The Poverty Reduction Strategy Paper (PRSP):
A Critical Analysis of the Fundamental Limitations and
A Conceptual Framework for Reform

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– Abstract –

The debate on the PRSP(s) essentially rotates around the critical questions of whether the Poverty Reduction Strategy Paper (PRSP) works and how the PRSP functioning and effectiveness can be enhanced. This thesis examines the fundamental limitations of the PRSP and illustrates how these undermine effectiveness and, more importantly, governance in the participating low and middle income countries. Advancing a conceptual framework for an enhanced PRSP mechanism is the central objective of this thesis. In this thesis, I argue that whilst the PRSP is a useful tool with the potential to lift poor countries out of poverty, it is less likely to achieve meaningful and sustainable results given its conceptual flaws: the PRSP status quo does not offer an optimal solution given both the evident weaknesses that largely remain not fully resolved, and the opportunities for strengthening that also remain not fully exploited. This thesis therefore recommends a two-pronged reform strategy that seeks to: (i) rationalize the PRSP guiding principles to create better preconditions and benchmarks for effective ownership, partnership, strategic visioning, and results; and (ii) institute a complete PRSP coordination mechanism that should enhance the multi-actor engagement and also smoothen the implementation process.

Keywords: Poverty Reduction Strategy Paper (PRSP), fundamental limitations, PRSP reform, poverty, effectiveness
Dedication

I dedicate this thesis to the vulnerable citizen of the so called poor countries of this World as well as to the tax payer in the western countries who indefinitely continues to finance development assistance.
Acknowledgments

What a pleasure it is to say thank you to all the special people who have made this possible!

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Lastly, Daddy and Mummy, this is dedicated to you! You have raised me and you have educated me. You are my inspiration. I thank you.
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>APR</td>
<td>Annual Progress Report</td>
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<tr>
<td>BPRS</td>
<td>Bolivian Poverty Reduction Strategy</td>
</tr>
<tr>
<td>CSOs</td>
<td>Civil Society Organizations</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DBS</td>
<td>Direct Budget Support</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>EBRP</td>
<td>Estrategia Boliviana de Reducción de Pobreza</td>
</tr>
<tr>
<td>FNDP</td>
<td>Fifth National Development Plan</td>
</tr>
<tr>
<td>GPRS</td>
<td>Growth and Poverty Reduction Strategy</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Countries Initiative</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Agency</td>
</tr>
<tr>
<td>IFIs</td>
<td>International Financial Institutions</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INGOs</td>
<td>International Non-Governmental Organizations</td>
</tr>
<tr>
<td>I-PRSP</td>
<td>Interim Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>JSAN</td>
<td>Joint Staff Advisory Note</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>NDS</td>
<td>National Development Strategy</td>
</tr>
<tr>
<td>NSGRP</td>
<td>National Strategy for Growth and Reduction of Poverty</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PARPA</td>
<td>Plano De Acção Para A Redução Da Pobreza Absoluta</td>
</tr>
<tr>
<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
</tr>
<tr>
<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
</tr>
<tr>
<td>PRS</td>
<td>Poverty Reduction Strategy</td>
</tr>
</tbody>
</table>
PRSC  Poverty Reduction Support Credit
PRSP  Poverty Reduction Strategy Paper
SAP  Structural Adjustment Program
SCRP  Stratégie de Croissance pour la Réduction de la Pauvreté
UN  United Nations
UNDP  United Nations Development Programme
US  United States
WTO  World Trade Organization
Introduction

The Poverty Reduction Strategy Paper (PRSP) is increasingly taking the center stage in the making and management of policy in virtually all low and middle income countries all over the world – more so in Africa. As would be expected, this has seen a growing interest, by a wide range of stakeholders, in the effectiveness of the PRSP framework in terms of how it enables these ‘poor countries’ to get out of poverty and prosper socio-economically. This thesis therefore attempts to prove that the PRSP indeed has fundamental flaws in its conceptualization which, are undermining aid effectiveness and governance in poor countries and arguably making the potential for the long-term development of these countries even more uncertain.

This thesis seeks to achieve the following research objectives: (i) Understand the workings of the PRSP process, (ii) Determine the fundamental limitations of the PRSP process, and; (iii) Propose enhancements to the PRSP model. This is inspired by the fact while there are a number of writings on the PRSP that, as would be expected, examine the limitations of the PRSP, most of these\(^1\) tend to focus on narrow or specific dimensions of the PRSP and the related governance issues to do with for instance gender, politics, aid harmonization, absorption capacity and impact.. My motivation for carrying out this critical analysis of the underlying limitations of the PRSP model is therefore driven by the desire to understand to functioning of the PRSP framework as a complete logic and propose a reform package that enhances the conceptual coherence of the PRSP. In advancing this thesis I assume that the PRSP still has a good deal of potential for improvement and that the World Bank and the International Monetary Fund (IMF) are

\(^1\) Detailed and referenced in chapter four.
open to potentially radical changes\(^2\) in the management of the PRSP process. Another critical assumption here is that whereas the principles of the PRSP are built on a relatively correct philosophy (ownership, partnership, results, ‘social wellbeing’\(^3\) and the long term) this must be correctly structured for maximal effectiveness.

This piece of work is contained in six chapters: this chapter provides an overview. In chapter two a background to the PRSP highlighting a chronology of the key events that have shaped international development assistance is established. The approach to this study is explained in chapter three which also expounds on the significance and limitations of my thesis. Chapter four, which is central to this study, is a synthesized review of literature based on themes I consider critical and that indeed do characterize the key debates on the PRSP process – I have also used this as the general logic within which my detailed analysis in chapter five is developed. The fifth chapter illustrates the fundamental PRSP limitations, the implications of the PRSP status quo and a proposed conceptual framework for an enhanced PRSP mechanism. A summary of the outstanding findings, recommendations as well as suggestions for further are outlined in chapter six – the conclusion.

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\(^2\) If the abandonment of the failed Structural Adjustment Programs (SAPs) and the radical shift to the more country driven PRSP model is anything to go by.

\(^3\) I construe this as the essence of poverty reduction.
Background

In September 1999 the World Bank and IMF adopted the PRSP as the mechanism through which low and middle income countries would receive concessional assistance. Today about 70 low-income countries (Table 1) are developing or strengthening a Poverty Reduction Strategy (PRS) as a requirement for receiving debt relief and concessional assistance from the World Bank and IMF under the enhanced Heavily Indebted Poor Countries Initiative (HIPC). A PRSP lays down a country’s macroeconomic, structural and social policies and programs over a three year or longer timeframe with the focus on poverty reduction highlighting the associated external financing needs and major sources of financing.

Box 1: PRSP Guiding Principles

- **Country-driven**, promoting national ownership of strategies through broad-based participation of civil society;
- **Result-oriented** and focused on outcomes that will benefit the poor;
- **Comprehensive** in recognizing the multidimensional nature of poverty;
- **Partnership-oriented**, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and,
- **Based on a long-term perspective** for poverty reduction.

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Table 1: Summary of World Bank and IMF Board Presentations of PRSP Documents

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
<th>I-PRSP</th>
<th>PRSP-I</th>
<th>PRSP-II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>33</td>
<td>29</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>11</td>
<td>11</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>South Asia</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>57</td>
<td>54</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Based on the World Bank List of Board Presentations of PRSP Documents as at 31st August 2007 (World Bank, 2007)

Klugman (2003) provides a pointed description of the PRSP process underscoring the fact that this is basically a documentation of ongoing policy and programme processes, at the country level, that are regularly reviewed. The initial PRSP is usually Interim i.e. (I-PRSP) to jumpstart the process, by facilitating faster access to debt relief, prior to the subsequent preparation of the full PRSP. This in principle happens within a year. The full PRSP is then based on a 3-5 year timeframe with an annualized progress reporting mechanism through the Annual Progress Report (APR). The I-PRSPs, PRSPs and APRs are assessed in the Joint Staff Advisory Note (JSAN) that is prepared by World Bank and IMF Staff to providing the respective Executive Boards with an assessment of the quality and relevance of the strategies described in the PRSP.

2.1 What is the Historical Context of the PRSP?

The historical context within which the PRSP has evolved goes as far back as the 1950s and 60s when the US initiated and encouraged major changes in development assistance policy (Lewis, Webb and Kapur, 1997) with the focus at that time being on agricultural production. In the 1960s development was widely seen as a function of economic growth through the concept of “the trickle-down effect” and this is what shaped World Bank and IMF policies for poor or developing countries then. In the 1980s economic growth grew in importance with the introduction of what were to be the failed SAPs. The Washington Consensus that was driven by macroeconomics and financial

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5 http://siteresources.worldbank.org/INTPRS1/Resources/boardlist.pdf [13/03/08]
management paying attention to fiscal and monetary policy, exchange rate, trade, and the regulatory framework and with less attention to aid issues or on developed country policy (Maxwell, 2005). In the 1990s, with the external debt of poor countries out of control, international agitation for sweeping reforms heightened. This led to a number of international undertaking like the introduction of the Human Development Index (HDI) by the United Nations Development Programme (UNDP) in 1990; the 1995 World Summit for Social Development in Copenhagen and the Program of Action on Poverty Eradication; the formulation of the Millennium Development Goals (MDGs)\(^6\), and; the launch in September 1996 of the HIPC Initiative 1996 by the IMF and the World Bank.

The launch of HIPC to address the unsustainable external debt situation in many low-income countries was to become the basic point of the PRSPs entry into the international development assistance sphere. HIPC offered debt relief to eligible countries that were pursuing sound economic policies as a way to facilitate the reduction of their external debt burden to sustainable levels. This initiative was quickly “enhanced” in 1999 following a major review so as to expedite the qualification for what had now become a broader and deeper debt relief to a larger number of countries conditional on a commitment to poverty reduction. By the end of 2002, the IMF and World Bank had already identified 42 countries as HIPC compliant with 6 having reached completion point (were receiving debt relief after having started to successfully implement a PRS).

Significantly, the PRSP has grown in importance at the international level with most of the different donor agencies invariably embracing the mechanism by increasingly redesigning their aid portfolios and coordinating it in support of the PRSP (Adejumobi, 2006). These processes are largely playing out within the framework of donor undertakings in the Monterrey Consensus that was endorsed in the Rome Declaration on Harmonization in February 2003. This has been the basis on which the impetus for donor harmonization of development assistance, to countries within the PRSP framework, has been built. This has been further consolidated under the Paris Declaration that was endorsed on 2\(^{nd}\) March 2005 as an international agreement where over a hundred

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\(^6\) MDG No. 1: Halving extreme income poverty by 2015
ministers, heads of agencies and other senior officials committed their respective countries and organizations to the continued increase of efforts in harmonization, alignment and the management of aid for results based on agreed actions and indicators.\textsuperscript{7}

2.2 The Uganda-Bolivia Factor

The Uganda and Bolivia factor is an imperative in any attempt to fully appreciate the background to the PRSP process. These two countries were the first low income countries to significantly influence the PRSP process through what Christiansen and Hovland (2003) aptly refer to as the ‘demonstration effect’ arguing that the positive experience of Uganda in drafting and giving policy prominence to a Poverty Eradication Action Plan (PEAP) convinced policy-makers of the feasibility and merits of the poverty reduction strategy model. This notion is also underscored by Piron and Evans (2004) in their Synthesis Paper on Politics and the PRSP Approach asserting that Bolivia and Uganda can claim to have influenced the PRSP approach adopted by the IFIs. In 1997 Bolivia undertook a national dialogue to assist in developing its Plan de Gobierno (Plan of Government) a year in which Uganda launched the Poverty Eradication Action Plan (PEAP) later become the basis of Uganda’s first PRSP in May 2000 after a series of revisions. This became the first official PRSP worldwide with Bolivia’s Estrategia Boliviana de Reducción de Pobreza (EBRP) being endorsed by the IFI Boards in June 2001 and effectively becoming the basis of a ‘PRSP Rush’ by poor countries. Whether this rush by many poor countries to sign up the PRSP was mainly driven by the Uganda-Bolivia factor is however a matter of debate especially when one considers the fact the PRSP was a basis for qualification for debt relief under HIPC. Indeed this general notion is credible given the fact that the PRSP ‘success stories’ have not significantly gone beyond Uganda, Bolivia and Vietnam. The background to the PRSP in Vietnam had a lot in common with Uganda in terms of political history and how this shaped ideological choices (ibid). In general however, the debates notwithstanding, Bolivia and, Uganda especially, have in many respects been PRSP models.

\textsuperscript{7} \url{http://www.oecd.org/dataoecd/11/41/34428351.pdf} [13/03/08]
“If the facts don’t fit the theory, change the facts”
Albert Einstein (1879 – 1955)

Methodology

Research Questions

In carrying out a critical analysis of the fundamental limitations of the PRSP and determining how these are undermining effectiveness and governance, this critique is based on a thematic review of literature looking at PRSP effectiveness and conceptualization of guiding principles. The following are the research questions:

(i) Why is the PRSP ineffective?
(ii) What are the flaws in the PRSP principles and practices and how are these undermining effectiveness and governance in low and middle income countries?
(iii) Where are the gaps in the institutional mechanism linking the PRSP to the political processes in low and middle income countries?
(iv) What are the adverse implications of the PRSP Status Quo and what are the potential areas for PRSP reform?

Review Scope and Limitations

A wide range of scholarly and professional writings on the PRSP are reviewed. No specific county is used as a case study although Uganda, Bolivia, Vietnam, Tanzania and Georgia are used to illustrate key aspects in the key argumentations. Examples are drawn from a number of different PRSP low and middle income countries for illustrative
purposes. Some of these countries include Ghana, Mozambique, Benin, Burkina Faso and Zambia. The literature review is a synthesis of what constitutes the key debates on the PRSP process. Chapter four that follows gives an account of these debates which forms the basis on which the fundamental limitations of the PRSP are analyzed and justified.

To ensure a wide range of perspectives on the PRSPs, a broad scope of writings\(^8\) (reviews, assessments, progress reports, policy papers, academic and professional text books, articles etcetera) are studied. Attention was given to the World Bank and IMF official periodic review and assessment reports. This was particularly important in terms of establishing what the official position is on the general effectiveness of the PRSPs. It would also provide critical points on which to draw parallels in the review and synthesis process. Official country PRSP policy documents, poverty status reports and ministerial policy statements were also reviewed together with Donor reports, scholarly works, and civil society and media reports. This study analyzes interdependencies within the various critical elements of the PRSP mechanism but also those on which the PRSP depends – factors exogenous to the IFIs process in as far as the PRSP is concerned. This critical analysis is essentially anchored in a policy analysis that broadly looks at the problematic aspects of the PRSP – causal and symptomatic factors, highlighting the risk factors connected to the continued status quo and making a case for PRSP reform in an detailed analysis of the specific elements (policy actions and the benefit or costs) within the broad policy options of ‘business as usual’ or ‘PRSP reform’.

This study does have limitations, the basic one being the inability to back some of the research questions with a measure of empirical analysis\(^9\). Evaluating the PRSP is a huge research project. This thesis can not answer all the possible questions that could arise on the subject of the PRSPs. However, as a remedy to this dilemma, chapter six identifies possible areas for further research on the PRSP.

\(^8\) See Bibliography
\(^9\) This is a general limitation in a number of studies due in part to the lack of poverty diagnostics but also because of cost implications.
“Somewhere, something incredible is waiting to be known”

Dr. Carl Sagan (1934 – 1996)

Review of Literature

It is just over eight years since the introduction of the PRSP approach but in spite of this relatively short history the debate and controversy around it is quite significant. These debates are characterized, largely, by two extreme perspectives. The proponents of poverty reduction as the way forward to development on one hand, and those that think that development assistance can not simply work, or is not actually designed to work for the poor countries, on the other. Driscoll and Christiansen (2004) vividly describe these extremes as the ‘rose-tinted optimists’ who present PRSPs as a panacea for poverty reduction, a ‘magic bullet’ capable of transforming, in a very short space of time, what were previously seen as intractable obstacles to poverty reduction; then the ‘conspiracy theorists’ who denounce PRSPs as ‘more of the same’ from the IFIs and other donors, representing the continuing neglect of the structural obstacles to poverty reduction – what is unlikely to make the slightest difference to the rights of poor people.

The discussion and criticisms directed towards the principles and the practices of the PRSP are drawing together different stakeholders: the IFIs are very much involved through their institutionalized periodical review and assessment processes, different donors under donor groups that are seeking aid harmonization for enhanced effectiveness, International Non-Governmental Organizations (INGOs) – like Oxfam, nation states, local NGOs, independent research institutions, and many other players. These multitudes of stakeholders, given their different interests, are critically studying the effectiveness of the PRSP process and this has inevitably occasioned a multiplicity of thematic areas around which the PRSPs have been assessed. The following constitute the salient themes in the PRSP debate: aid effectiveness, country ownership, flawed PRSP principles and
practices, the relationship between economic growth and poverty, increased aid and what
this means and the perceived challenge of limited country absorptive capacity, aid or
trade – which way forward for poor countries? These are typical examples of the themes
within which, not only the PRSP, but also international development in general, are being
reviewed. The following is a synthesis of the debate under three critical categories:
(i) PRSP effectiveness – divergent opinions, (ii) Principles – conceptualization and
actualization flaws, and (iii) Coordination – missing links.

4.1 DEBATE I – Effectiveness: Divergent Opinions

Virtually all of the efforts that have gone and continue to go into the principles
and workings of the PRSP invariably address the issue of effectiveness. What is generally
two-pronged focus is (i) on whether the framework is actually seeing an improvement in
poverty indicators in the low and middle income countries that have taken it on, and; (ii)
whether the framework, as it is, is good enough to register meaningful and lasting poverty
reduction, or indeed development in a more general or strategic sense in the low and
middle income countries.

I An ‘Official’ View on Effectiveness and the Emerging Issues

What then can be viewed as the official position on effectiveness of the PRSP? In
answering this critical question, a review of recent JSANs for selected countries: Benin,
Burkina Faso, Ghana, Uganda, Mozambique, Zambia, Bolivia, Georgia and Armenia
provide useful insights on what has been the official perspective on the level of
effectiveness of the PRSP. This perspective is particularly important because it could
offer some indications on the behavior of the IFIs in terms of the critical variable of
responsiveness to change.

(A) ‘Success Stories’

Uganda and Bolivia are widely seen within the IFIs’ circles (but also outside this
arena) as the real flag bearers of the PRSP success story with major drops in poverty
levels and sustained economic growth being achieved. Ghana, Mozambique and Armenia are also examples of recent (relative) success stories with significant drops in poverty and the realization of higher and sustained economic growth rates. The dramatic drops in the poverty level in Uganda and Bolivia are widely documented by the IFIs, and albeit the governments of these respective countries as well. Uganda registered an 18% drop from 56% in 1992 to 38% in 2003 of the total population living below the poverty line (IMF and World Bank 2005; Ministry of Finance, Planning and Economic Development, 2004).

In Bolivia, the extreme poverty head count index significantly dropped from 69 percent in 1992 to 37 percent in 1999 (Bolivia PRSP\textsuperscript{10} - Estrategia Boliviana De Reduccion De La Pobreza—EBRP, March 2001). It should be noted that this was largely achieved prior to the PRSP launch in 1999.

\textit{Table 2: Summary of Poverty Reduction Statistics of Success Stories}

\begin{center}
\begin{tabular}{|l|l|}
\hline
\textbf{COUNTRY} & \textbf{POVERTY REDUCTION} \\
\hline
Uganda & 56% 1992 to 38% 2003\textsuperscript{11} (overall poverty reduction based on the poverty line) \\
Bolivia & 69% (Extreme Poverty\textsuperscript{12} Headcount Index) in 1992 to 37% in 1999\textsuperscript{13} \\
Ghana & 42% 1997 to 35% 2003 (overall poverty reduction based on the poverty line) \\
Mozambique & 69% 1997 to 54% 2003 (poverty headcount index) \\
Armenia & 50 % 2000-01 to 39% 2004 (overall poverty reduction based on the poverty line) \\
& 16 % 2001 to 7.2 % (Extreme Poverty\textsuperscript{14} Headcount Index) \\
\hline
\end{tabular}
\end{center}

\textit{Sources: Based on Country PRSPs and JSANs (see footnotes)}

The table above also highlights the significant achievements in terms of poverty reduction in Ghana, Armenia and Mozambique. Mozambique achieved impressive results under her PRSP I (PARPA I), sustaining economic growth of 8% per year on average, and reducing the poverty headcount index from 69% in 1997 to 54% in 2003, supported by prudent macroeconomic policies, far-reaching structural reforms and substantial donor assistance. Growth was “pro-poor” - rate of consumption growth of people below the

\textsuperscript{10} http://www.imf.org/external/NP/prsp/2001/bol/01/033101.pdf [14/03/08]
\textsuperscript{11} http://www.imf.org/external/pubs/ft/scr/2005/cr05307.pdf [14/03/08]
\textsuperscript{12} Incomes below the cost of only a basic food basket.
\textsuperscript{13} http://www.imf.org/external/NP/prsp/2001/bol/01/033101.pdf [14/03/08]
\textsuperscript{14} Incomes below the cost of only a basic food basket.
poverty line was strongly positive due to agricultural expansion, greater non-farm activities in rural areas, and a rise in employment income (IMF and World Bank 2005, 2006). In Ghana’s case, the staff concurred with the assessment that Ghana is very likely to halve the poverty rate by 2015 if it continued to focus on reducing regional and socioeconomic disparities (IMF and World Bank 2006). Armenia has been lauded for “two very successful years of PRSP implementation in which most of the targets have been met or exceeded and which have been marked by a high level of consultation and participation” (IMF and World Bank 2006).

These positive statistics and perspectives, more so with respect to Bolivia and Uganda, have been and continue to be used by the IFIs, the governments of these respective governments as well as proponents of the PRSP as evidence of effectiveness of poverty reduction as a driver of the development agenda in low and middle income countries. The PRSP therefore, as an overarching framework that focuses policy making on poverty reduction, can be said to be an effective mechanism because it achieves results as the cases of Bolivia, Uganda and more recently Ghana, Mozambique, Armenia and others may demonstrate. This, however, can be a grossly simplistic view especially when the factors that explain the ‘success’ of the PRSP in these countries are critically analyzed. Indeed, evidence shows that a number of unique factors have been key catalysts of the poverty reduction in these “success stories”. For instance:

(i) The Coincidental Factor: Uganda and Bolivia had already developed the idea of poverty reduction before the IFIs adopted it as the tool for development assistance coordination. Uganda launched the PEAP in 1997 – this was a comprehensive poverty reduction strategy which was an outcome of a widely participatory process. The Bolivian Poverty Reduction Strategy (BPRS) is rooted in an irrefutable premise that “poverty, inequity, and social exclusion are the most severe problems affecting democracy and governance in Bolivia, and that, in consequence, the preservation of democracy demands that the highest priority be given to meeting these challenges” (Bolivian PRSP, 2001\(^\text{15}\)). This situation created a critical ‘conjunction of interests’ between the IFIs and donors on

\(^{15}\) http://poverty2.forumone.com/files/bolivaprsp.pdf [14/03/08]
the one hand the political establishments in these countries on the other leading to conditions for an effective partnership which played a crucial role in the successes (Piron and Evans, 2004). The critical element here is the fact that these countries, through their own internal political dynamics had formed national aspirations around poverty reduction so with or without the PRSP arrangement gains were still likely to be made.

(ii) The Attribution Factor: Closely linked to the above, the question of what contribution the PRSP made has been debated. Did the PRSP for instance fasten the drop in poverty rates? Bolivia, before the introduction of the PRSP in 1999, had close to two decades of a political economy focusing on poverty reduction: in the preface to the Bolivian PRSP, 2001, it is explicitly noted that since the late 1980s, the State had taken a number of steps to alleviate poverty by establishing a policy framework for education, health, and basic sanitation. The significance of this historical factor is reinforced by evidence of the absence of strong supporting institutional mechanisms for poverty diagnosis, planning and monitoring and evaluation systems in countries showing ‘modest or mixed results’ (IMF and World Bank, 2007). Georgia’s apparent failure to register any significant progress with the PRSP institutionalization is also a good case in point as Hamilton (2004) reveals in her case study that found that the Georgian government had no history of acting on poverty through policy mechanisms that addressed the causes of impoverishment but instead focused on ameliorating the symptoms of poverty by making welfare payments to designated ‘vulnerable groups’.

These arguments, however, do not entirely discount the fact that these ‘success stories’ offer useful pointers to the effectiveness of the poverty reduction orientation of country development strategies but also the effective management and/or coordination of development assistance. The IFIs in their Joint Assessments, implicitly – and in some cases – explicitly, recognize the critical fact that potential levels of PRSP effectiveness are not being met. This has been and continues to be widely addressed through the advice on what constitute the “major challenges and risks” to the PRSP. In the case of Uganda, the IFIs recognize that challenges still exist in the area of poverty diagnostics which demand robust poverty monitoring systems to inform enhanced targeting in the PRSP, the
number of people living in poverty and inequality of income distribution are high, the quality of life indicators are still generally poor, the economy will continue to be prone to exogenous shocks and that corruption, perceived or real, needs to be tackled resolutely (IMF and World Bank, 2005). On Ghana, the JSAN notes that the Growth and Poverty Reduction Strategy (GPRS II) would have benefited from analyzing the risks to the strategy such as the inability to implement planned structural reforms, exogenous shocks like adverse terms of trade developments or increasing regional instability (IMF and World Bank 2006). These observations from within the IFIs circles lend credence to the need for PRSP reforms that this thesis advances in chapter five.

(B) ‘Modest’ and ‘Mixed’ Results

Most of the over 65 PRSP implementing countries generally show ‘mixed’ results in terms of how the PRSPs have performed\(^{16}\). This is indeed acknowledged officially by the respective countries a position shared by the IMF and World Bank in their Joint Assessments. Benin, Burkina Faso and Zambia are used in this literature review as good cases in point:

The latest JSAN on Benin’s First Poverty Reduction Strategy Paper, the *Stratégie de Croissance pour la Réduction de la Pauvreté* (SCRP), (IMF and IDA 2007), indicates a modest decline in poverty over the first PRSP period, consistent with a modest increase in per capita income. It also emphasizes that economic performance was weaker than envisaged and gains in poverty reduction remained limited. The fact that growth performance was much weaker than envisaged is attributed to “delays in implementing structural reforms” and that the “overall progress in reducing poverty was slow” (IMF and World Bank, 2007). Implicit in this assessment is the salient question of what constitutes the real determinants of PRSP effectiveness. The JSAN, in this case, suggests that this is linked to speed of structural reform as well as the speed of the overall progress in reducing poverty. A fast rate of poverty reduction is being looked at in this case as a

\(16\) This is illustrated by the World Development Indicators, 2006 that shows Africa (the bulk of PRSP implementing countries occur in this region) ‘seriously off track’ in achieving poverty reduction targets and projections (see Figure 5 in chapter five).

precondition for economic growth. This then raises a dilemma: is it fast poverty reduction for economic growth? Or is it economic growth for poverty reduction? In the cases of Ghana, Uganda, Mozambique, Armenia and Bolivia the latter seems to be the case. This dilemma is expounded upon further in the subsequent discussion on the political economy questions around the PRSP.

In the operational sphere there is evidence of the realization of key process milestones. Benin’s SCRP has served as a good basis for donor coordination and resource mobilization. A stocktaking report on aid effectiveness in Benin was finalized in October 2006 and an agreement was reached on the M&E framework of the Paris Declaration. The report called for improvements in the monitoring and reporting of reforms and argued for greater harmonization of donor interventions (IMF and World Bank 2007). This raises the question of whether more emphasis is being placed on donor coordination at the expense of other fundamental preconditions for PRSP effectiveness. The JSAN also highlights the fact that progress has also been mixed in addressing several issues identified by staff in earlier JSANs like (i) inadequate mechanisms for evaluating the impact of policies on the poor; (ii) limited information on the determinants of poverty; and (iii) weak reform implementation capacity. This is a scenario that directly questions the extent to which the PRSP mechanism has been owned up to by Benin – a key principle of the PRSP. This essentially illustrates the tension between ownership, conditionality and the negative impact this has on PRSP effectiveness. These dimensions are critically explored in the following themes of this literature review and are also analyzed in chapter five.

Burkina Faso experienced a modest reduction in poverty from 54% in 1998 to an estimated 42% in 2005 (IMF and World Bank, 2007). While Zambia which has recently officially launched its second PRSP – the Fifth National Development Plan (FNDP) 2006-10 – has been commended by the JSAN for the critical review of poverty dynamics although the FNDP has it on record that in spite of the implementation of the First PRSP, poverty levels remain high with the national incidence of poverty falling

from 73% in 1998 to 68% in 2004 and for extreme poverty – the population living below US$1 per day from 58% to 53% in the same period (Ministry of Finance and National Planning, 2006). The JSAN in its conclusion and issues identified for discussion on Zambia noted that the FNDP broadly provides a comprehensive framework for growth and poverty reduction in Zambia. However, “without a scaling up of donor assistance, and/or inability to raise domestic revenues there will be a significant shortfall of resources to implement the plan” (IMF and World Bank 2007). There are a number of issues that this raises – while the FNDP provides a comprehensive framework it presents a resources challenge. How this is linked to a cardinal PRSP principle that requires a PRSP to be based on a comprehensive understanding of the multidimensional nature of poverty becomes a particularly notable contradiction in the PRSP process. This is a potential flaw in both principle and practice and this has implications for strategic long-term planning based on political economy considerations. Could the ‘comprehensive PRSPs’ be undermining effectiveness and indeed efficiency? The following ‘external’ debates on the PRSP provide useful insights regarding this and the other fundamental questions we have seen here above.

II An ‘Outsider’s’ View on PRSP Effectiveness and the Emerging Issues

(A) Skewed Effectiveness: More in Process, Less in Outcome

Worthwhile improvements in policy processes of low and middle income countries have been attributed to the PRSPs although as Booth (2005) notes, these improvements have been modest even in the best cases falling far short of what is really needed: namely, local generation of high-quality policy thinking around poverty-reduction goals and arrangements for ensuring the corresponding action. A widely documented indication of the PRSP effectiveness has been registered in the (re)focusing of country development strategies to a poverty reduction orientation. This, while it should not be emphasized as a key measure of PRSP effectiveness – since it had to be the case anyway, considering that this is the PRSP objective – it nevertheless offers a useful
measure of success. This achievement has been extensively studied by the IFIs and independent reviewers.

Uganda has been widely acclaimed as one of the PRSP success stories in numerous studies. Canagarajah and Diesen (2006) in their detailed and insightful article on Uganda: *The Poverty Reduction Strategy Approach Six Years On: An Examination of Principles and Practice in Uganda* assert that Uganda’s PEAP brought significant gains to development management, the disappointing performance against several of the PRSP principles notwithstanding. They acknowledged that the PEAP brought significantly positive change to public policy-making in Uganda establishing an explicit poverty focus throughout the government. This is particularly important considering that in the past poverty was often viewed as a marginal concern to be handled through projects rather than the mainstream of government business. However, with the PRSP, this situation has been reversed with poverty apparently more of a priority concern and one with potential to shape the whole of government activity (Driscoll and Evans, 2005).

Closely linked to the refocusing of country plans and strategies has been the positive resultant impacts seen in the growing understanding of poverty and the different ways in which public policy can influence it; the enhanced accountability as a result of wide ranging stakeholder involvement; and quite significantly – for reasons expounded on in the subsequent discussion – the laying of a strong foundation for the alignment of development-partner contributions with national objectives, and the harmonization of development-partner support programmes (Canagarajah and Diesen, 2006). The crucial aspects of also (i) integrating poverty planning with budgeting (ii) the growing interest in poverty monitoring, (iii) the increased attention to donor alignment have been identified as key illustrations of where the PRSP has been relatively effective although there still remain challenges in these processes (Driscoll and Evans, 2005; Gottschalk, 2005; Piron and Norton, 2004). Some of the challenges in these processes may have to do with factors like resource constraints, institutional weaknesses, and uncertainty in general because of the highly dynamic political, social and economic contexts in which the PRSP operates – globally and indeed nationally in the respective donor and recipient countries.
What is striking is that most of the reviews done by institutions or individuals outside the IFIs do not pay much attention to the effectiveness of the PRSP in terms of real outcomes – particularly what the poverty reduction gains have been. This may be in part because of (i) the cost limitations associated with poverty diagnosis and measurement – what is indeed a key challenge in most PRSP countries (IMF and World Bank, 2004) or (ii) the rather controversial PRSP processes or (iii) the perception that there has simply been no impact hence the need to find out why the PRSP does not apparently work. Answers to this would invariably tend to lie in the concept and practices. However, the fact that most of the independent studies identify successes on PRSP effectiveness in the process this must be a strong indication of where the progress so far basically lies. Considering that the PRSP has been implemented since 1999, going into the ninth year of implementation now, the issue of why the gains remain to be largely seen in mainly process outcomes is baffling. What does the enhanced poverty focus of country plans mean for poverty reduction? Is the targeting poor? Why are comprehensive plans not reducing poverty significantly? Budgeting has been linked to poverty plans, why are the results in terms of poverty reduction ‘modest’ or ‘mixed’ in most cases? The answers to this complex dilemma are many and mixed. And these have formed a large part of the debate on PRSP effectiveness. A review of the perceptions and arguments on the ineffectiveness of the PRSP as outlined below illuminate this debate.

(B) ‘Disappointing’ PRSP Results

What is abundantly clear is the growing scrutiny and criticism that the PRSP is receiving regarding what have been considered ‘disappointing’ (Dijkstra, 2005; Canagarajah and Diesen, 2005). This has resulted into an extensive documentation on the flaws in the PRSP principles and practices and how these have undermined effectiveness and success in the reduction of poverty or in indeed offering countries meaningful platforms and mechanisms for development. Therefore, the debate on PRSP (in) effectiveness is based on the assumption that the PRSP has neither done enough to lift poor countries out of poverty or underdevelopment nor achieve the basic objectives for the introduction of the PRSP – increasing aid effectiveness by rationalizing the donor-
recipient relations through the reform of the hitherto ineffective conditionality regime that undermined aid effectiveness in the 1990s.

Dijkstra (2005) in her article: *The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua*, examined the PRSP experiences of Bolivia, Honduras and Nicaragua and found the results disappointing attributing this to the fact that the PRSP process places most of the emphasis on rational planning ignoring politics which has seen the PRSP produce unintended and sometimes harmful consequences. She draws radical conclusions making recommendations that essentially strip the PRSP of most of its defining elements and retaining only a few of the original ones. For instance, the role of donors should be limited and less interventionist; they should support existing government plans, they should limit their own contributions to less comprehensive, more focused plans, but first and foremost they should accept that the outcome of aid is uncertain. This aspect of uncertainty is particularly relevant because it implicitly questions what the underlying risks to the PRSP are. An aspect which is acknowledged by the IFIs without necessary doing much about it rather than simply advising countries to deal with, for instance, exogenous factor and macroeconomic shocks (IMF and World Bank, 2004)\(^{18}\).

What is a highly critical view by Dijkstra on the apparent failure the PRSP in Latin America is shared by Holmqvist and Cueva (2006) who concur that the shortcomings of the PRS approach, as applied and understood need to be recognized and that this should, at least, based on the evidence in Latin America, be addressed through a ‘concerted reformulation by governments, donors and civil society organizations’. This would reverse the apparent complete breakdown in the PRS approach in Bolivia and clarify the confusion around the PRS in Nicaragua. However, Holmqvist and Cueva, who are much more optimistic about the PRSP, offer more encouraging observations: in all these three Latin American countries, they see clear signs of the difficulty of meeting all these objectives simultaneously with (i) the strategies having difficulties in surviving electoral cycles, thus contradicting the idea of being long-term; and, (ii) the extremely

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\(^{18}\) *Ghana JSAN, 2004*
ambitious consultation processes leading to frustration because they are perceived by participants to fail to impact on the strategies, contradicting the idea of broad and real consultative processes and the creation of consensus.

Another critical observation made in this analysis is the fact that at the heart of these difficulties are the perceived contradictions between the PRS approach and the political realities of Latin American democracies. Unlike Dijkstra who would rather radically reform the PRS based on the experience of the Latin American Countries, Göran Holmqvist and Karin Metell Cueva base their prescription on the way forward on the recognition that (i) the PRS approach, as implemented at present, stands only a slim chance of success and (ii) many of the PRS principles are worth resuscitating this assertion being based on the assumption that the countries need plans to reduce poverty that produce real results; recipients and donors need common platforms to guide alignment and harmonization; and, the unequal and socially divided Latin American societies need a sort of social contract entailing basic objectives and principles on how to combat poverty and social injustice.

The discussion on the effectiveness of the PRSP has also been hinged on assessment of country and regional performance in the achievement of the MDGs. Indications of the relative effectiveness of the PRSPs can indeed be inferred from these assessments. Two striking conclusions emerging from a review of annual and special publications of the UN and international agencies by Shaw (2005) implicitly question the effectiveness of the PRSP i.e.: (i) the uneven progress made by countries and regions to achieve the MDGs is highlighted noting the apparent certainty that a number of countries, particularly in sub-Saharan Africa, will not achieve the targets set by 2015 unless there is a major increase in the combined efforts of poor and rich nations above past trends; and (ii) the need for a major redirection of resources available in the developing countries if the MDGs are to be achieved.
4.2 **DEBATE II – PRSP Principles: Conceptualization and Actualization Flaws**

In the discussion above on the effectiveness, input, process and outcome milestones are reviewed and what is clear is that the tendency for most of the debates to mainly focus on process aspects of the PRSP. These processes are basically shaped by the core PRSP principles on country ownership, results orientation, and comprehensive focus on poverty, a partnership-oriented approach and a long-term perspective for poverty reduction. From an academic and indeed a practical public policy point of view, the PRSP principles are generally consistent with what would constitute good practice in international development assistance policy. However, the apparent failure of the PRSP to meaningful reduce poverty has brought the PRSP into extensive scrutiny and what is revealed are critical flaws in conceptualization that would have the unintended effects or undermining implementation. This thesis highlights the emerging issues around, mainly the principle of country ownership, participation and that on poverty and comprehensivity – mainly because of the relative significance and also considering that not much, in terms of contention, is associated with the PRSP principles on results orientation and a long-term view on addressing poverty reduction. Links to results orientation and the long-term view are established the syntheses of debates and the critical analysis that follows.

I **Country Ownership – Far From Reality**

Against the backdrop of the failed SAPs, a failure attributed to perceived lack of country ownership due the heavy external influence, the PRSP principle of a country driven process promoting national ownership through broad based participation is arguably the most significant development in the long history of the international aid system. Whether this has made a difference in the effectiveness of international development assistance is a subject of debate. A debate that has tended to focus on issues to do with conditionality; actors, interests and coordination (politics) and more fundamentally – what country ownership simply means.
The extent to which PRSPs are country driven has been widely questioned. Booth (2005) recognized that not all of the recent studies attempt to answer the deeper questions, but those that do tend to agree that the ‘buy-in’ to the PRSP process is mostly technocratic or restricted to quite a small number of strategically placed officials with the key political interactions and change processes significantly being impacted even in East Africa where political rhetoric at election times does not steer entirely away from the topic of poverty. This has also been the case in Guyana where ‘very little’ ownership of the PRS outside of the Office of the President in Guyana notwithstanding the fact the President and others still viewed the PRS largely as a hurdle to overcome in order to achieve HIPC Completion Point – this negative situation partly blamed on the unfortunate insistence by the donor community that a new PRS be developed when a National Development Strategy (NDS) developed through a consultation process already existed (PRSP Monitoring and Synthesis Project, 2004), and like in the case of Uganda and Bolivia, could have been a basis upon which to promote national ownership through a harmonization process. It is also documented that the Nicaraguan PRSP was ‘elaborated by technocrats according to donor directives’ with ownership – even – among the government limited (Dijkstra, 2005). There is general a tendency of the PRSP drive and ownership to be largely technocratic bringing together the IFI bureaucrats and Country Civil Servants in central agencies steering the PRSPs – the Ministries of Finance and Planning in most cases or the Office of the President or Vice President in for instance Guyana and Tanzania respectively. This perception is backed by evidence from a stakeholder survey by the OECD in 10 country case studies as shown in the chart below.

Figure 1: Perceived Levels of Country Ownership

Source: Survey of national Stakeholders in the 10 case study countries

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19 Albania, Cambodia, Ethiopia, Guinea, Mauritania, Mozambique, Nicaragua, Tajikistan, Tanzania and Vietnam

20 Survey Question: Was the PRS Process Country-Driven?
These rather disappointing results on country ownership can be explained in part by the ambiguities associated with this principle. The IMF fact sheet for instance, describes the PRSP principle of a country-driven process as one “promoting national ownership of strategies through broad-based participation of civil society.” Broad based participation, a key element of achieving national ownership is a rather fluid notion. The World Bank Participation Source Book defines Participation as “a process through which stakeholders influence and share control over development initiatives and the decisions and resources which affect them.” These definitions, of a country driven process promoting national ownership through broad-based participation, while conceptually sound, have seen mixed results in reality – largely because of ambiguity. Meaningful and effective participation has to be based on a clear understanding of who participates, in what sphere, and with what influence (Piron and Evans, 2004). All questions that are not clearly defined. Country ownership for instance implies some form of consensus between national actors and involvement beyond the state elite, but leaves open questions about which actors should be paramount, how consensus is to be achieved, and how to deal with unforeseen and complex outcomes (Driscoll and Evans, 2005).

While these principles have a great potential for strengthening democracy and increasing coherence between donors, there are a number contradictions inherent in the PRSP practices that undermine the effectiveness of the participatory process and in turn the realization of ownership of policies by developing countries and enhanced accountability (Cling, Razafindrakoto, Roubaud, 2002). A key contradiction in the PRSP practice is the result of the continued use of conditionality by the IFIs which creates instability in the dynamics of ownership. How conditionality impacts on ownership is an aspect that has not been adequately studied and built into the conceptual framework of the PRSP. Does less conditionality increase ownership? And what is that critical level or forms of conditionality that would not undermine ownership? Dijkstra (2005) for instance observes that the requirement for countries to draw up a PRSP so as to qualify for aid and debt relief implicitly meant an increase in conditionality – a conditionality of

22 http://www.worldbank.org/wbi/sourcebook/sb0100.htm [10/03/08]
a very different nature – ‘process’ now and not ‘content’ as was the mainly the case hitherto. The phenomenon of conditionality and the tension between this and ownership that Wood (2004*) examines in One step forward two steps back: Ownership, PRSPs and IFI Conditionality; is a major contradiction that renders the basic PRSP principles ineffectual. With the World Bank’s increased use of prior actions suggesting an inherent mistrust of governments and seemingly implying that, the Bank, rather than pursue the difficult process of achieving ownership, would prefer to strengthen as much as possible the tool of conditionality. Trust is crucial element in a multi actor setting. The lack of strong mechanisms to build trust is a major weakness in the PRSP process and this should be part of the reason why, like Whaites (2000) asserts, PRSPs are clearly “part of the conditionality process”.

The disconnect between the PRSP and the democratic processes in the PRSP implementing countries raises the question of the legitimacy of the PRSP process since there is no deliberate mechanism through which election platforms (manifestos) are linked to the PRSP formulations and review. Whether this is by commission or omission is debatable. However, this critical concern is growing in prominence in the debate on the conceptualization of the underlying PRSP principle of Country ownership. Adejumobi (2006) in his critique of the PRSP – premised in the wider context of governance in Africa – draws conclusions that provide some insights into what the PRSP principle of ownership means noting that the PRSP offers very little in terms of choices that would be expected from the governance and democracy with the people determining these by themselves and living by them. He viewed the choices offered by the PRSPs as ‘more apparent than real, and more hollow than substantive’ with the PRSP being a repackaged form of structural adjustment with slight modifications on the social content and emphasis on the issues of national ownership and consultation, some of the lessons learned from the failure of SAP which left Africa ‘worse off today after twenty years of economic maladjustment’ recommending that for PRSPs to move forward, ‘it must assume a domestic democratic character’ with Africa’s development partners encouraging a commonly shared vision of economic and social development by the

23 http://www.global-poverty.org/ [22/01/08]
people, which they can be committed to, rather than a disguised external policy embellished with political clichés of participation and spurious national ownership.

The issue of ownership of the RPSP vis-à-vis the political or democratic processes has also been examined in Dijkstra’s study of Honduras, Nicaragua and Bolivia where the findings show that in all these countries the national elections that, quite significantly, all led to change of government, happened just before the endorsement of full PRSPs by the IMF and the World Bank: Honduras and Nicaragua, November 2001, two months after PRSP approval, and Bolivia, early 2002, nine months later. Noting that all the three elected Presidents came to power on the basis of a new national development plan, with all not recognizing the old PRSP hence a clear indication of where the ownership of the PRSPs lay – outside and not a part of national political traditions. This raises fundamental questions about the conceptualization of the PRSP in terms of national ownership and how this is actually played out to ensuring continuity in an unpredictable and highly dynamic political setting.

This tension between the PRSP and the democratic process is a real challenge to the realization of meaningful country ownership of the PRSP. The irony is that this is where the ideal opportunity for aid effectiveness lies which would be an almost automatic result of real country ownership built on country elections which offer an excellent entry point for key stakeholders at the country level – the public, the government and crucially the opposition in parliament. The table below highlights the tension between the National Strategy for Growth and Reduction of Poverty (NSGRP) or what is more commonly referred to by the Kiswahili acronym Mktukuta, Tanzania’s Second PRSP – in effect since July 2005 and a reigning Election Manifesto in the case of Tanzania (Selbervik, 2006) to illustrate how this can undermine country ownership.
Table 3: Tensions between Tanzania’s Election Manifesto and PRSP (MAKUKUTA)

<table>
<thead>
<tr>
<th>POLICY AREA</th>
<th>PRSP - MAKUKUTA</th>
<th>2005 ELECTION MANIFESTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Economic growth target</td>
<td>6-8% by 2010</td>
<td>10%</td>
</tr>
<tr>
<td>2. Agricultural sector growth target</td>
<td>10% by 2010</td>
<td>*20% economic growth imperative to hit 10% target</td>
</tr>
<tr>
<td>3. Achieving growth and poverty reduction</td>
<td>Governance and accountability crucial</td>
<td>less emphasis – not clearly linked to the overall goals</td>
</tr>
<tr>
<td>4. Economic management and reforms</td>
<td>Changes signaled</td>
<td>No changes signaled</td>
</tr>
<tr>
<td>5. Poverty orientation</td>
<td>Immediate priority</td>
<td>Part of a longer-term strategy</td>
</tr>
<tr>
<td>6. Modernization, Technological Development and innovation</td>
<td>Not so much of a concern</td>
<td>Much more of a concern</td>
</tr>
</tbody>
</table>

Source: CMI REPORT

The importance of linking the PRSP process to the political and democratic process can not be over emphasized considering that this was recognized and acknowledged by the IFIs early in the PRSP implementation. In a 2003 progress report the IMF and IDA noted that:

“National elections and changes of government have had implications for government ownership and the continuity of the PRSP in several countries. In all such cases, the transition from one administration to another has slowed the progress of the design (e.g., Madagascar) and implementation (e.g., Bolivia and Albania) of the strategy. New administrations have typically reassessed existing PRSPs and adapted the program of activities to their policy stance: for example, in Honduras, the new government’s Plan De Gobierno was put forward as a platform for implementing and refocusing the PRSP. Some have interpreted such changes as evidence that the initial PRSPs in these countries were neither analytically robust, nor built on sufficient consensus. On the other hand, it is unrealistic to expect a strategy with specific assumptions and policy commitments to endure in its entirety from one elected government to the next, and revisions set out in a progress report, or through a re-crafted strategy (e.g., Bolivia), are only to be expected in the light of electoral changes” (IMF and IDA, 2003).

http://www.cmi.no/publications/publication/?2372=prsp-in-tanzania [15/03/08]
II PRSPs and the Multidimensional Nature of Poverty

The PRSP principle requiring that Country PRSs are comprehensive in recognizing the multidimensional nature of poverty is a principle that has received relatively less explicit scrutiny in critiques of the PRSP. This could be a result of the apparent lack of a real debate on what constitutes poverty – perhaps a result of the relative international consensus on the subject as manifest in the MDGs and the indeed the PRSP trailblazing bandwagon of the overly enthusiastic debt relief beneficiaries. A comprehensive look, however, at the multidimensional nature of poverty, while a vital principle, it poses fundamental questions that should have implications for the effectiveness of the PRSP. Driscroll (2004) for instance points out that comprehensiveness requires the bringing together of macro frameworks and poverty reduction goals, which assumes a fair degree of state capacity as well as authority and legitimacy over territory and the fiscal space. The issue of the exogenous causes of poverty in Africa is not, for instance, adequately addressed within the framework of the PRSP process. This is a view that Weber (2004), Stiglitz (2003) and Wilson et al (2001) hold. With Adejmobi (2006) who also shares this view highlighting in his work a fundamental observation that:

“Poverty reduction in Africa is not only entwined with dimensions of power at the national level; there is also an international dimension to it. Global economic and social relations strongly impact on the nature of inequality, poverty and immiseration in many developing countries. The global economic regime framed by the World Trade Organization (WTO) is largely lopsided and asymmetrical and denies developing countries access to fair trade, constraints their initiative at technological buy-in, and therefore undermines their efforts at economic development essential to addressing the problem of poverty on a sustainable basis.”

This perspective is developed by Gore (2003), in his article Globalization, the International Poverty Trap and Chronic Poverty in the Least Developed Countries,
where he advances ‘three basic propositions’ that essentially unpack the critical elements of poverty highlighting both the endogenous aspects that characterize the poverty trap and also the exogenous factors. He asserts that:

“The causes of poverty can be identified at different levels of aggregation, running from the micro level (the characteristics of the household and community), up to the national level (characteristics of the country) and up to the global level (the nature of the international economy and the institutional structures which govern international relationships). As a corollary, it is possible to identify poverty traps at different levels of aggregation. Households can get stuck in a poverty trap; communities can get stuck in a poverty trap; countries can get stuck in a poverty trap. Globalization, which is understood here as increasing interrelationships between countries, necessitates a shift in the framework for poverty analysis so that poverty at the household, community and national level is analyzed in a global context...”

The general tendency for PRSPs to be largely focused on internal country (endogenous) poverty dynamics posses a real risk to country development strategies and their potential to be more strategic and consistent with the realities of globalization today. Of course a review of many Country PRSPs will reveal policy actions to do with the dichotomy of international trade and development. This however is much less of a defining attribute of Country PRSPs and is a subject that is not widely scrutinized in studies on the PRSP. More of the challenges associated with a comprehensive view to the multidimensional nature of poverty is the risk of the PRSP getting too comprehensive for effective and efficient management. The following quote from Canagarajah and Diesen (2005) puts this risk into perspective:

“One might be forgiven for asking if the PEAP has not become too comprehensive, at close to 300 pages and covering a vast range of government

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25 A poverty trap is defined here as a situation in which poverty has effects which act as causes of poverty. There are thus vicious circles, processes of circular and cumulative causation, in which poverty outcomes reinforce themselves Gore (2003).
programmes and policies in a considerable degree of detail. Reading the third PEAP, it can be hard to get a clear sense of the most pressing PEAP priorities. The PEAP process has become quite heavy as a result of both the more extensive consultation and the more comprehensive treatment of poverty. The PEAP revision process in Uganda has been relatively lengthy, costly and time-consuming for a wide range of civil servants, CSOs and development partner officials”.

4.3 **DEBATE III – Coordination: Missing Links**

The need for coordination between government, domestic stakeholders, and external donors is an imperative – the framers of the PRSP principles in outlining this principle did the simple thing. The challenge would then be what coordination arrangement would be necessary in practice. This principle, a subject of scrutiny in a number of studies, essentially because of the multitude of players involved in the PRSP and the complexities stemming from power, authority, interests and stakes that are linked to these different PRSP actors as independent entities or as regional, continental or cross continental arrangements. Themes such as ‘aid harmonization’, ‘alignment’, national ownership, and enhanced actor engagement, etcetera characterize the debate on PRSP coordination. I will highlight resounding issues in this debate on partnership and the PRSP process:

I **Challenges to In-Country Engagement**

The effectiveness of the engagement between government and non-state actors in the PRSP processes has been widely questioned. Government consultations with civil society and the private sector (civil society/private sector participation) has been the basic entry point for the establishment of partnership at the country level. The flaws and challenges to do with consultation undermine in country engagement and are jeopardizing the opportunity for the development of a robust partnership at the country level. A striking example of challenges to consultation is the imbalance between an externally
driven technocracy and in-country political dynamics in the PRSP process. This particular challenge raises doubt about whether consultation makes a difference at all in terms of shaping the PRSPs. It is apparent that the wider public is generally excluded from the process and this presents a real challenge on the crucial aspect of accountability. How does the public that is not in the loop hold governments accountable?

In Bolivia however, the scenario is different, there is a consensus that the participatory process has not had a meaningful effect on policy but only raised expectations of responsiveness that the government and donors were not able to meet. This failure being a result of the restricted scope of participation and predetermined policy positions without the necessary flexibility to adjust to the consultative outcomes (Morrison and Singer, 2007). In Uganda’s recent PEAP/PRSP revision, the building of a partnership oriented approach for the management of the PRSP process, while a critical element for widening ownership through robust consultative systems had the unintended or undesirable consequences of complicating the prioritization processes due mainly to the intricacies of consensus building, what is a useful long term remedy to this challenge (Canagarajah and Diesen, 2005).

These classic challenges to the establishment of a sound in-country PRSP partnership approach have been attested to by the IFIs that acknowledge that even though participation remains a central tenet of the PRSP process, with evidence showing a continued improvement in openness, there remain two critical shortcomings that constitute major challenges to the overall PRSP effectiveness i.e.: the engagement or partnership through the consultative process has been ‘broad rather than deep’; and, some policies which critically underpin the PRSP such as the macroeconomic framework and structural policies on for instance trade are not being debated widely in the public domain (IMF and IDA, 2003). The challenge here is basically about when the public is hooked to the in-country PRSP debate. The best opportunity to get public interest and ownership is ideally at general elections. Without this established linkage however, the PRSP will always have challenges of effective participation at country level and the lost benefit of a rationalized or indeed democratized participatory process.
II Coordination: A Donor-Driven Debate

Coordination of government(s), non-state actors and external donors is the key element under the PRSP principle on a partnership-oriented approach. However, the direct\textsuperscript{26} debate on this aspect of the PRSP is largely happening within the official realm under the umbrella of the donor group that are working on the harmonization of development assistance and alignment of donor initiatives to country PRSPs. The Paris Framework of commitments (figure 2 below) agreed to under the Paris Declaration on Aid Effectiveness (2005) is the latest outcome of this debate. At this milestone Paris Forum that was jointly organized by the OECD, World Bank and the United Nations at the invitation of France on the Effectiveness of Aid (February 28 - March 2, 2005) there was a realization that ‘too many partners kill the partnership’ citing the example of Mozambique (not an isolated example), which had in the recent past received, within the context of its ODA, more than 400 official missions per year with all of these eager to be taken on as partners at the national level\textsuperscript{27}.

This, however, is a faulty notion. In an increasing globalizing world the partners can only increase as interests keep changing and new players keep emerging. The challenge is in how to make complex partnerships work and the answers to this will not be found in over simplification of what is increasing becoming a complex global village. The increasing criticism of the lack of coordination in international aid was a built up from the February 2003 Rome Conference and the Marrakech Seminar (February 2004) that addressed the challenges of what came to be known as (i) the ‘Chaos of Good Intentions’\textsuperscript{28} (Figure 4) and (ii) management by results respectively. This chaos of good intentions was the result of an OECD – DAC needs assessment survey to consult partner countries on their views on donor practices.

\textsuperscript{26} This aspect is implicit in the debates on country ownership.
\textsuperscript{27} http://www.diplomatie.gouv.fr/en/france-priorities_1/development_2108/international-stakes_2706/aid-efficacy_5742/effectiveness-of-aid-harmonization-alignment-and-ownership_9612.html [16/03/08]
The debate on coordination is clearly largely at the preemption of the donors. This is unhealthy and has inevitably tilted the balance in the coordination arrangement to focus more on donor interests at the risk of compromising country ownership. The issues identified in the OECD-DAC survey on the burdens (Figure 3) partner countries are faced with as a result of the multiplicity and duplicity of donor requirements - basically a new form of ‘process’ conditionality that Dijkstra (2005) talks about.

**Figure 3: The ‘Chaos of good Intentions’**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Type of Burden</th>
<th>Frequency of mention</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Donor driven priorities and Systems</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Difficulties with donor procedures</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Uncoordinated donor practices</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Excessive demands on time</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Delays in disbursements</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Lack of information</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Demands beyond national capacity</td>
<td></td>
</tr>
</tbody>
</table>

*Source: OECD-DAC*

Whether the Paris Framework is working is now potentially going to shape emerging debates on the PRSP – outside the government or ‘official’ circles. While this framework has arguably played a positive role in boldly tackling the disharmony among donors – what is largely a donors’ own view – it has nevertheless been faced with challenges which are largely to do with the complexities of international development but also the weaknesses of the Paris framework itself. These challenges that were identified at Paris included the views that (i) ‘country ownership’ of the development agenda, which was a precondition for donor actions was either absent or highly problematic in many places; (ii) donors are still reluctant to see themselves as actors, rather than neutral arbiters, in the political economy of policy choice; and (iii) whether, with the ‘post-Washington Consensus’ emphasizing the MDGs and good governance, this was not a fundamental lacunae with regard to the role of the State in development. These are all fundamental question which perceptibly point at weak links and missing links in the coordination of international development assistance under the PRSP framework. The OECD-DAC survey outlines possible reforms for improved effectiveness of development assistance – simplification of procedures, improved harmonization and coordination of donor recipient interactions, improved donor transparency (sharing information), reduced aid and recognition of country political economy are the top priorities in the order (OECD, 2003). These are aspects that have far reaching implications for the current PRSP conceptual framework, practices and the inherent limitations that this thesis analyzes.

The debate on PRSP coordination is therefore largely a donor-driven process focusing on the good intention of cleaning up the mess created by the ‘chaos of good intentions’. The arrangements that have been devised are largely based on the “leading paradigm of aid effectiveness which is built on the premise of strong country ownership and increased coordination among donors: alignment with country preferences and donor harmonization and complementarity” as classified by Menocal and Rogerson (2006), based on the themes emerging from the Northern Agenda and responses from the South.

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on aid harmonization/complementarity/comparative advantage. This paradigm is a risky one – strong country ownership and increased donor coordination may result into a polarization of distrust. What is really needed is a delicate integration or balance where country ownership happens within a clear PRSP Ownership Framework that is devoid of counter productive conditionality, and the mistrust that results from it together leading into the prisoners’ dilemma of inaction by both recipients and donor. Strong country ownership and increased donor coordination is desirable but this has to be built into the wider picture.

This paradigm is fundamentally faulty – it is incomplete to begin with because it talks about donor coordination and country ownership while completely being silent about the interaction between country, or indeed countries, the donor group. Menocal and Rogerson (2006) recognize part of the problem associated with this noting that “While it is not clear that recipient governments will always prefer to face donors as a group coming together under a common programme because of the risks of facing a united front of donors, it may well be in the interest of recipient governments to identify what the comparative advantage of each different aid agency is and use that information to identify what role each donor should play.” The question this begs is: where is the forum bringing together recipient countries to provide some sort of peer review, a debate mechanism, self regulation or even ‘cross-regulation’ with the donor group? This is a critical gap in the international development assistance institutional set up – more so in the face of a rapidly globalizing World that presents issues of global governance like as Menocal and Rogerson (2006) correctly assert, who regulates the aid system? Or more precisely the donors? Herein is a fundamental limitation in the PRSP process.

This review of literature has highlighted the debates on PRSP effectiveness and the emerging issues to do with the conceptualization of the PRSP principles – the flaws there in – showing how these are impacting on effective implementation. Chapter five that follows critically analyzes the fundamental limitations of the PRSP and proposes reforms for an enhanced PRSP based on this context of thematic debates.
“If you do not change direction, you may end up where you are heading.”
Lao Tzu (600 BC – 531 BC)

Analysis

Based on the synthesized review of literature in chapter four and the evidence generated, the analysis conducted in this chapter justifies the underlying hypothesis that the PRSP is conceptually flawed with an undermining effect on aid effectiveness and governance in middle and low income countries. What then are the fundamental limitations of the PRSP? Why, and with what effects? Although the evidence generated from the PRSP debates discussed above are largely voices from the North (Menocal and Rogerson, 2006), it does provide a measure of plausible support to the hypothesis on which this thesis is based. The following (partial) policy analysis criterion in Box 2 will reveal the underlying PRSP limitations and establish the basis for the policy options advanced for PRSP reform.

Box 2: Analytical Criteria

**Policy Issues**

- Why is the PRSP ineffective?
- What are the flaws in the PRSP principles and practices and how are these undermining effectiveness and governance in low and middle income countries?
- Where are the gaps in the institutional mechanism linking the PRSP to the political processes in low and middle income countries?
- What are the adverse implications of the PRSP Status Quo and what are the potential areas for PRSP reform?

**Policy Options**

- Business as usual?
- PRSP Reform?
5.1 Fundamental PRSP Limitations

I Limited Effectiveness

The evidence seen in the review of literature – from both the official and external reviews – shows limited PRSP effectiveness. Studies on the effectiveness of the PRSP would be expected to focus on a basic evaluation framework of input, process and outcome. Different reviews have tended to focus differentially on these critical effectiveness elements with most of the efforts being largely directed towards process milestones rather than the critical input (financing) and outcome (poverty reduction) milestones. The limited attention to progress made in reducing poverty has been attributed in most of the review to the lack of data on poverty and poor poverty diagnostics (IMF and World Bank, 2004) in many low and middle income countries – this is a major weakness of the PRSP process that apparently is widely operating in an uncertain realm. Is this a case of poor financing, planning and management of the RPSP process? The predictable answer would be in the affirmative given the current volatility in donor disbursements. To appreciate the relative PRSP ineffectiveness, the following illustration that is based on a simple evaluation framework of input, process and outcome throws up some interesting insights.

(A) Poor Poverty Reduction Indicators

The proponents of the PRSP effectiveness have largely pointed at success stories such as Uganda, Bolivia, Vietnam and more recently Ghana, Mozambique and a few other cases where relatively significant drops in the poverty levels have been achieved. However, this is a very small proportion of PRSP implementing countries – barely half a dozen countries out of over 65 (representing below 10%) in close to 10 years of PRSP operation. A look at the regional poverty trends across the world offers mixed results (Poverty rates are falling, but progress has been uneven – World Development Indicators (2006))\(^{31}\) – with most regions, apart from Sub-Saharan Africa, on track in reaching the

\(^{31}\) http://devdata.worldbank.org/wdi2006/ [29/03/08]
MDG of halving poverty by 2015. According to the Global Monitoring Report (2004) Sub-Saharan Africa is ‘seriously off track’ for both the actual and projected decline in number of people living on less than $1 a day by region, 1990-2015’ with the region experiencing an increase in the number of poor people by one third (Figure 4). The progress achieved in the other regions of the World can not be entirely attributed to the PRSP. It is also plausible that the lukewarm gains in Sub-Saharan African are a result of many factors ranging from the magnitude of the poverty problem to other social, economic and political dynamics in Africa, but also outside Africa, and how these impact on the speed at which poverty is reduced in the region.

It is however clear that the PRSP could and should have done much better than results indicate. While it may be argued that poverty reduction is a development process that is essentially long-term – the successes of Uganda and Bolivia, in a relatively short period of time, calls for further scrutiny of the PRSP mechanism in terms of effectiveness. This is a particularly interesting debate because Uganda, Bolivia and even Vietnam have been proved to have down well because of a sheer coincidence (Piron and Evans, 2004). Can the PRSP therefore work in the absence of the sort of conditions that existed in Uganda, Bolivia and Vietnam? This is a critical question that raises a more fundamental question of how dynamic the PRSP process is in positioning itself to different country settings so as to maximize potential. The PRSP pillars of country ownership should, ideally, offer a solution to this problem. This however has not been the case as we see in the debate on the flawed conceptualization of the principle but also how the principle, as it is, is played out.
(B) Skewed Focus on Process

The effectiveness or ineffectiveness of the PRSP process has tended to focus on the gains made in the institutionalization of the PRSP principles and the weaknesses in either (a) the principles themselves, or (b) the institutionalization processes. The gains made in the refocusing of country development plans to poverty reduction, the growing country ownership and the emergence of stronger donor-recipient partnerships have been

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32 Share of people living on less than $1 or $2 a day (%) http://devdata.worldbank.org/wdi2006/ [29/03/08]
33 Based on World Bank staff estimates
cited to demonstrate PRSP effectiveness (Booth 2005; Canagarajah and Diesen 2006; Driscoll and Evans, 2005). Critics of this view on PRSP effectiveness have tended to point at the skewed focus on process at the expense of more fundamental questions of whether the principles, to begin with, are the right ones, and if so whether they are being approached correctly, or whether the focus should simply be on poverty reduction outcomes and the resourcing of this process.

Dijkstra (2005) in her article: *The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua*, found the results disappointing largely because the “the PRSP process places most of the emphasis on rational planning ignoring politics which has seen the PRSP produce unintended and sometimes harmful consequences”. The technocratic bureaucracy within the PRSP process is a major challenge to aid effectiveness in general. Whether the IFIs are focusing more on doing things right and not on whether it is the right thing being done is an area that needs further research. What is the IFI institutional culture? And what does it mean for change?

(C) Poor Financing

The HIPC initiative was a key development in the politics of international development assistance. Effectively becoming a major element in the financing of the PRSP. This has given low and middle income countries a renewed impetus in dealing with the challenges of underdevelopment in general and poverty in particular. However, evidence suggests that the financing or resourcing of the PRSP has not been without hitches and therefore implications for PRSP effectiveness. The ambitious nature of the PRSP, given its principles and the requisite institutional development and poverty targeting, has seen a number of cases of unfunded priorities in a number of countries – Ghana, Uganda, and many other countries. For instance, a principle such as a comprehensive view of the multidimensional nature of poverty has had the unintended consequence of widening the scope of PRSPs, undermining prioritization and risking effectiveness and efficiency in resource allocation and utilization. It is imperative that the
PRSP processes in the different countries are squarely premised on a clear understanding of the real resource constraint. This is especially crucial considering that a significant amount of the PRSP funding being from what are increasingly becoming highly volatile donor commitments (OECD, 2003) renders the efficiency with which internally generated resources are planned and utilized more or less an illusion.

In the debates on possible ways forward for enhanced poverty reduction and the realization of the MDGs in general, attention has been paid to the financing aspect and the need for increased funding, reduced conditionality and improved predictability of aid. These and other far reaching concerns on the loopholes in the financing of international development and poverty reduction in particular has seen the growth in significance of Direct Budget Support (DBS) as a major funding mechanism for PRSPs. This was consolidated at and after the Rome Declaration on Alignment and Harmonization with the DBS now being applied towards relieving internal fiscal constraints and in the sustainable approach to addressing poverty reduction. This process is closely linked to the coordination, harmonization and alignment of donor policies, procedures and practices with those of recipient governments to foster increased national ownership, reduced transaction costs, improved coordination; and the making of ODA disbursement and delivery more flexible (Vidal and Pillay, 2004). This well intended DBS has had a number of undesirable impacts that have and continue to undermine country ownership and more importantly RPSP effectiveness because of their associated pitfalls, both in principle and in the operational practicalities or impracticalities.

Most of the studies on the effectiveness of the DBS indicate that the results are tentative – there is no concrete evidence to show that the primary objectives of DBS have been sustainably met although it is clear that a measure of coordination has been achieved in resource allocation, the creation of new forums and mechanisms for joint decision making (ibid) and; keeping reform on the agenda and generally advancing the pro-poor influence on country policy making (ODI, 2007). However, there is not much documented by the recipient countries on the pitfalls of DBS – perhaps because of the dilemma of managing a budget with very big external support within them – Uganda’s
budget until recently was over 50% donor funded. And this is the case in most of the low and middle income countries. It is therefore not surprising that most of the studies on DBS, like those on most of the other PRSP related issues are largely northern voices. The critical challenges associated with the DBS have been in the diminished predictability of funding that has been seen in the increased volatility of aid disbursements (DFID, 2004; Bulir and Hamann, 2007). The ODI (2007) observed that this volatility, unless effectively facilitated and managed, is likely to lead to significant problems of delivery and backlogs noting that this volatility is perhaps, in part, a result of linking DBS to macro policy prescriptions related to the PRSP and HIPC. A case in point being the recent disputes between Zambian and the IMF over fiscal indiscipline that saw the suspension of the PRGF and the delay in the attainment of the HIPC completion point, but an almost complete suspension of budget support.

The paradox of the DBS is that while this mechanism would reduce donor direct control and accountability for the use of funds (ODI, 2007) because of the fact that donors face increased exposure to fiduciary risks stemming from weak financial management systems; weak systems of accountability; political influences or pressures brought to bear on the incumbent partner government; political changes; shifting domestic budget priorities; Uncertainties in the domestic revenue base that can result in the reallocation of relatively predictable revenue received from external sources; ineffective management and weaknesses in the legislative environment within which the budget is implemented; and Government policies that may run contrary to the ODA policies of the donor concerned. This complicates the situation and has in fact led to a proliferation of reporting mechanisms or simply the volatility we see today in the irregular and unpredictable aid flows. This volatility has also compounded the opportunity of aid fungibility within country budgets considering, as Hauck, Hasse and Koppensteiner (2005) indicate in their Discussion Paper: EC Budget Support: Thumbs Up or Down? that all aid is fungible as support for specific sectors or programmes does not automatically lead to the partner country spending more on the same activities with empirical evidence suggesting that targeting aid on one (social) area results instead in the government spending more on an area that is not supported by donors. Aid fungibility is
indeed an excellent opportunity for both the donors and more so the recipient country but this would necessitate a mixed approach to PRSP funding. Perhaps there are lessons to draw from the project based funding.

Therefore, the DBS mechanism, a vital element in the functioning of the PRS, is inherently flawed hence the need for a funding mechanism that minimizes aid volatility is an imperative. If aid can not flow aid can not work. It is as simple as that. There is a problem and this problem is multifaceted as defined by a fundamental tension within the GBS: the aim to boost government ownership of the development process and its accountability to national stakeholders versus the need for donors to be accountable to their own taxpayers on how the aid budget is spent (Warrener 2004). This tension displaces trust and activates a futile power play that should, ideally, not arise in a principled framework of country ownership happening within a partnership oriented approach. This challenge is not complete without getting a sense of where the incidence of its impact falls. Who aid volatility hurts most is illustrated by Bulir and Hamann (2007) (Figure 5) who indicated that: “Increases in relative volatility were frequent and large in several sub-Saharan African countries, such as Benin, Lesotho, and Uganda, but also in Western Hemisphere countries, such as Bolivia and El Salvador. Aid volatility in HIPC countries remained higher than in non-HIPC countries” they therefore found it “difficult to argue that the poorest countries benefited from the PRSP initiative in terms of more stable aid flows.”

This is not surprising considering the relatively poor performance of Sub-Saharan Africa in reaching the MDG poverty reduction targets. Aid volatility is a major challenge to the PRSP and this is largely a result of the DBS mechanism but also a combination of factors that are discussed in the subsequent sections here below on aspects such as flawed conceptualization of the PRSP principles, coordination gaps and oversights and so on. If this trend is not reversed the region will lag behind and the PRSPs will be deemed a failure – since the majority of the world’s poorest are to be found here anyway. DBS ideally is a solution, but it is a simple solution to a complex problem that needs perhaps a more sophisticated approach. DBS has and continues to systematically reduce the space within which a multitude of donors – with unique foreign policies – have to fit into while,
at the same time, facilitating and not undermining country ownership. The DBS has inadvertently increased the stakes in the PRSP process as a result of over or misharmonisation which has heightened interests and reduced space for flexibility – presenting potentially another prisoner’s dilemma.

**Figure 5: Relative Aid Volatility [Φ] Worsened in the Post-PRSP Period**

![Figure 5: Relative Aid Volatility [Φ] Worsened in the Post-PRSP Period](image)

*Source: Bulir and Hamann (2007)*

**Box 3: A Typology of Schools of Thought on PRSP Effectiveness**

- **The Critical/Reformist View:** The growing view is that the model/process is inherently weak and ineffective as it is. This school of thought is generally radical or more strategic in calling for PRSP reform. Largely independent Europe based researchers with a small and emerging voice from the South.

- **The Positive/Conservative View:** Views the process as having the potential to lift millions of people out of poverty and has indeed registered significant gains in this regard and this must be consolidated with some improvements in the system through the learning process. This is mainly the view shared by bureaucrats in the IFIs, Governments and the Donor Group.

- **The Uncertain/Radical Reformist View:** the view that is built on the uncertainty around whether the PRSP works or can work better in the future. This school of thought is largely shaped by the ideological debate on which way for development – poverty reduction? Growth? Big push? Aid or trade? As seen in anecdotal evidence, this outlook is mainly driven by eminent scholars and leaders.

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34 **Sources:** Fiscal revenue—IMF, World Economic Trends in Africa (WETA) database; aid—Organization for Economic Cooperation and Development, Development Assistance Committee database; exchange rate, GDP, population, and U.S. consumer price index—IMF, World Economic Outlook database; for country-specific data availability see Appendix Table A1, and for series details see Bulir and Hamann (2006). Note: This figure reports the four-year average and median ratio of variances of aid and domestic fiscal revenue (F) for a balanced sample of 50 countries with the complete 1975–2003 series. The 1999 observation—the year of the introduction of the PRSP initiative—is dropped from the calculation.
II Flaws in Conceptualization of the Guiding Principles

The PRSP principles are not without weaknesses. Considering the highly complex context within which these principles have been defined and indeed that within which they are expected to operate, this is to be expected. However, this does not mean that change is impossibility. In this analysis I simultaneously focus on the three principles I considered vital within the hypothetical framework of this thesis i.e.: (i) a country driven process that promotes country ownership through broad based participation, (ii) a partnership-oriented approach, involving coordinated participation of development partners (government, domestic stakeholders, and external donors), and (iii) a policy framework that comprehensively recognizes the multidimensional nature of poverty.

(A) Ambiguity, Inconsistency and Tension

The PRSP principles are in general good principles and would easily meet a basic criterion of good public policy making – country ownership, results oriented, long-term perspective, partnership oriented and comprehensive in dealing with poverty. All this sounds perfect and would work in an ideal world free of some or many of the realities of the dynamics of globalization and the associated risks and uncertainty. This realm in which the PRSP is conceived and in which it operates is essentially global or international while the principles that are expected to guide the PRSP are basically national in character. This creates a critical tension in the operational sphere of the PRSP with different interests coming into play – donor interests versus country interests. This is a game likely to be a ‘behind the scenes’ sort of game that is manifested in, for instance, the poor levels of country ownership seen in poor implementation or the delays in disbursements by donors for whatever reasons. This undesirable scenario must be largely a result of the ambiguity and inconsistency in the otherwise ‘good’ PRSP principles.

To illustrate this ambiguity, ownership and participation are notions that have been either defined or perceived differently. As Driscoll and Evans (2005) observe,

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The PRSP principles tend to be interdependent.

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country ownership implies some form of consensus between national actors and involvement beyond the state elite, but has left open questions about which actors should be paramount, how consensus is to be achieved, and how to deal with unforeseen and complex outcomes. In addition, meaningful and effective participation has to be based on a clear understanding of who participates, in what sphere, and with what influence. (Piron and Evans, 2004). Now, the big and highly significant role of the donors has not been clearly established within the framework of the definition of (country) ownership. The principle of country ownership should ideally be directly derived from the political processes in the different countries (functional States). This critical inconsistency has been explicitly or implicitly acknowledged in a number of reviews including those by the IFIs (Adejumobi, 2006; Dijkstra, 2005; Holmqvist and Cueva, 2006; IMF and IDA, 2003; Selbervik, 2006). The principle of country ownership is therefore flawed because it is not defined in a way that is clearly consistent with the critical realities of sovereignty of state on one hand and that of external financing (international development assistance) on the other. The critical synergy that is needed for country ownership to actually happen i.e.: (i) country ownership deriving from a clear link of PRSP to the democratic process and the resultant election manifestos, and (ii) a clear definition of ‘donor ownership’ and what this would mean in terms of donor actions or in-actions. These two (indeed three) facets of ownership would clarify the dynamic of what should be a PRSP Ownership Framework (POF) (Figure 6) and minimize the current ambiguity and contradictions that are invariably limiting aid effectiveness and undermining governance in poor countries. This framework is actually in place but is not defined or anchored in a firm international convention and is therefore happening largely informally or in the ‘dark’ with the resultant issues of transparency, mistrust, inaction (non-implementation or delayed disbursements), limited country ownership, effectiveness and the growing risk of failure emerging together with a proliferation of accountability measures or conditionalities by different donor groups.

36 Countries and the IFIs
37 Including the IFIs
The question of how donors are supposed to exercise ownership and how this should impact on the PRSP effectiveness is unanswered and defines a key oversight in the PRSP principles. The highly retrogressive conditionality, which was supposed to be a thing of the past is resurfacing in the form of what is now ‘process conditionality’ (Whaites, 2000) as a result of this apparent vacuum. An OECD (2003) survey, countries have identified this as a burden seen in the shape of multiple reporting requirements from different donors – in process that are even outside the Annual PRSP Review (APR) mechanism as evidenced in a progress review report by the PRSP Monitoring and Synthesis Project based on a survey of alignment of budget support and balance of payments support in African countries (Figure 7). Now, the initiative to harmonize aid and align donor arrangement to country strategies under the Paris Framework are positive developments that also provide useful opportunities for the institutionalization of a donor-ownership framework that potentially is building block for a new and rationalized PRSP Ownership Framework (POF) proposed herein.

38 http://www.prspsynthesis.org/ [18/03/08]
Figure 7: Donor Demands Over and Above the PRS

Number of Lists of Indicators Reported on Annually in Addition to the PRS

Source: SPA Budget Support Working Group, 2004

(B) Faulty Ambition

A comprehensive treatment of the multidimensional causes and symptoms of poverty is the principle that essentially defines the ambition of the PRSP – Poverty Reduction. This is a very significant principle that I consider the core principle of the PRSP around which the others rotate, mainly because of the critical implications it has to the vital aspects of prioritization, financing, resource allocation (budgeting), strategic long term planning or political economy dynamics and the resultant considerations in low and middle income countries. These are very complex variables that fundamentally shape governance and national aspirations in any country whether ‘rich’ or ‘poor’, ‘developed’ or ‘underdeveloped’, ‘developing’ or ‘least developed’. These are variables in governance where the crucial determinants to the success or failure of a nation, in terms of development, more so in today’s globalizing world are likely to be found. This principle, while arguably the key to the PRSP objective, it presents a real obstacle to sustainable poverty reduction and the long term development of low and middle income countries. Getting the right equation (s) is the real challenge. There is no single answer to this – this will inevitably have to be an issue of a country, its politics and the global context.

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http://www.prspsynthesis.org/ [18/03/08]
Strategic risks and challenges are therefore presented by this principle in question. A comprehensive recognition of the multidimensional nature of poverty presents an interesting paradox: while the approach is simple, because it is too wide open, it has the unintended consequence of complicating the management of the PRSP in some respects – a result of the tendency for the PRSP to become too comprehensive (Canagarajah and Diesen, 2005) to be feasible due to limited country capacity (Driscoll, 2004), or resource constraints, compromised efficiency gains and reduced opportunity for strategic consideration in country policy making. The tendency for the multidimensional focus on poverty to emphasize more the endogenous factor and less so the exogenous factors continues to be a growing concern on the flawed PRSP ambition (Adejmobi, 2006; Weber, 2004; Stiglitz, 2003; Wilson et al, 2001). Therefore, considering that the low and middle income countries would be expected to be most frugal in planning, this principle has the unintended consequence (risk) of undermining the prospects for strategic long term planning that is built on delicate and painful consideration and adoption of development agenda as has been the case by most of the developed economies in the west and more recently in the Far East as Ohno (2002) attests.

Low and middle income countries should be facilitated to take strategic risks based on country aspirations if they are to have meaningful development plans rather than the de facto development plans which is what the PRSP has evolved into in spite of its numerous shortcoming and contested effectiveness. Indeed this debate is currently on in the South – about whether it should be aid or trade or economic integration. What is notable is that within the debate on the effectiveness of aid for poverty reduction the conceptualization of poverty has emerged as a key issue. The exogenous factors that are linked with the international trading regime recur. This is not explicitly acknowledged within the PRSP framework on a comprehensive view on the causes of poverty. There is need for a thorough analysis of the structural causes of poverty from a global perspective since it is the poor countries that essentially pay the heaviest price from the costs (negative impacts) of globalization such as price volatility, global monopolies and the high costs of technology, brain drain and its effects, the unfair international trading
arrangements, global warming and the ripple (negative) effects on poor agrarian economies.

III A Weak and Incomplete Coordination Mechanism

The PRSP process is a complex one: first of all, simply because it deals with poverty. This complexity is however compounded by the multitude of players involved in this process and the multiple relationships that are either at play or not for different reasons. The PRSP principle on a partnership-oriented approach, involving coordinated participation of development partners (government, domestic stakeholders, and external donors) is an excellent principle that has been undermined by the flaws we have seen in the principles on country ownership and the multidimensional approach to poverty above. In advancing a conceptual framework for an enhanced PRSP coordination mechanism this thesis contends that the PRSP is not supported by a complete coordination arrangement. The following institutional analysis illustrates the missing links in the PRSP coordination architecture.

(A) PRSPs and Politics: The Missing Link

The subject of the PRSPs and how they link into country politics is a growing area of interest if evidence from review of literature is anything to go by. Armon (2007) in his very current article titled *Aid, Politics and Development: Donor Perspective underscores* the importance of a PRSP link to country politics:

“There is little doubt in my mind that an aid effectiveness approach harnessed to a political governance sensibility is the best and only hope for the future of development assistance. But there are big caveats. The first point to acknowledge is that bringing politics squarely into the aid equation takes many development professionals outside their zones of comfort. It also takes us to the outer edges of what some development agencies are equipped, even mandated, to do. And, crucially, a sharpened political sensibility must remain congruent with popular conceptions of what development is.”
In considering an effective coordination mechanism for the PRSP – the ideal starting point is country aspirations which are shaped and driven by politics. Of course the perceptions on the functionality or not of a State or States are bound to arise in the debate on international development assistance which is, for obvious reasons, widely informed by western schools of thought. However, in this modern information and the ‘new globalization’ age, poor countries must be allowed to exercise critical aspects of sovereignty. Indeed the framers of the PRSP rightly envisaged this and created the opportunity as evidenced in the principle number one of the PRSP – a Country-driven process promoting national ownership through a broad based participatory process. It is not clear whether the framers of the PRSP realized what this principle actually meant given the democratic processes in countries and the supporting systems of Cabinets and Parliaments in policy making and how this would interact with the PRSP process in a constructive rather than counter productive way as evidence is showing.

Even as a significant amount of attention has been paid to this linkage, it is clear that not much analysis has gone into the relationship between the PRSP formulation/review processes and the political decision making processes in the low and middle income countries. There is no evidence of an official mechanism reached between the IFIs and the PRSP implementing countries that links the PRSP formulation or review to the electoral processes – not even in a basic aspect of (synchronized) timing – which would certainly create a measure of opportunity for election commitments to influence the PRSP formulation through the APR – what should be the case anyway, in the spirit of the first principle of the PRSP.

Studies have reviewed the role of Parliaments in the PRSP process with little or no appreciation of the fact that Parliament essentially works in line with Cabinet – without clear mechanisms that are fully owned up to by government there is likely to be a disconnect in the process a result of limited direct involvement of the Cabinet system in shaping the PRSP and in turn nothing getting onto the parliamentary agenda since Parliament traditionally considers Cabinet positions. This presents a fundamental
limitation in the PRSP coordination arrangement. This major weakness is undermining (i) the effectiveness of the PRSP process through the lost synergy that can be generated from a more meaningful country ownership, participation and accountability; and, (ii) governance and decision making in low and middle income countries. Indeed Ranis (2006) highlights the controversy that underscores this view that aid works only when domestic policies and, more recently, institutions, are receptive.

(B) An Uneven Field for Player Interactions

The interaction between players is a highly political process which is shaped by the different levels of power and influence that the players have. Power and influence, which is dynamic and dependent on various factors ranging from the different funding levels by countries or performance of countries in PRSP implementation or proportion of country budgets support by aid and so on. The key players in this PRSP process being the low and middle income countries on the one hand and the donor countries and the IFIs on the other. Indeed the private sector and civil society groups in these respective countries, or regions representing these countries, are key institutional players too. The question then is how are these different players coordinated? There is overwhelming evidence of the effort the donor group has invested in harmonization and alignment of aid for enhanced effectiveness. The Paris Framework is the latest addition to a series of efforts geared at enhancing donor coordination – indeed a very positive development for the PRSP effectiveness in general. However, this posses challenges for the realization of a meaningful partnership with PRSP implementing countries because of an imbalance in power relations in the course of discussions and negotiations on PRSP undertakings since most of these discussions are essentially between PRSP implementing country on the one hand and the highly organized donor group on the other. Where is the forum bringing together recipient countries to provide some sort of peer review, or debate mechanism, or self regulation or indeed some sort of ‘cross-regulation’ between the PRSP peers and the donors group? Booth (2005) makes useful suggestions about ‘What Else Might be Worth a Try?’ highlighting the need to get a better understanding of country contexts into the operational work of donor agencies; open up those understandings to public debate at
country and international levels; and take steps to create an international climate of opinion that is more welcoming to political projects that build developmental states. What is implicit in these recommendations is the growing view that the PRSP coordination mechanism is weak and incomplete.

This critical gap in the international development assistance institutional set up – more so in the face of a rapidly globalizing World presents issues of global governance like who regulates the aid system (Menocal and Rogerson, 2006) or more precisely the donors? Interestingly, this is a challenge recognized as early as 2002 at an international conference organized by the IFIs – the need for a mechanism to facilitate PRSP peer engagement regard. It is a major loophole in the PRSP coordination system because the opportunity to create an international voice of PRSP implementing countries that would then be a useful or ‘equal’ partner to the donor group is missing. This arrangement would significantly minimize the currently largely unbalanced international partnership (engagement) and in turn foster a stronger and more international debate on what is really an international commitment on poverty reduction anyway. This arrangement would also have the added value of providing a mechanism for the RPSP countries to self regulate which is potentially an alternative to the retrogressive external conditionality that undermines country ownership in the short run and, aid effectiveness and the sustainable development of the poor countries in the long run.

A more balanced and robust Donor-Recipient engagement would amplify the drivers of change and better influence the highly bureaucratic IFIs whose dynamism in managing the highly complex landscape of international development assistance today is being questioned because of what for instance Rogerson, Hewitt and Waldenberg (2004) call the two strategic quandaries over the 2005 – 2010 period: (i) the robustness of their funding base; and (ii) how far their ownership and governance structure needs to evolve to retain international legitimacy and political support.
5.2 Policy Options

I PRSP Status Quo: Implications and the Rationale for Reform

A critical analysis of the PRSP based on the past and current debates shows that the PRSP is a mechanism with lots of potential for (i) delivering international development assistance, but more importantly (ii) facilitating the largely externally funded low and middle income country public policy platforms. The PRSP is the overarching policy and planning framework in over sixty low and middle income countries around the World. It is therefore imperative that the PRSP works well otherwise there is a real risk of huge strategic losses in the international development agenda but also in the evolution of democratic governance and home grown and effective development strategies in poor countries. The latter being particularly the case because of the centrality of the PRSP in country governance and international development cooperation.

What defines the status quo of the PRSP process at the moment is largely; on a very good note too, a learning process that disappointingly, is not addressing itself squarely to the difficult questions that call for fundamental reform – even within the basic PRSP framework. Why this is so could be part be attributed to the tendency for international development assistance to be more static than dynamic because of the bureaucratic systems of the IFIs but also due to the paternalistic oversight arrangements in the international development assistance machinery. These key loopholes invariably explain the growing skepticism about the effectiveness of the PRSP as we have seen in the review of literature in chapter four. In this thesis, I add my voice and support to that of those who see the PRSP as a mechanism with excellent potential but that may unfortunately continue to deliver either ‘mixed’ results or ‘disappointing’ results if the fundamental limitations inherent in its conceptualization and, indeed in vital operational designs, are not corrected. With close to a decade of experience now and the growing evidence base, it is an opportune moment to rethink the PRSP and take it to a higher level. Maintaining the PRSP status quo is simply a recipe for long term failure and a
continuation of the disappointing IFIs’ reform culture where real change only happens in the face of absolute failure as was the case with the recent SAPs and the Washington Consensus. It is time for the IFIs to reposition and adopt a more dynamic culture in facilitating the highly fluid international development process.

Business as usual is almost certainly not a choice to stick with if the current results of the PRSP are anything to go by. There will be continued relative ineffectiveness in terms of reducing poverty and doing so sustainably especially in Sub-Saharan Africa which is the only region that is off track in the key MDG target of reducing by half the proportion of people living on less than a dollar a day by 2015. In terms of actor behavior and how this facilitates or undermines the PRSP process, country ownership will remain a distant expectation without a rationalization of the PRSP Principles, donor commitment to financing will remain volatile if the underlying inconsistencies and tensions in the institutional and ideological framework of the PRSP are not streamlined to build firm partnerships that are based on enhanced trust. The following analysis of the PRSP reforms provides a basis upon which to appreciate the need to fundamentally change the way the PRSP business is run. With a view to enhancement and the avoidance of the risk of scrapping the PRSP as was the case with the SAPs a tendency that practically reduces poor countries to test cases for the IFIs – a practice with impacts close or even worse than those of corruption and should be minimized or simply avoided if the noble objectives that these institutions are meant to deliver are to happen.

II PRSP Reform: A Conceptual Framework for an Enhanced PRSP

This thesis set out to critically analyze the fundamental limitations of the PRSP and propose a holistic conceptual framework for an enhanced PRSP. The PRSP reform proposed here is a two pronged and integrated mechanism that seeks first and foremost to rationalize the PRSP guiding principles by (a) removing/minimizing ambiguities, inconsistencies, contradictions, tensions and other flaws and (b) creating/strengthening critical linkages between the principles for enhanced synergy and integration within the PRSP system. Secondly, to define and institutionalize a complete PRSP coordination
mechanism that would ensure that the PRSP principles can be facilitated to work in a more effective way.

This thesis identified three principles of the PRSP as those most critical in determining the effectiveness. These included country ownership, a partnership oriented approach and a comprehensive outlook to the multidimensional nature of poverty. The findings from the review of literature largely confirm the hypothesis that the fundamental PRSP weaknesses mainly lie in the principles of country ownership and comprehensively looking at the multidimensional nature of poverty. One would contend that the framing of these two principles is where one will find the fundamental limitations of the PRSP that are manifested in the ‘mixed’ and ‘disappointing’ results in terms of poverty reduction, poor country ownership, relative PRSP ineffectiveness, increasing aid volatility, and generally leading into a vicious cycle of external debt (figure 8).

Figure 8: Vicious Cycle of External Debt

This vicious cycle has two critical elements that constitute a paradox of the concomitantly recurring debt and donor burdens. A situation that raises the fundamental question of when aid and debt will achieve the critical level of take off, for especially the
poorest countries and start the process of sustainable prosperity based on a gradual and preferably speedy reduction of aid and therefore external debt and all its evils that differently affect both the recipients and the donors.

(A) A Proposed Rationalized Framework of PRSP Principles

1. OWNERSHIP

(a) Broaden the Scope of Ownership

Country Ownership should be defined within a PRSP Ownership Framework (POF) that clearly identifies all the major stakes and the respective stakeholders within the PRSP process. *Rationale:* to open avenues for enhanced mutual trust, commitment, accountability, coordination and effectiveness in the international development assistance machinery.

(b) Strengthen the Link to Politics

A Link should be established that ensures that the PRSP process is rationally premised on the country political process (mainly the presidential elections) to facilitate the deepening of the democratization of the PRSP within recipient countries. *Rationale:* to establish a firm and politically relevant basis for a credible and effective PRSP coordination mechanism – a vital precondition for the maximization of aid effectiveness.

(c) Reform the Role, Style and Capacity of the IFIs

The role and style of the IFIs should be adapted to a more politically and less technocratically oriented development assistance regime and the requisite institutional and technical capacity built to facilitate this strategic paradigm shift. *Rationale:* to minimize the continued tendency of IFI development assistance strategies to fail.
2. PARTNERSHIP

The PRSP principle of partnership should be based on a clearly defined PRSP Ownership Framework along the general lines proposed above and this ideally must commit to the establishment of a two-tier partnership framework for the country and international levels. The following should be the guiding principles within this partnership framework:

(a) Country Level

Deepening the democratization of the externally funded policy agenda through the establishment of stronger links between the public and the government spheres of Cabinet and Parliament. Presidential electoral processes should be integrated into the PRSP process to facilitate PRSP legitimization, build a true country ownership and accountability frameworks based on the social contract.

(b) International Level

Strengthening/balancing the donor-recipient engagement by institutionalizing a regularized parallel peer mechanism – donor group on one hand and the PRSP country group on the other. This then would form the basis for meaningful engagement between the North and South specifically on the PRSP to create an enhanced accountability and negotiation framework.\(^{40}\)

3. INNOVATIVE AND STRATEGIC VISIONING

An Innovation Enabling Flexibility (I-E-F) should be built in to the PRSP principle on ambition to facilitate the maximization of the dynamics of strategic visioning and public choice in the different country settings – this should ideally be built on what

\(^{40}\) The African Peer Review Mechanism (APRM) could be a useful building block that can be replicated in other continents or that can be expanded to cover all the continents and take on a new renewed mandate.
would be a shared ideal that countries know what is best for them. The current orientation of the PRSP which is Poverty reduction, would not be lost since is an element that can be built into the results framework and would in most cases still remain a target by poor countries whether internationally agreed to or not as the Uganda-Bolivia-Vietnam experience demonstrates. Poverty is an evil that no body and therefore government can simply ignore more so in today’s rapidly changing world of knowledge. Countries should have a leeway for greater innovation in development planning as long as conditions for democratic governance can be identified and strengthened along the ownership and partnership lines discussed above. This is an imperative for enhanced country ownership and commitment, improved strategic visioning, efficient utilization of resources, and enhanced aid effectiveness. Based on this approach the PRSP should potentially evolve into a National Strategic Development Paper (NSDP) that allows for greater flexibility in strategic visioning within a broader and more strategic results orientation along the lines proposed below.

4. RESULTS ORIENTATION

The reformed PRSP should remain results oriented but with a clear and broader focus that ensures sustainable poverty reduction but also fundamentally integrates poverty reduction within a more strategic results framework that is built on a definite, rather than indefinite ‘long term’. The following are the proposed benchmarks of an enhanced PRSP or international development assistance agenda or mechanism:

(a) Poverty Reduction.
(b) Economic Prosperity.
(c) Economic Competitiveness and Integration in the Global Market.
(d) Self Reliance.
(e) ‘Sun setting’ general development assistance to create a platform for a more organized international ‘social protection’ mechanism against humanitarian catastrophes and global shocks – what could be the first steps towards the growing possibility of the welfare globe.
(B) **Instituting a Comprehensive PRSP Coordination Mechanism**

The second element in the proposed reform of the PRSP is to do with coordination. Specifically, how the policy process is shaped, at the point of entry, and how the different actors interact at the national and international level. Based on the nature of the structural or conceptual weaknesses of the PRSP, to get this coordination mechanism right is essentially a function of the correct specification of (i) an ownership or, indeed, a commitment framework, (ii) partnership arrangements that foster effective engagement, and (iii) strategic visioning that facilitates flexibility, relevance, innovation, etcetera – all critical elements for effective ownership. The rationalized framework of PRSP principles proposed above is therefore the basis on which the Two-Tier Comprehensive PRSP Coordination Mechanism (*CPCM*) outlined here below is built. *See figure 9 for an illustration of a suggested Framework for Integrated PRPS Participation, Ownership, Results and Accountability.*

(i) **Recipient Country Arena: Policy and Institutional Coordination**

The basic context being influenced is the recipient country development indicators or trends. This is largely a function of political dynamics that are shaped by socio-economic realities in these countries. Streamlining the links between the(se) cardinal political or democratic processes within the recipient countries to the framing or review of the PRSP is critical for enhanced country ownership, relevance and therefore effectiveness. The basic points of entry for this coordination mechanism are in the key variables of timing and prioritization which would essentially create a formal and credible mechanism for adapting PRSPs to country aspirations:

(a) **Timing**

Synchronizing the timing of PRSP formulation/review with the calendars of national elections in recipient countries so as to create direct opportunity for a more systematized link of the policy debate in the electoral process to the PRSP process.
(b) Prioritization

Using the winning National Election Platform (manifesto) as the basis for PRSP reviews and formulation offers a strategic opportunity to getting the Cabinet and Parliamentary Systems in the poor countries to engage more in the PRSP process. This is particularly relevant considering the widely held view that the PRSP is largely a technocratic process that is played out largely by bureaucrats in government ministries taking the lead in coordination of PRSP in the respective countries. The process of translating election manifestos into action plans is normally intricate and basically shapes (i) how government will operate over the course of its execution of a given mandate, and (ii) how the public will respond to government – a key factor for determining accountability and effectiveness. This potential can be harnessed with a full harmonization of PRSP processes with country political processes of public policy/choice.
Establishing these vital links is indeed a credible basis for deepening democratization by creating a mechanism for demand driven accountability by the public – a result of rationalized ownership, an elevated and albeit rightful role of Cabinet which would open avenues for Parliaments to engage better in the PRSP process since Parliaments basically derive most of their work from Cabinet outputs.

(b) International Arena: Donor-Recipient Positioning and Interaction

*Balancing the Donor-Recipient Engagement*: An international coordination mechanism drawing PRSP partner states together where issues of international nature can be tackled so as to elevate the recipient country perspectives and approaches to a more international and strategic level to match the more international and sophisticated considerations of the donor community. This is particularly crucial for (i) enhanced accountability through self (and cross) regulation which would also offer alternatives to the normally counter productive conditionality, (ii) widen the scope for development debate in the South.
“Globalization is a fact of life. But I believe we have underestimated its fragility.”
Kofi Annan (UN Secretary General, 1997 – 2006)

Conclusions

A fundamentally reformed PRSP has the potential to achieve tremendous results in getting poor and middle income countries onto a meaningful and sustainable development and prosperity path while at the same time ensuring that governance in these countries is not simply reduced to an exercise under the perpetual shadow of what for a long time has remained, even with successive reforms, a rather flawed international development assistance bureaucracy with its multitude of devices. This chapter provides a recap of the basic PRSP limitations discussed in chapter four and five, the main recommendations which form the primary objective of this thesis – chapter five, and finally offers suggested areas for further research that would sustain the debate on the PRSP within the theoretical and analytical frameworks of this thesis.

I Summary of Key Findings

The PRSP is a tool of significant importance given that it is at the centre of governance in over 65 countries. How it is conceived and how it works is therefore crucial for the wellbeing of millions of people across the globe. Indeed it also has implications for global governance in general, the sovereignty of weaker States and their emergence as strong, self reliant and real players or their stagnation and possible demise in today’s global and highly competitive world. This thesis implicitly shows that the PRSP is a framework with considerable potential to facilitate the development of poor and middle income countries. The challenge is therefore in dealing with these limitations that are basically manifest in the PRSP conceptualization:
(a) The principle on country ownership is defined within a vacuum. While there are many key players within the PRSP architecture, the PRSP defines country ownership and completely remains silent about the ownership of the other key actors – the donors and the IFIS. It is indisputable the role of the donor is very important because without the financing basically nothing can happen. This basic oversight or flaw in the definition of country ownership has been a source of the evidently poor level of commitment to the PRSP by both the Donors and the Recipients as seen in the growing aid volatility on the side of donors but also the poor implementation by the PRSP partners. This is also evident in the tension between conditionality and country ownership, the imbalance between technocracy and politics, the paradox of country ownership of a largely externally funded process, the apparent disconnection between the highest form of ‘broad based participation of civil society’ (the democratic process of general elections and the critical role it can and should play in public policy making) and the PRSP process in general.

(b) The principle that defines PRSP ambition is inherently faulty: Requiring that country policy making and planning is ‘comprehensive in recognizing the multidimensional nature of poverty is in fact a good intention that however presents the undesirable impact of the lost strategic visioning and planning in poor and middle income countries. The PRSP simply narrows the scope for innovation in governance by an over simplification of what should and would constitute the strategic focus of the different poor and middle income countries. The scope within which the results orientation of the PRSP is defined is essentially based on poverty diagnostics a process that is biased toward endogenous factors at the moment. However, there are more critical issues that are relevant for the long term development and prosperity of the poor and middle income countries. More so in today’s rapidly globalizing world and there implications of this. The ideal PRSP approach would be built on a general philosophy of sustainability based ambition that tackles poverty in the context of a defined long term framework of economic prosperity, economic competitiveness and integration in the global market, self reliance and the eventual closure of development assistance which should be the precursor of a fundamental paradigm shift of future international development agenda.
towards a stronger platform for a more robust global social protection mechanism against the emerging humanitarian risks and uncertainties associated with today’s global challenges of environment, terrorism, food security, trade, immigration and so on.

II Recommendations

The rationale for PRSP reform can not be overemphasized. A range of ideas on possible areas for PRSP strengthening have been advanced by different schools of thought on PRSP effectiveness or ineffectiveness. This thesis draws a distinct conclusion essentially underscoring the need for a holistic reform of the PRSP process based on a logical framework sort of approach that gets the principles right to begin with, creating the preconditions for effectiveness, relevance, efficiency, proportionality and consistency. The basic additions to the existing knowledge on possible way(s) forward for the PRSP can be found in the following recommendations that are a conceptual framework for an enhanced PRSP mechanism:

(a) There is need to rationalize the PRSP Principles by clearly defining a broader framework of ownership. Defining country ownership within this framework is critical for a streamlined and transparent partnership that is based on the reality that full country ownership is a relative concept that must be based on a clear partnership framework from which the comprehensive institutional mechanism for PRSP coordination that this thesis proposes in chapter five would derive. How the IFIs operate in terms of role, style and the requisite capacity is relevant to the realization of meaningful country and donor ownership. Reforming the IFIs to adapt their management traditions to a more politicized (or indeed the democratized) PRSP/international development assistance regime in the long-term is an aspect that has to be seriously thought about.

(b) This thesis is also cognizant of the fact that poverty is a real challenge to humanity today and is indeed a political issue in all countries – poor or rich, developed or underdeveloped. However, the poverty reduction orientation of the PRSP is a minimalist approach that paradoxically still presents resourcing challenges (funding gaps) because of
the lost opportunity for innovation in strategic visioning by countries as a result of comprehensively tackling poverty with the general tendency of country PRSPs to be too comprehensive to be effectively managed or even efficient in resource utilization. Perhaps the reason why many PRSP countries show ‘mixed’ or ‘disappointing’ results. It is therefore imperative that the ambition of the PRSP should be more dynamic and flexible to create opportunity for innovation in strategic visioning and fundamentally shift the initiative to country-led development agendas which should lay the foundation(s) for real country ownership and offer real results and hope that should come with the enhanced or true country ownership and commitment, improved strategic visioning and efficient utilization of resources and most importantly enhanced aid effectiveness.

(c) All this should be within a reformed results focus or orientation that benchmarks, in addition to poverty Reduction; economic prosperity; enhanced economic competitiveness or integration in the global market; enhanced self reliance; and finally from aid-dependence to trade-dependence. This could be targeted within strategic country development frameworks – what would be some form of next step from the current PRSP or, in a more sweeping reform, a direct replacement of the PRSP. It is fundamental for the international development agenda to find a solution that decisively enables poor and middle income countries to transition to prosperity. The answers are largely to be found in the iniquitous global system which is creating completely new challenges to humanity which are huge enough to afford the distraction of tackling poverty which is arguably a largely insidious historical and geo-political construction that is now dangerously in overdrive with globalization and the lopsided world trade regime that is now failing to even put food in the markets while at the same time systematically undermining the agricultural potential of say Africa being the World’s food basket.

III Further Research

This thesis is cognizant of the complexity of development as a process but more importantly the role of international development assistance in the economic transition of

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41 See ‘Forget oil, the new global crisis is food’ http://www.financialpost.com/story.html?id=213343[23/04/08]
poor and middle income countries. Within the context of this thesis, the following aspects (Box 4) could serve as valuable points of entry for future research:

**Box 4: Six Themes for Further Research**

- Examining how using the PRSP as a basis for debt relief qualification under HIPC impacted on PRSP ownership.
- Examining the potential for self regulation or ‘cross’ regulation (within and between the forum of PRSP partner States, and that of the Donors) as an alternative to some or all aspects of conditionality.
- Studying the acceptability of anchoring the PRSP in Elected Mandates (manifestos) as a basis for integrating international development assistance into country democratic, political the administrative and accountability processes that derive there from.
- Studying the institutional culture of the World and IMF and determining its relevance today.
- Analyzing the opportunities that the African Peer Review Mechanism (APRM) and the ACP-EU Partnership Agreement may offer to PRSP reforms.
- Determining whether the phenomenon of a donor burden or donor fatigue exists and if so what impact this may be having on donor attitude to international development policy and governance in poor and middle income countries.
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42 DIAL, Développement et Insertion Internationale, a centre for research on economic development
43 IRD: Institut de Recherche pour le Développement, the French Institute for Research on Development


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44 Paper Presented to the “Inter-Regional Conference on Social Policy and Welfare Regimes in Comparative Perspectives” organized by the College of Liberal University of Texas, Centre for Latin American Social Policy (CLAPSO), the Mexican Centre, the Brazil Centre of the Tereza Lozano Long Institute of Latin American Studies, the LBJ School of Public Affairs, and the Institute of South Asian Studies


http://siteresources.worldbank.org/INTPRS1/Resources/boardlist.pdf [13/03/08]
Poverty Reduction Strategy Papers (PRSPs) are documents required by the International Monetary Fund (IMF) and World Bank before a country can be considered for debt relief within the Heavily Indebted Poor Countries (HIPC) initiative. PRSPs are also required before low-income countries can receive aid from most major donors and lenders. The IMF specifies that the PRSP should be formulated according to five core principles. The PRSP should be country-driven, result-oriented, comprehensive, partnership