paper however, the World Bank is viewed by civil society as approaching participation as information sharing or at best consultation. On the positive side, particular efforts were made by Bank staff in a limited number of countries (e.g. Bolivia, Vietnam) to increase civil society participation through capacity building and facilitating creation of multi-stakeholder structures for the preparation

of the PRSP. There has been a slight but nonetheless discernible change in attitude and practice on the part of Bank staff in some of the countries reviewed, though this could be entirely due to personalities, rather than institutional change. In general, respondents feel that the Bank has not internalised the collaborative nature of participation and is not open about its programmes nor is it prepared to dialogue on them.

The Bank's apparent disregard for engaging in meaningful participatory dialogue was noted across almost all countries.

Levels of activity of the Bank in relation to civil society vary widely across the countries in the review. In certain countries, such as Bolivia, Honduras and a number of Francophone African countries, it was noted that the Bank was very involved in capacity building for civil society. However, the Francophone respondents cautioned that the Bank needed to be wary firstly of displacing local coordination structures (e.g. Cameroon) and secondly of supporting NGOs which are non-representative of the poor and lack credibility with broader civil society. Furthermore, the Bank (particularly where missions are small) needs to be careful not to over-estimate a government's commitment to openness and transparency through lack of appreciation of the subtle nature of political and social dynamics in a country.

In Bolivia, civil society generally had a lot of contact with the Bank. Bank officials appeared to prioritise participation, arranging capacity building and international meetings at which representatives of both civil society and government were present to discuss their views. Bolivian civil society organizations were consulted in a timely manner about the PRSC and about means to improve consultation. Nonetheless, the inequality experienced by civil society organizations in other countries when in dialogue with the Bank was also felt in Bolivia. Bank and Fund staff in Bolivia have called meetings or gone directly to the offices of civil society

organizations (e.g. CEPAS) to discuss progress in implementation of the PRSP and the processes of dialogue with civil society. A key frustration for civil society however, has been the refusal of the Bank to be transparent about its own policies and conditionalities. The dialogue is not one between equals, which devalues it and undermines the Bank's credibility.

The Bank's apparent disregard for engaging in meaningful participatory dialogue was noted across almost all countries. Respondents referred to agendaless meetings of which there would be no reports and no progress in discussions (Malawi). In three countries (Senegal, Bolivia, Malawi) it was specifically noted that the Bank withheld information requested or provided only partial information relevant to the discussions, including Bank analysis and research. Delivering documents for comment to civil society with unrealistically short time frames was also a criticism of the Bank (Senegal). A strong critique was made of the bilateral nature of meetings with the Bank in Malawi. It was felt that the Bank could be playing civil society off against the government and vice versa. In another case, a lack of formal structures for dialogue with the Bank was noted as a source of dissatisfaction for civil society.

Rwanda's experience possibly typifies a widespread misunderstanding in the Bank of the nature of participation, as expressed by respondents to this review. The Bank's evaluation of the Rwandan government's participatory process for the preparation of the PRSP was very positive. Indeed, as an information gathering initiative, the process was very well implemented. However, there was almost no element of policy dialogue with civil society in the Government of Rwanda's PRSP design process. This was not critiqued in the Bank evaluation nor in the Joint Staff Assessment (JSA) of the PRSP. It is apparent that the Bank interpreted the purpose of consultation as being the gathering of information for poverty diagnosis. This is entirely inadequate after four years of 'participation' as a central principle of the work of the Bank. It appears likely that while the Bank is in favour of participation in theory, the parameters of that participation don't

generally stretch beyond consultation and rarely encompass its own work in any meaningful way.

It is apparent that personalities count in the Bank's approach to the partnership dimension - with both civil society and government - of the PRSP initiative. In Vietnam, a key Bank official mobilized an inclusive process of consultation and dialogue at the preparation stage of the PRSP. In one country it was noted that the Bank's openness to civil society had decreased with a change in country representative. In another country, it was mentioned that a change of staff has meant that the Bank is now more receptive to other stakeholders' perspectives.

Rwanda's experience possibly typifies a widespread misunderstanding in the Bank of the nature of participation.

It is also apparent that the Bank has generally become more open to engaging civil society in dialogue on social policy or on democracy. However, it is just as rigidly opposed to dialogue on its own macro-economic policy. In Honduras, civil society was consulted on only one pillar of the PRSC - that which dealt with governance, transparency and public sector efficiency. Problems with this pillar that were identified by civil society became conditions attached to the PRSC. For example, one condition was a system of monitoring and evaluation for the PRSP which would involve civil society. However, the section of the PRSC on growth, investment and competition - where civil society also had policy opinions to offer - was not opened up to consultation.

The lack of consistency and coherence in the contact between the Bank and civil society illustrated above points to a need for a more structured framework for dialogue on the part of the Bank. This should be based on agreed terms of reference and include jointly agreed agendas and advance circulation of documents and information relevant to the discussions so as to allow participants sufficient time to review and comment on material.

4.2 Country Ownership and the Bank

There are clear tensions between the Bank in its role as both advisor and endorser of a country's PRSP and the national government, which is supposed to have ownership of the strategy. In the 2002 PRSP review, the Bank and Fund conceded that governments have shown a tendency to incorporate policies into their PRSPs which they knew the IFIs would demand. This is reflected in the content of most PRSPs, which rarely diverge from structural adjustment policies.²⁷

In a recent Bank document, it is stated that 'Country ownership is the guiding principle... the process and content (of PRSPs) must be designed nationally to suit local circumstances and capacities, and should be useful to the country, not only external donors.' (Klugman 2003, quoted in Stewart and Wang, 2003, p. 2).

Experience from several countries, however, shows that the Bank has intervened directly in the PRSP process regardless of the supposed commitment to country ownership. In Rwanda, for example, concrete evidence emerged of the tension between the national government's ownership of its PRSP and Bank imposition of its agenda. The Rwandan PRSP was finalized by the government in December 2001 but several months later, the Bank sent an editor to finish the document. This was viewed by civil society organizations, and indeed the government and some donors²⁸, as wholly inappropriate behaviour. This was exacerbated by Bank attempts to negotiate the exclusion of a policy on fertilizer subsidies from the final PRSP and an attempt during a mission by Bank officials from Washington to change the agriculture/rural development policy in the PRSP which the government had finalized. The Bank officials who arrived on mission came late in the process and their failure to appreciate the government's perspective on core policies added to the frustration felt due to this late and brusque intervention.

Booth (2003, p. 201) found heavy Bank interference in the PRSP process in Malawi, to the almost complete exclusion of civil society and donors and with obvious consequences for country ownership. In

drawing up the PRSP the government's macro-economic framework was required to follow an agreed Bank/Fund Framework under the terms of existing triggers for reaching HIPC completion point. Booth (2003, p. 210) found that 'a set of non-negotiable policy commitments (negotiated, effectively, in secret) appeared to pre-empt the PRSP formulation process itself.' This undermined the country ownership dimension of the process from its very outset.

The Bank has intervened directly in the PRSP process regardless of the supposed commitment to country ownership.

In a recent Nordic government review of IMF and World Bank support to the PRSP process in seven countries, it is noted that the PRSP is not yet a systematic framework for Bank missions to countries.²⁹ This review also highlights concrete activities which undermine country ownership and donor harmonisation. In each of these seven countries, the Bank promotes a specialised unit within government to lead the PRSP process, with the risk that the PRSP is therefore not anchored in existing national processes. The review recommends that the Bank needs to move away from project support and off-budget projects, towards a more programmatic approach. On Public Expenditure Management (PEM), it is recommended that the Bank would support an overall integrated PEM program, which would involve central and local government as well as civil society. The Bank is acknowledged to have made some moves in this direction, notably in Bolivia.

An institutional constraint facing the Bank is its lack of presence on the ground when it comes to policy formulation and decision-

²⁷ UNCTAD 2002; Afrodad 2003.

²⁸ Booth et al (2003, p. 257): 'In March 2002, the Bank insisted that the PRSP be revised before it could be submitted for endorsement. This intervention was judged by the NPRP and some donors as unreasonable and late interference.'

²⁹ Nordic Government Review (2003, p. 4), covering: Bolivia, Mozambique, Nicaragua, Tanzania, Uganda, Vietnam and Zambia.

making in the PRSP framework. In order to achieve country ownership and deeper understanding within the Bank of particular country situations, the Bank needs to delegate more policy decision-making to country level. Bank officials involved in drawing up and negotiating the CAS, PRSC and PRSP should be based in the country in question.

In order to achieve real country ownership, PRSPs should be approved by a forum including the government, parliament, civil society and donors, rather than the IFIs alone. Such a PRSP stakeholders' forum could also monitor the implementation of the PRSP and harmonisation of donor conditionalities.

As a minimum and immediate step however, given the current reality, the Joint Staff Assessments of Annual Progress Reports and three-yearly reviews of PRSPs should have appended to them a clear record of civil society organisations' comments, including the names of organisations and the issues which they raised.

4.3 Pro-poor orientation and alignment with PRSPs

A lack of alignment by the Bank with pro-poor policy objectives can be illustrated in a number of specific cases³⁰ but a general concern expressed by civil society respondents is the ongoing imposition of structural adjustment conditionalities, with no regard for the evidence of their negative impact on poverty reduction.³¹ At an operational level, a core criticism of Bank (and Fund) alignment with PRSPs has been the tendency to force PRSP reporting into alignment with their own timetables, rather than aligning to government processes, notably the budget cycle.³²

Specific cases of Bank behaviour which does not respect the principles of a clear and transparent pro-poor focus include the support given to the 'Malawi Social Action Fund' (MASAF). The administration of this fund lacks transparency and appears to be under the control of the President and the ruling party. Funds are directed towards projects in favoured constituencies and costs tend to escalate, reducing funds available for programmes under the PRSP. The third phase of the programme was negotiated

before the finalisation of evaluations from inside and outside the Bank, raising doubts as to the the Bank's commitment to poverty eradication through the PRSP.³³

In the Nordic review of seven countries, evidence of the lack of Bank (and Fund) commitment to poverty impact assessment is damning.

Stewart and Wang (2003, p. 20) found a general lack of explicit linkages between macro-economic policies and poverty reduction goals. The HIPC Finance Ministers stated in 2002 that the links between macro and structural policies and poverty reduction remain among the weakest areas of the PRSP (quoted in UNCTAD 2002, p.22). Indeed, in the Bank's own material, it has been highlighted that the PRSPs rarely link policy conditions to poverty reduction. In the 2002 Bank and Fund Review of PRSPs it is noted that only two countries' PRSPs, Mozambique and Honduras, had linked trade liberalisation reforms to growth and poverty reduction.

It is a core principle of the PRSP approach, however, that major reforms will be subject to Poverty and Social Impact Assessments (PSIAs) under the leadership of the Bank.

According to the 2003 PRSP Progress in Implementation report the Bank is ensuring that PSIAs are being carried out on key reforms under IDA-supported lending operations that are likely to have a large distributional impact. The Bank is currently supporting, or preparing to support, PSIA in over 40 low-income countries, half of which are in Africa.³⁴ However, there is a void in terms of availability of information to civil society (and donors according to some

³⁰ Outlined largely in literature, rather than in respondents' inputs.

³¹ Afrodad 2003, referencing the SAPRIN study which was finalised in 2002. See also Afrodad p. 22 for a comparison between the content of PRSPs and what the poor have expressed as their priorities.

³² Nordic Government PRSP Review (2003); Booth (2003).

³³ Booth (2003, p.212).

³⁴ IMF and World Bank (2003, para.123)

sources) on what PSIA's are being conducted, whether their conclusions will include alternative policy options and trade-offs and whether the outcomes will be included in the framing of loan conditionalities. Another fundamental problem is the lack of agreement on what constitutes an adequate PSIA.³⁵

In the Nordic review of seven countries, evidence of the lack of Bank (and Fund) commitment to poverty impact assessment is damning: 'The IMF and World Bank's programmatic instruments do in theory, link the macro-economic and structural (e.g. liberalisation/privatisation) policies to poverty reduction, but the extent to which this linkage is spelled out for all parties remains unclear and seems to include a large element of theoretical thinking rather than empirical proof of the impact of policy choices on poverty' (2003, p. viii). They continue, noting that 'PSIA's potential as an ex-ante mechanism for thinking through policy options and how the selected policies will achieve the set targets or goals, is not fully used in any of the seven countries' (2003, p.23).

The Bank's dominant role can 'crowd out' effective partnership and harmonisation.

In only one example of a PSIA uncovered by the Nordic Review was there found to be substantial civil society involvement in the analytical work underlying public policies (Tanzania). 'Otherwise cooperation and consultations with civil society is mentioned as limited or missing in most cases' (2003, p. 24). However the positive impact of civil society involvement is clear from the 2003 PRSP Progress in Implementation report by the Bank and Fund, where it is recognised that PSIA's provide new opportunities for participation. Examples from Uganda and Chad highlight the value of early involvement of civil society in identifying stakeholders, understanding transmission channels and validating impact analysis. Critically, it also increases the accountability of the implementing agencies. In both countries civil society is part of a stakeholder group agreeing upon the way forward in

the light of the likely impacts of different scenarios.

It is clear that in spite of some progress the Bank is failing to fulfil its commitment on PSIA's. The Bank must firstly ensure that ex-ante PSIA's are carried out on all macro and structural reforms in its own lending programmes to low income countries. It must also support national governments in achieving access to independent public policy analysis in order to determine trade-offs and policy options. PSIA's, through both process and outcome, should help democratise public policy making through involving parliament and civil society in decision-making on alternative policy choices. The Bank needs to increase its transparency on what PSIA's it is supporting or planning and systematically ensure that civil society involvement from the initial stage to the policy-making stage is assured.

4.4 Partnership-oriented, involving all stakeholders and with/among donors

This area is not much commented upon by civil society but in parallel reviews of country experiences by donor governments or academic institutions, a picture of a strained partnership between the Bank and bilateral donors emerges. On the one hand, the Bank has been a catalyst for inclusive harmonisation between donors and government (e.g. Vietnam). The Nordic review (2003, p. 7-9) found good cooperation and harmonisation among donors involved in budget support in Mozambique, where the Bank played a key role in coordination.

On the other hand, the Bank's dominant role can 'crowd out' effective partnership and harmonisation. In Uganda, the Bank is more closely involved with the key line ministries than the Ministry of Finance is. This is clearly an inappropriate role to play with Government, but it also results in a situation whereby the framework for donors' work with government is based almost entirely on Bank policy. A similar situation was reported in Malawi, as mentioned above, where the Bank intervened excessively in the PRSP process to

³⁵ Bretton Woods Update, No. 37, Nov - Dec 2003, p. 6

the near-complete exclusion of other donors and civil society.³⁶

A key concern is the multiplication of review processes and donor frameworks for cooperation. As Booth finds (2003, p. 152) these review processes appear to have increased with the introduction of PRSPs, in spite of the centrality to the PRSP approach of the reduction of uncoordinated demands on governments.

The Bank must engage fully in harmonisation with other donors with the primary aim of reducing the transaction costs to government of dealing with different donors' reporting requirements and conditionalities. The Bank's conditionalities must be harmonised with those of other donors' in a framework which is drawn directly from the PRSP. The harmonisation framework must also comply with the PRSP principle of being outcome-oriented, thereby reducing content and process conditionality. By implication, the review processes must be streamlined, with the PRSP reporting cycle merging with the national budget cycle. Reporting should be to national parliament and the public to ensure domestic accountability, in the first instance, and to donors only in the second instance.

³⁶ Booth (2003, p. 201).

5. Role of the IMF

In this section, civil society responses and literature references drawn from cross-country surveys are compared with the principles underpinning the PRGF. As with the World Bank, in-depth knowledge by civil society players of IMF policies and PRGF-supported programmes tends to be limited. This implies some important lessons: the IMF's single-minded focus on holding dialogue with the Ministry of Finance alone and its remoteness from civil society must change if it is to fulfill the PRSP principles. This has not happened to any significant degree. Civil society, on the other hand, needs to develop its potential to be a recognised interlocutor on strategic policy issues, while remaining closely involved with the grassroots, in order to make meaningful progress in dialogue.

5.1 Broad participation and greater country ownership

The Fund has a long history of stubborn opposition to engaging in dialogue with civil society on policy issues. With the advent of PRSP and PRGF however, it has been broadly recognized that in an approach to development which is based on participation and ownership there is also a need for cooperation and dialogue directly between IFIs and civil society.

Engagement of civil society stakeholders is the key to accountability, monitoring and achievement of legitimised pro-poor objectives.

This review shows some improvements in the Fund's adoption of this principle, but it is still extremely compromised in practice in most countries surveyed for this review. On the positive side, the Fund has shown itself to be more open to contact with civil society than in the past, albeit starting from a low base (e.g. Zambia). In other countries, civil society representatives never have any contact with the IMF (e.g. Honduras). It is apparent that much hinges upon the personality and interest of the Resident Representative. This is a disappointing

finding, given the supposed institutional reorientation under the PRSP towards country-driven policy making processes that emerge from broad-based participation.

In between these extremes, respondents report that meetings held by the IMF appear to be carried out in order to insert the requisite line in reports. Meetings, according to respondents in Malawi, Bolivia and Rwanda, are agendaless, called at short notice and lack follow-up. Civil society organisations are not given documents with sufficient advance notice and therefore have no time to prepare their inputs. In Rwanda, for example, a meeting of civil society was called at very short notice during an IMF mission in advance of the first PRGF review. There was no meaningful discussion as most CSOs had no time to prepare and many could not attend due to the lack of notice. Nonetheless the meeting was described in the June 2003 PRGF review document as consultation with civil society.

A key criticism which belies the Fund's interpretation of participation is the fact that the Fund will listen to civil society perspectives but will not openly discuss its own policies (Bolivia, Malawi). For civil society, the description of such interaction as participation is disingenuous. Indeed, most often, the Fund does not even pretend towards participation. In Bolivia, for example, 'macro-policy is discussed only between the IMF and an exclusive group within government' (Nordic review, p. 20). The situation is reported in the same terms by civil society in Honduras, amongst many other countries.

The IMF tends to insist that it is government's role to hold dialogue with civil society and to disseminate the content of agreements between the IMF and the government. However, while this may be formally correct, it is a thoroughly insufficient response in the PRSP context. The engagement of civil society stakeholders in the process is the key to accountability, monitoring and achievement of legitimised pro-poor objectives. As is stated in Booth (2003, p. 214) 'until thoroughgoing transparency is a standard feature of aid agreements, national ownership ... will be unattainable'. This has to apply not only to ex-post agreed arrangements but to the

draft agreements which are on the negotiation table. There is some indication of a reduction in the Fund's resistance to dialogue with civil society recently, though it remains somewhat theoretical. In the 2003 PRSP Progress in Implementation Report it is noted that the Fund mandate requires that its 'principal line of communications remains with the member government, but that as the participatory process matures, discussions about macro-economic policy choices and trade-offs can be expected to include all parties in the context of the broader PRSP dialogue.'³⁷

There is some indication of a reduction in the Fund's resistance to dialogue with civil society recently, though it remains somewhat theoretical.

The IMF's institutional structure wherein a skeleton team of staff operates at country level is inappropriate if the goals of broad participation and greater country ownership of economic policy reforms are to be achieved. There needs to be greater dialogue and understanding between all stakeholders: the government (including ministries dealing with social development); parliament; civil society and the IMF. Documents developed in Washington and negotiated with the Finance Minister, with little or no wider consultation, are unlikely to be broadly 'owned' by the public, the executive or elected representatives.

This implies that there is a need for decentralisation of staff with decision-making powers to country offices. It would be important however to limit the Fund's unilateral power to make decisions which critically affect government, donors and the poor. These decisions would include, for example, suspension of a PRGF programme which leads to subsequent suspension of most donors' budget support programmes and of HIPC debt relief. A possible structure would be that of a development forum with broad stakeholder participation, as mentioned above (Section 4.2). This group should have the power to assess and take decisions on the gravity of policy failure and the degree of suspension of aid. It could

also be empowered to take decisions on the inclusion in IMF conditionalities of contested prior actions or performance criteria and application of ex-ante PSAs to these.

5.2 Embedding the PRGF-supported programme in a broader set of measures set out in an overall strategy for growth and poverty reduction.

The adoption of the PRGF which explicitly states poverty reduction as one of its main objectives signalled an important shift in Fund policy. As noted by Eurodad (2003a), it marked an explicit recognition that poverty reduction should be the main driver of macro-economic policy design, rather than a mere by-product of a stable and enabling macro-environment. It was recognised implicitly that there are trade-offs between policies to restore or preserve macro-economic stability, measured in a narrow fiscal sense, and policies which prioritise poverty reduction and pro-poor growth.

An iteration between the spending envisaged to achieve the PRSP goals and the financial programming required to maintain stability was expected to be a hallmark of the PRGF approach. Furthermore, PRGF conditionalities were expected to become aligned to the targets set out in national PRSPs. Evidence suggests however that little has been achieved on both counts. Eurodad's survey of PRGF documents in 12 countries in April 2003 (Eurodad 2003a) found no evidence of whether and how this iterative process between poverty reducing spending and macro-stability might have influenced PRGF targets. Equally, alignment of the PRGF to PRSP targets has been gravely inadequate.

Indeed, the IMF recognised the tendency for the PRGF to determine PRSP policy in its own 2002 PRGF review. Targets set in the PRGF have gone on to form macro-benchmarks and performance targets in PRSPs of countries such as Bolivia, Ghana and Nicaragua (Stewart and Wang 2003, p. 21). In other countries, such as Vietnam, the PRGF includes benchmarks and performance criteria which are not in the PRSP. In Mozambique, for example, legal reform was not recognised strongly as a priority in the

³⁷ World Bank and IMF (2003, para. 127)

PARPA but nonetheless became a PRGF condition (Nordic Review 2003, p. 5-6). In Tanzania, of the 30 conditions in the HIPC matrix, 25 are drawn from the PRGF agreement while only 5 are drawn from the PRSP (Afrodad 2002, p. 17).

Under current PRGF conditions, the objectives laid out in the PRSPs cannot possibly be fulfilled, according to several respondents (Rwanda, Bolivia, Honduras). Corrupt governance certainly needs to be addressed and fiscal deficits, borrowing and inflation kept in check but there is a moral (and political) obligation on governments to invest in programmes which will have both immediate and longterm returns for the poor. Indeed, the imposition of policies in Bolivia which were politically unacceptable led to violent riots twice in 2003, as noted in Section 3.1.2. In the Nordic review, it is noted that 'the main issues in the Letter of Intent of the Government (of Bolivia) accompanying the memorandum on economic and financial policies have not had an anchor in the political system ('the realities on the ground')' (2003, p.5).

Above all other potential faultlines in the design and implementation of the PRSP, the conditionality issue is possibly the one which sets the PRSP up for failure.

The use of the PRGF as a signalling instrument continues to be deeply inconsistent with the principle of embedding this instrument in an overall strategy for growth and development. In Malawi, Zambia, Honduras and Rwanda the government is currently or has recently been off-track with the IMF. This leads to massive disruption in the disbursement of budget support by donors and in release of HIPC debt relief. Refusal by the IMF to accept the 2002 budget in Rwanda reduced the government to operating a month-by-month cash budget for 6 months in 2002, putting all development plans on hold. Zambia and Malawi are currently³⁸ off-track and budget support and the HIPC debt relief process have stalled. Given the continued food insecurity in the region, this is increasing vulnerability to hunger, disease,

malnutrition and putting pressure on school attendance and longterm approaches to livelihoods. All of these undermine longer term prospects for economic growth and poverty reduction efforts and create future insecurity. Furthermore, over-reliance by donors on IMF signalling and the link of an on-track PRGF to HIPC Completion Point is contributing to volatility in aid flows, contrary to the IMF's mandate to bring about macro-economic stabilization.

It is clear that an approach which holds governments adequately to account for failure to implement policies on poverty-reducing expenditure, corruption and good governance is necessary. However, this cannot be an approach which punishes the poor. As mentioned in 5.1 above, decisions around the gravity of policy failures and suspension of aid should be taken in the framework of a development forum with broad stakeholder representation. Donors and civil society organizations tend to have a longterm perspective on poverty reduction, as opposed to the Fund's short-term perspective on stability. This system would therefore be an important means to ensure that short-term policy failures do not compromise longterm goals and poverty reduction programmes.

Finally, the dominance of the Fund in setting public policy objectives through its use of conditionality is a fundamental concern. It illustrates to national governments that the Fund's leverage over public policy remains unchanged in spite of the principles of country ownership and alignment to the PRSP. The promise of reducing and streamlining conditionalities has so far proven to be unfulfilled, with the Bank aggressively taking over conditions which the IMF has abandoned.³⁹

Above all other potential faultlines in the design and implementation of the PRSP, the conditionality issue is possibly the one which sets the PRSP up for failure. Radical change is needed which must be driven by a sea-change in attitude and practice in the IMF.

³⁸ December 2003.

³⁹ Eurodad (2003c)

At a minimum, conditionalities in the PRGF should be:

- drawn from the PRSP unless there are exceptional issues of governance and transparency which are not covered in the PRSP but which civil society and/or parliament raise as key concerns;
- subject to ex-ante PSIA, in order to identify trade-offs and alternative policy paths;
- realistic given the social, political and economic environment in the country;
- outcome rather than content or process-based;
- disaggregated so that failure to achieve progress in one area does not result in budget support withdrawal from donors;
- delinked from HIPC so as not to delay achievement of disbursement of funds at Completion Point
- positive, e.g. leading to increased funding for performance on criteria that exceed minimal requirements;
- harmonised with other donors - beyond the Bank - in order to reduce transaction costs.

5.3 Government budgets that are more pro-poor and pro-growth and emphasis on measures to improve public resource management/accountability.

As outlined in section 3.2.2 of this paper, there have been modest improvements in budget formulation and transparency in most countries. Concerns do continue however as to the poverty-orientation of the Public Expenditure Management systems supported by the Fund. In Bolivia for example, the 2002 budget was not aligned to PRSP priorities and doubts were raised as to whether this was taken into account by the Fund (Nordic review (2003, p.13).

Further concerns on PEM raised by the Nordic donors concerned the need for both the Bank and Fund to be more transparent around the PEM work which they support and to commit to supporting the embedding of strong PEM frameworks on a longterm basis (e.g. MTEFs). This has frequently been undermined either by continuing a project-

based approach in the case of the Bank, which undermines attempts to develop budget support/SWAP approaches, or by volatility in external funding generated by a government's going 'off-track' on a PRGF programme.

Having a PRGF contributes to the deterioration of a country's debt sustainability profile but is a requirement for HIPC debt relief.

Pro-poor budgeting has also been undermined by the link between HIPC and the PRSP/PRGF. In countries such as Honduras and Zambia, delayed debt relief has meant that funds are not available to implement the PRSP. Another argument for delinking PRGF from HIPC debt relief is the fact that as a lending instrument, it has proven to be very expensive relative to other sources of finance. Perversely, having a PRGF programme in place contributes to the deterioration of a country's debt sustainability profile in the short term but is a requirement for HIPC debt relief (Eurodad 2003a). Delinking HIPC from the PRSP/PRGF implementation should be an immediate objective and would require that countries have an adequate monitoring system for the use of HIPC funds as part of a Public Expenditure Management programme.

It must be noted that the progress in Public Expenditure Management which has happened so far has been for the satisfaction of donor requirements and internal government management, rather than to facilitate civil society's influence over the composition of budgetary expenditures and its oversight of budget implementation. While the Fund has been developing mechanisms to track and monitor poverty-related spending systems in tandem with the Bank (Nordic Review 2003, p. 14) there has been no apparent civil society involvement in the development of this work.

The IMF can play a role, through its technical assistance, in ensuring that institutional frameworks for budget information management, including HIPC debt relief resources, also include the disclosure of information to the public in an accessible

and timely manner. Indeed, ensuring the involvement of a broad range of stakeholders in the monitoring of government policy-setting and expenditure patterns is an effective guarantee of broad country ownership.

5.4 Ensuring appropriate flexibility in fiscal targets

One of the key criticisms of the Fund's ESAF was the consistent imposition of overly tight fiscal policies, which have an adverse effect on poverty spending. The PRGF set out to address this concern by allowing increased flexibility in setting fiscal targets, notably budget deficits, in situations where countries had achieved a degree of macro-economic stability.

A general response by civil society participants in this survey however is that the IMF appears to be incapable of tailoring macroeconomic conditions to specific country circumstances. In a 12-country review of PRGFs, Eurodad (2003a) found that attempts by the Fund to allow more fiscal flexibility or to come up with alternative fiscal scenarios for discussion with national authorities were very limited. Respondents to this survey found that the IMF has been almost intractable in rejecting increased fiscal deficits, for example in Rwanda, Bolivia and Honduras. In Bolivia, IMF pressure to reduce the deficit to 5.5% of GDP resulted in the deaths of 31 people when riots erupted after a proposal to impose increased income tax on low-paid workers. The Fund only showed flexibility after this tragedy and raised the limit for the fiscal deficit to 6.5%.

The IMF appears to be incapable of tailoring macroeconomic conditions to specific country circumstances.

In Rwanda, as mentioned above, negotiations to increase the fiscal deficit resulted in serious disruption to government spending. The government-contracted PSIA has not led to a resolution to the question of an appropriate level of investment and fiscal deficit. The IMF has been loathe to discuss this issue or set out a menu of policy paths that would make

explicit its assumptions behind its own policy preferences in spite of its commitment under the PRSP/PRGF principles to increased country-ownership and flexibility.

In Nicaragua 'the IMF monetary approach as to the balance of payment offers little room for policy alternatives', according to the Nordic review (2003, p. 20). In Honduras, the NGO network, Interforos, was told by government officials that the Fund's position with regard to macro-economic policies was not negotiable.⁴⁰

In Zambia the Fund illustrated some flexibility but the question of consideration for the impact of its policies on the poor is still open. The wage bill was increased from 5% to 8% of GDP in 2002, an increase which was accepted by the IMF. However, when the wage bill increased to 11% in 2003 as a result of public service pay awards, the signing of a new PRGF was suspended. This has led to another delay in Zambia's debt relief and further exacerbated the Government of Zambia's difficulties in reconciling the demand from the Fund to close its fiscal deficit and the demands of public sector workers for a living wage.

Many low income counties have achieved a sufficient degree of macro-economic stability to warrant exploration of alternative policy paths leading to balanced budgets. The Fund needs to divest itself of the institutionalised resistance to fiscal policy flexibility and engage in more substantial policy research and dialogue with national authorities and other PRSP stakeholders around policy path options and their trade-offs.

5.5 Social impact analysis of major macroeconomic adjustment and structural reforms.

Generally, respondents to this survey noted that the Fund is no more likely to consider the impact of its measures to ensure fiscal stability on poverty reduction than heretofore (Honduras, Malawi). Devaluations, tax reforms and reductions in public sector wage bills were all felt to be imposed by the IMF (either directly or indirectly) with no consideration for poverty

⁴⁰ Knoke and Morazan (2003) in Stewart and Wang (2003, p. 19)

reduction priorities or strategies (Malawi, Honduras, Bolivia, Zambia).

The Nordic review found some examples of small steps towards alignment with the PRSP, e.g. inclusion of poverty-reducing public expenditure tracking in the PRGF in Bolivia and integration of PRSP benchmarks and conditionalities in the PRGF in Mozambique's PARPA. In general however, the PRGF 'still has the characteristics of traditional IMF instruments, where the focus is on macro-economic stability and the linkage to poverty reduction instruments seems weak' (2003, p. 5). The outlook for social impact assessment of the macroeconomic policies and structural measures under the Fund's control is bleak, according to the Nordics.

The Fund is no more likely to consider the impact of its measures to ensure fiscal stability on poverty reduction than heretofore.

In no case, apart from Rwanda, were respondents aware of PSIA's being carried out on macro-economic reforms. Failure by the IMF to have PSIA's carried out on contested macro-economic reforms – and obvious discomfort when faced with a PSIA which challenges the IMF's macroeconomic assumptions, as happened in Rwanda – is of deep concern. The PSIA promise was an assurance to civil society of a new openness by the Bank and Fund to alternative proposals. Progress in this area is critical if popular support for the PRSP and PRGF approach is to continue. This is the conclusion drawn also by Eurodad (2003b) who argue that substantial progress is being made on standards, methodologies and tools for PSIA's, but that the IMF is not playing the leadership role it should in building on this progress.

Based on research in April 2003, the authors of the Eurodad paper found that no PSIA's had been carried out on either macro-economic or structural conditions in any of 12 PRGFs, where PSIA's were defined as analysis that enables countries to 'weigh trade-offs of reforms and to take ownership of the policies to be implemented'.

The IMF must ensure that PSIA's on all macro-adjustments are systematically carried out in all their programmes and that this analysis is based on broad stakeholder involvement in debate on a range of policy options.

6. Conclusions

This review has looked at the quality and results of PRSPs in nineteen countries with a focus on the effectiveness of the IMF and World Bank's roles in the PRSP process. Some improvements in poverty orientation and inclusiveness in policy debate, even if only marginal, have occurred in many countries. However, when compared against the principles that are meant to underpin the Bank and Fund's roles in the PRSP, it has found that progress has been slow and the IFIs' performance has been less than adequate.

Broad based participation in PRSPs

Some degree of openness has been created for increased civil society participation in dialogue with government and IFIs. However, government interpretations of participation are typically confined to information-gathering or consultation, with little or no recognition of the right to participate in dialogue on policy decisions affecting the lives of the poor, including macro-economic policies.

Assessment of poverty and interpretation of policies according to their impact on different groups of poor people are critical.

It takes time for participation to become institutionalised, but formal structures at national and local level can rapidly improve the prospects for participation. The experiences of Uganda and Zambia illustrate the benefits of open and participatory dialogue for: maintaining a focus on poverty reduction; providing the government with information on impacts of poverty-reduction programmes; increasing citizen 'voice' and deepening democracy. In many countries, it was felt that statutory instruments on participation have been impactful, where governments have been committed to implementation.

A priority must be to develop modalities of participation that are: rights-based, rule-based and inclusive of political representatives and civil society organisations that are legitimate and

representative of the poor. Another core aim must be to generate a higher quality of debate on the more difficult political and technical issues, including macroeconomic policy.

Pro-poor policy formulation in PRSPs & Institutional arrangements for the delivery of broad-based growth and poverty reduction

Overall, the PRSP process has been seen in most countries to have led to modest improvements in pro-poor policy formulation. However, the gains are fragile or in some cases theoretical given lack of concrete implementation of policies which prioritise poverty reduction. There is a frequent disconnect between the PRSP's stated priorities and the actual budget allocations to those priority areas. Budget transparency and monitoring by civil society is critical to ensuring the implementation of policies that benefit the poor, to monitoring the use of debt relief and to the reduction of corruption.

Assessment of poverty and interpretation of policies according to their impact on different groups of poor people are critical. However, poverty diagnostics in the formulation of many PRSPs was described as narrow and non-participatory. Civil society experiences in participatory poverty assessment are both a source of alternative analysis of the priorities that are needed for addressing poverty in all its complexity and a mechanism for citizen empowerment.

The Role of the World Bank and the IMF in PRSPs

Both the Bank and the IMF were seen as interpreting 'participation' as 'consultation' rather than a meaningful dialogue, across all countries and throughout all stages of the policy-design and implementation process. Despite some of the rhetorical commitments made at the Bank and Fund headquarters in Washington DC, at the level of regional/country offices and in country missions – the level at which it becomes meaningful – staff have not internalised the collaborative nature of participation and they are, in general, not open about their own programs nor are they prepared to enter into a dialogue about them with civil society. Positive experiences with Bank and

Fund staff were felt to be due to particularly open or dynamic personalities, rather than as a result of an institutional change.

The tension between country ownership and the role of the Bank and Fund as advisors and adjudicators in the PRSP process is highly problematic. This has arisen most seriously in the case of policy imposition through loan conditionalities by the IMF in particular, but also in interferences by the Bank in the process of developing PRSPs. The politically and socially untenable nature of many IMF conditions (such as levels of fiscal deficit or public sector wage bills) has led to derailment of PRGF agreements and suspension in budget support disbursement by donors and HIPC debt relief. This can curtail poverty reduction spending as envisaged in the PRSP and deepen impoverishment when people are extremely vulnerable. The high cost of the PRGF can deepen indebtedness also.

In order to build country ownership and Bank and Fund institutional sensitivity to local realities, a minimum requirement would be for the Bank and Fund to locate more policy-makers on the ground and for decisions on PRSPs, PRSCs and PRGF programmes to be agreed at a country level in the context of a multistakeholder PRSP forum.

For both institutions, alignment of their policies to the PRSP remains weak. The PRGF conditionality matrix and HIPC conditionalities frequently determine PRSP policies or undermine PRSP goals. The IMF has displayed little progress in flexibility in fiscal targets and streamlining of conditionality has served largely to transfer structural conditionalities from the Fund to the Bank.

The application by both institutions of Poverty and Social Impact Analysis to their policies was seen as very weak, particularly in the Fund's case. For the Bank, there is a lack of transparency around the PSIA's which they claim to be supporting. There is also a lack of satisfactory consensus among stakeholders on what constitutes an adequate PSIA. Increased use of tools and technical assistance in an ad hoc way, such as expenditure tracking for poverty reduction, is a welcome but inadequate response to the promise to fulfil PSIA's on major policy reforms.

Partnerships between the Bank, Fund and other donors are strained. Occasional positive examples of behaviour which contributes to donor harmonisation (e.g. the Bank in Vietnam and Fund in Mozambique) highlight both the opportunities and challenges for a more open approach by both institutions across all countries.

7. Recommendations

7.1 Key recommendation: replace IMF/World Bank dominance with multi-stakeholder PRSP fora

A key problem at present is the failure of the Bank and Fund to adopt roles which allow broad country ownership of PRSPs. An overarching recommendation therefore, is that a development forum with broad stakeholder participation, including government, parliament, civil society, donors and the IFIs should be adopted as a structure within which to take key decisions on the PRSP framework. This should include design, implementation, monitoring and reporting of the PRSP. It should ensure that: the PRSP is aligned to budget realities and timeframes; donor programmes and conditionalities are harmonised in a framework drawn directly from the PRSP; independent ex-ante PSIAs are carried out on major policy reforms; and donor responses to policy failure by the government are proportionate and do not undermine poverty reduction.

7.2 Stakeholder-specific recommendations

Recommendations specific to the current situation for the key stakeholders are as follows.

Civil society

- must invest strategically in development of analytical capacity on macro-economic issues;
- needs to develop empowering strategies for education and mobilisation of grassroots communities to allow them to seek accountability and progress in poverty reduction;
- needs to ensure inclusion of marginalised groups in grass-roots and macro-level initiatives for poverty reduction;
- needs to hold government accountable through budget analysis, monitoring and public advocacy.

Governments

- need to initiate permanent, formal frameworks for participation;
- must make budget transparency and accessibility of budget information for

civil society and parliament a priority and include a formal role for civil society in institutional arrangements for overseeing the debt relief process;

- must allow space at local and national level for expression of priorities and alternatives drawn up by marginalised groups of poor people and include these as priorities in local and national planning;
- need to challenge IMF and World Bank policies by using ex-ante PSIAs for the development of policy options which should be debated in multi-stakeholder fora (see above) before adoption.

Donors

- should provide consistent, long-term support to both civil society and government in order to institutionalise participation based on the rights-based and rules-based standards;
- must change their aid modalities towards those that strengthen government systems, focusing on budget support and guaranteeing predictable aid flows as much as possible;
- should work with government and civil society to determine clear criteria based on government performance for the reduction or increase in aid flows, rather than using the IMF's 'signalling' function;
- should provide practical, non-directive support for government-led PSIAs;
- should support civil society organisations to develop analysis and advocate for a PRS approach which responds firstly to the needs of the vulnerable, while also promoting this approach with government.

The World Bank and IMF

Changes to Bank/Fund processes, policy and structures

- Both the Bank and Fund should work with civil society representatives in individual countries to develop agreed principles and terms of reference for engagement and policy dialogue.
- Both institutions need to change their policy, attitude and behaviour in relation to dialogue with civil society on macroeconomic policy. This must go beyond transparency and include

openness to presenting and discussing their policy proposals and those of civil society.

- Joint Staff Assessments of Annual Progress Reports and PRSP reviews should include as an appendix a comprehensive note on the consultations held with civil society and a summary of their proposals on issues of process and substantive policy reforms. The same initiative should be extended to government, to allow their views to be communicated directly to the Executive Directors on the Boards.
- Bank and Fund policy conditionalities should be: drawn directly from the PRSP; outcome-based; disaggregated; positive (e.g. to result in increased resources for surpassing minimum standards); subject to ex-ante PSIAs; and harmonised with other donors.
- Both the Bank and Fund should fulfil their commitment to ensuring that independent PSIAs are carried out systematically on all major macroeconomic and structural policies. PSIAs should involve civil society at formulation, analysis and policy-decision making stages.
- The Bank and Fund should delegate greater decision making to staff located in the PRSP countries in order to create the conditions for in-depth dialogue with government and civil society and greater country ownership of policy reforms and poverty reduction strategies. This may require relocation of staff to country offices.
- HIPC debt relief should be delinked from the PRSP process and the Fund and Bank should provide technical assistance for establishment of monitoring systems for expenditure of debt relief.

Bank/Fund interventions with governments

- The Bank and Fund should use their leverage with government and technical assistance programmes to promote formal structures for civil society participation, in a manner that is appropriate and sensitive to building government commitment to participation.
- Both the Bank and the Fund should work to ensure through their technical

assistance that institutional frameworks for budget management and transparency include disclosure of timely and accessible information to the public.

Bank Fund interventions with donors

- The Bank and Fund's conditionalities must be harmonised with those of other donors in a framework which is drawn directly from the PRSP.
- The Bank and Fund should work with all donors, in the context of a multi-stakeholder PRSP forum as outlined above, to deal with issues of programming, policy failure, conditionality harmonisation and suspension of aid.

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Appendix I

Respondents⁴¹ to CIDSE Questionnaire for the IEO / OED PRSP Progress Review

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Francophone West and Central Africa

Including: Benin, Burkina Faso, Cameroon, Congo, Cote d'Ivoire, Guinea (Conakry), Central African Republic, Chad, Mali, Niger, Rwanda and Senegal.

Caritas network member organisations in communication with Jean-Pol Evrard, Caritas France / Secours Catholique.

⁴¹ The names of some respondents have been withheld. Details are available on application to the editor, subject to respondents' agreement.

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This document is a background paper. The analysis and proposals presented in this paper do not necessarily reflect the views of all CIDSE and Caritas Internationalis members.

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