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Inhaltsübersicht

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On Process and Content of Poverty Reduction Strategies: Main Challenges for Countries and Donors

1. Introduction

Successive world conferences from Copenhagen 1995 to Johannesburg 2002 have moved the issues of *poverty* and *poverty reduction* to the centre stage of international political attention. Poverty is now finally perceived and recognised as an issue of global importance. Poverty and development policy issues have found a regular and prominent place on the agenda of the annual G7 and G8 summits as illustrated by the Cologne decision to broaden the HIPC Debt Reduction Initiative (1999) and the Kananaskis G8 Africa Initiative (2002). We take this as a sign that any doubts regarding the link between poverty and global peace, stability and prosperity have finally been put to rest. The question is not whether, but how to overcome poverty. What are the international and national actions needed to achieve substantial and lasting reductions in poverty?

Hopes and expectations nurtured especially after the collapse of the communist economies that the spread of market oriented policies would in some way automatically lead to world-wide prosperity have been dashed by financial crises (Asia 1997) and instability (Russia, Latin America), new economy stock market bubbles and, not least, the lack of progress in reducing poverty. As a matter of fact, in the 1990s, it is only in East and South Asia that poverty levels (measured as the percentage of people living on or below $1 per day) have been reduced considerably – in East Asia (incl. China) from 27% to 14% of the population, in South Asia (incl. India) from 44% to 36%, meanwhile poverty levels have more than doubled in Central Asia and have stagnated in sub-Saharan Africa (around 46%) and in Latin America (around 17%).

The Copenhagen Summit back in 1995 had expressed harsh criticism against developed countries' callousness in the wake of the persistent poverty and mounting external debt of low-income countries, as well as the overall lack of coherent international action to seriously address the problems of low-income countries. The salient issues here are trade (market access), Official Development Assistance (ODA) and the external debt problem. The global campaign for debt relief – *Jubilee 2000* – spearheaded by the churches and civil society was certainly instrumental in putting the problem of external debt onto the agenda of the G7. After social democratic governments assumed power in the UK and Germany (1997/98), the pressure from international civil society finally led to the 1999 G7

decision to expand the HIPC debt relief initiative (initiated in 1996) and link debt relief to concrete poverty reduction measures.

Correspondingly, the debate about the right strategies and policies to overcome poverty has further intensified, with the World Bank – whose vision is a *World free from Poverty* – moving even more to the centre stage of the international discussion. The Bank, like the majority of other bilateral and multilateral donors, has subscribed in the wake of the G7 decision to the concept of *Poverty Reduction Strategies* (PRS) as the main vehicle for delivering debt relief in return for expanded and focused pro-poor spending. In the meeting of the Development Committee in October 1999 following the Cologne Summit, PRS were adopted by all the countries represented as the operational framework for poverty reduction. The World Bank's concessional lending window – the *International Development Association* (IDA) – and the IMF vowed to align their policies and programs in low-income countries in all – i.e. including non-HIPC – low-income countries to the PRS (IMF/IDA 1999; all relevant official IMF and World Bank/IDA documents can be accessed on the World Bank's and the IMF's web-sites: www.imf.org, www.worldbank.org/poverty). Subsequently, all other major bilateral and multilateral donors have also adopted this framework as the basis for their assistance to low-income countries.

The idea of this paper is to discuss the conceptual basis underlying the PRS concept and its implications for low-income countries as well as the donor community. We will argue that the PRS concept entails the chance for effective poverty reduction, basically through changes in the process and content of country-owned policies and also through more effective and efficient external support (development assistance).

The paper is organised as follows: Firstly, before outlining the basic features of the PRS approach, we discuss the underlying development paradigm and compare it with prior approaches; secondly, we summarise positive and less positive experience with the approach up to today; and thirdly, we point to the resulting future agenda. In doing so, we will use the World Bank's policies as a yardstick or point of reference, because the Bank, due to its financial and intellectual strength, is and has been setting the tone in the international development policy discussion.

2. Background of the PRS Approach

Following the oil price shocks in the 1970s, development policies for the first time systematically addressed system-wide economic policy issues. Called upon to assist countries in coping with an externally induced economic shock, the World Bank introduced Adjustment Lending as a vehicle for policy advice and short-term balance of payment support (World Bank 2001a). The basic conceptual idea was that *efficient* markets are instrumental (necessary and sufficient) for income generation and, thus, for poverty reduction (*trickle down effect*). In order to create efficient markets, relative prices have to be adjusted and obstacles for liberalised trade and factor markets have to be removed. The quest for *allocative efficiency* derived from the neo-classical paradigm ruled the day and left no room for considering the social, environmental or poverty impact of structural adjustment policies or the institutional constraints. Not surprisingly, the results of adjustment policies in the 1980s were at best mixed. In many countries the costs of adjustment had to be borne in the form of rising unemployment, real wage reductions, deteriorating social indicators and growing in-country inequality. It is still debated, however, whether the overall concept was wrong or whether country implementation and commitment was insufficient. Most likely weaknesses can be found on both sides.

Based on the mixed experience of the 1980s and under the impression of rapid growth in East Asia, the Bank's 1990 *World Development Report* (World Bank 1990) broadened the market-based approach and called for investments in human capital and infrastructure. *Adjustment with a human face* underlined the need to provide (and protect) basic social services for poor people and to expand their human potential.

The 1990s, however, proved to be a troublesome period for development assistance, both in theory and in practice. Private capital flows, although concentrated on only a few countries, diminished the importance of official development assistance (ODA) while, on the other hand, the main recipients of ODA, especially in sub-Saharan-Africa[1], failed to show marked progress. Lack of aid effectiveness in Africa combined with sobering experiences with purely market-based approaches in the transition countries of Eastern and Central Europe nurtured the emergence of a paradigm shift towards a *political approach* to the development problem. *Political* in this sense means on the one hand a comprehensive view based on a multidimensional understanding of development and poverty, which takes into account the economic, social and institutional framework; on the other hand, *political* means the recognition of *governance* as the critical element for mobilising – or failing to mobilise – actors and resources for development. Indeed, up to the late 1980s, when development policies where still subordinated to the East-West conflict, *governance* issues had indeed been regarded as a sort of non-issue. The end of the East-West conflict has thus helped us to look more soberly at the effectiveness of national development policies and supporting external assistance and has helped reveal the critical importance of political and societal factors. The main message here is that poverty – like wealth – is not due to fate but is the result of social and political processes.

Again, the World Bank led the discussion providing evidence that aid could only be effective in *good policy environments* (World Bank 1998). The World

Bank's report *Assessing Aid* underlined the pivotal importance of country policies, political commitment and performance as crucial for development, and also for the effectiveness of development assistance. The positive or negative effects of aid depend on recipient government's policies, not on the nature of the assistance as such: »Foreign aid is neutral with respect to development, for its positive or negative effects depend on government policies (...) aid has little effect on the development of countries with poor management.« (World Bank 1998: 14, 37) (...) »Evidence from cross-country regressions indicates that aid does not buy policy reform (...) aid can play a supportive role in countries where the domestic environment is conducive to reform.« (World Bank 2001b: 91).

The message here is not that markets are not necessary for growth and poverty reduction, but rather, that markets and economic actors in general are always embedded in *living* social and political systems, which determine the effectiveness of markets as well as public policy in general. Hence, markets are not sufficient for development and poverty reduction. This broader view of development leads to a reassessment of *governance* and conducive *institutions* as building blocks for poverty reduction. Accordingly, our understanding of poverty needs to change from a predominantly economic (income) and stock-oriented perspective (lack of resources) to a more broader and process-oriented perspective (lack of processes which mobilise resources), which gives due credit to political freedoms and the overall social arrangements and values enabling people to *live the life they have reason to value* (Sen 2001).

This line of thought is highly influenced by Sen, who pointed to the qualitative difference between the *culmination outcomes* of development processes (final outcomes without taking note of the process of getting there) and the *comprehensive outcomes*, taking note of the process through which the culmination outcomes come about (Sen 2001: 27). For Sen, comprehensive outcomes are achieved by enhancing *human capabilities* – not just human capital – understood as »the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value« (Sen 2001: 87). »Given the role that public debates and discussions must have in the formation and utilisation of our social values (...), basic civil rights and political freedoms are indispensable for the emergence of social values. Indeed, the freedom to participate in critical evaluation and in the process of value formation is among the most crucial freedoms of social existence. (...) Do democracy and basic political and civil rights help to promote the process of development? Rather, the emergence and consolidation of these rights can be seen as being constitutive of the process of development.« (Sen 2001: 287 f.)

Beyond the intrinsic ethical element, the notion of human capabilities points to the social character of individual identities. The concept of human capabilities implies the possibility for change, because social structures to a large extent depend on the mutually binding referral system between individuals and social entities and, thus, people's perceptions of themselves, perceptions that may change. Social identities are constantly being reaffirmed and reconstructed. Enlargement of human capabilities – of the *substantive freedoms* in the language of Sen – is only conceivable with the enlargement of options and choice.

The much acclaimed 2000/2001 World Development Report translated this broader approach into a general framework for action in three areas, namely *promoting opportunity, facilitating empowerment* and *enhancing security* (World Bank 2000b). The report constitutes a watershed with respect to traditional World Bank thinking. Against this background the PRS approach serves as the *operational mechanism* for the design and implementation of country-owned poverty reduction policies – and external support for that purpose.

3. Core Elements of the PRS Approach

The PRS concept is not revolutionary. Rather it gives food for thought regarding why it has taken so long to come up with such a plausible concept. The six basic features of the PRS approach are as follows (see: www.worldbank.org/poverty/strategies/overview.htm)[2]: PRS should be,

1) *country driven*, involving broad-based participation by civil society and the private sector in all operational steps;
2) *result-oriented*, and focused on outcomes that would benefit the poor;
3) *comprehensive*, in recognising the multidimensional nature of poverty, but, at the same time also
4) *prioritised*, so that implementation is feasible both in fiscal and institutional terms;
5) *partnership-oriented*, with co-ordinated participation by development partners (bilateral, multilateral, and non-governmental);
6) based on a *long-term perspective* for poverty reduction.

Given these key characteristics, it is obvious that there cannot be a blueprint for a country's PRS, which will necessarily reflect the country's particular circumstances. Nevertheless, there are three steps that typically characterise the development of a PRS:

1) developing a comprehensive understanding of poverty and its determinants;
2) (given tough budget constraints), choosing those public interventions that are likely to have the highest impact on poverty reduction;
3) selecting and tracking indicators for monitoring poverty outcomes.

To date a total of 19 full PRSPs and 45 interim PRSPs have been produced by low-income countries and discussed in the Boards of the Bank and the Fund. With regard to the HIPC-PRSP link, firm decisions on debt relief for 26 of these countries totalling US$ 41 billion have been made. Savings from HIPC debt

relief have allowed these HIPC countries, inter alia, to increase social spending from an average of 6% of GDP to 9% (IMF 2002).

What makes PRS different from past policy making is, firstly, the acceptance of the contingent dimension of development. PRS do not offer solutions, but rather outline a method to arrive at reasonable pro-poor policies. PRS are designed as a tool to encourage open debate on priority actions; therefore they have to be participatory. Participation serves to focus policies on the true interests and problems of the poor (e.g. through consultations and participatory poverty assessments), and to foster the credibility and legitimacy of the government's efforts; thus, participation creates momentum for change and enhances the chances for successful implementation. PRSPs are the result of internal political processes and reflect the realities existing in a given partner country.

Country specificity in the PRS context does not mean that acknowledged principles of sound policy making are considered irrelevant. The point is to acknowledge that sound economic policy principles like low inflation, fiscal sustainability, effective social spending, etc. are contingent on the particular country-specific political and institutional environment. There is no blueprint for *sound* policies, but rather policies prove to be sound when they fit into – and are supported by – the respective institutional and political environment. Emphasising *ownership* as a precondition for development success means developing a legitimate and functional institutional framework capable of performing and delivering results. This task cannot be transferred to third parties; the role of donors can only be a supportive one.

Sober analysis of the causes of poverty and the degree and depth of participation determine the strategy. Coherent implementation will be visible, inter alia, in appropriate prioritisation in the public budget and related policies.

The focus on participation marks the main difference between PRS and other concepts, and establishes PRS as a *process* approach to development (on the importance of participation and institution building see: Rodrik 2000; Rodrik/Subramanian/Trebbi 2002). The chances for success of PRS are based on their political character in so far as the process may foster ownership and consensus for reform. However, the political approach also bears considerable risks. PRS are per se contentious undertakings because they deliberately call into question existing policies, perceptions, vested interests and resource allocations. Thus, the quality of PRS and their success will vary with the particularities of the political culture and the underlying social capital of the country concerned.

In line with the current literature (see: Woolocock/Narayan 2000) we may understand *social capital* as the norms and networks that allow people to act collectively; PRS may then be considered a tool to mobilise social capital for development and poverty reduction. The existence of social capital is no guarantee for development. The relative stability of tribal societies, for example, is based on social capital along the lines of trust and reciprocity. The challenge is to mobilise and scale up social capital. The larger the groups, however, the more difficult it is to organise collective efforts based on informal norms like trust and reciprocity. Solidarity needs to be reconstructed in a rational way; it has to be *institutionalised* in a corresponding governance structure.

The second marked difference, which we would like to highlight, refers to the aspired impact of the approach. PRS, like structural adjustment programs in the 1980s and policy-based lending in the 1990s, aspire to a countrywide impact and aim to address systemic issues. With PRS the country and country progress become the *unit of account* for national policies and for supportive development assistance. This change in the level of accountability implies major consequences for the concrete practice of co-operation.

The major challenge arising is how to measure progress. Strategies and policies vary with the particular country context, nevertheless the main objectives of PRS are uniform across all countries. Therefore, against the background of the *UN Millennium Goals* – with the main objective of halving the proportion of people living in poverty by 2015 – it is now agreed that relevant outcome indicators are needed to capture progress at both the global as well as the country level. Monitoring these outcomes needs reliable data and monitoring capacity, which in many countries has yet to be established.

Agreement on objectives – as defined in the country-owned PRS – and ways and means of monitoring progress opens the possibility for enhanced accountability. Governments will increasingly be accountable for progress in PRS implementation. Hence, public policy implementation and, in particular, budget management will have to be monitored in terms of poverty-efficiency and poverty-efficacy. But the role of donors and mechanisms of donor accountability will also need to change. With country progress as the unit of account the project level ceases to constitute the relevant benchmark for measuring the *success* of donor interventions. Given the fungibility of financial resources and acknowledging that development outcomes are the result of complex social and economical processes, there is no way that individual donors can claim a specific impact on development outcomes at the country level. Development outcomes will always emerge – or fail to emerge – as the result of a co-operative effort, with the partner country bearing the prime responsibility. Within the PRS framework, attempts to attribute particular development outcomes to particular donor or government inputs are futile. The PRS approach establishes development co-operation as an international co-operative effort. The price donors will have to accept and pay is less individual visibility, whilst their reward is a potentially higher development impact.

There is still a long way to go to change development assistance into a truly co-operative undertaking. Procedures need to be harmonised, the administrative burden for recipients has to be reduced and strategies and interventions need to be effectively co-ordinated within the PRS framework. Again, strong country ownership is crucial for success, but so too is donors' ability to adapt to a different perception of their particular role in development. The challenge for donors is to accept – and adapt to – this secular change and foster internal support in parliaments and the public for development assistance as an international collective undertaking.

4. Early Experiences with the PRS Approach

Meanwhile, the first comprehensive review of the PRS approach (World Bank 2002a; see also: BMZ 2001) has re-confirmed the validity of the concept, but has also highlighted some problematic areas. There is widespread agreement that PRS have contributed substantially to strengthening ownership among most governments and encourage a more open debate than had previously existed in many countries. PRS have put poverty on the public agenda.

As a process-oriented exercise there are also challenges, which have become obvious in the first years of PRS implementation, namely

– the importance of the alignment of policies and procedure by partners,
– the need to broaden the understanding of the linkages between policies and poverty outcomes,
– the need for realism in setting goals and targets, and managing expectations,
– the need for flexibility to allow for different country starting points, and
– the desirability of debate about alternative policy choices, the latter referring also to the substance of macroeconomic and pro-poor growth policies (PPG) (World Bank 2002a).

The PRS approach has now come face to face with reality for three years. Not surprisingly, progress in implementing the PRS varies from country to country. The main lessons and areas of concern, which we want to highlight, relate to the *political and process character* of PRS, the *substance of poverty reduction policies*, and *pro-poor public expenditure management.*

I) The review has shown that PRS have animated internal debate and participation. In some countries, however, participation has been more a window-dressing exercise than a genuine effort to change the modalities of policy making. In a conference organised by the BMZ and GTZ, participants from civil society also pointed to »tension between country ownership and a dominant role that the International Finance Institutions are playing.« (BMZ/GTZ 2002: XVIII) This kind of tension may derive from the interest of governments in meeting IMF and World Bank conditionalities for HIPC relief or new concessional lending, but it also reflects insufficient human and institutional capacity to develop sound homegrown policies. However, it is difficult to agree on objective criteria which might be able to signal *ownership* or sufficient levels of participation, other than visible *change* in government co-operation with civil society as well as within the donor community.

It takes time for participation to take roots and ownership to develop; on the other hand, incentives for donor and especially World Bank staff are still geared towards quick and increasing *deliveries* of financing or other developmental products. For the PRS approach to become a functioning mechanism, profound institutional changes in countries as well as by donors are required (see also: Eberlei/Siebold 2002).

For donors to play a truly facilitating role it is then, inter alia, important to align policies and procedures to the partner's internal requirements with a view to minimising transaction costs and the burden on scarce administrative capacity. Donors' own perception of their roles needs to change. Ownership means that donors support country efforts in a commonly agreed manner, thus, donors should act increasingly in a *co-operative* way. Participation needs to be institutionalised and donors need to learn how to act co-operatively.

II) We have argued that successful development requires the establishment of a legitimate – country specific – institutional environment. This refers to institutions proper as well as to the legitimacy of policies to be implemented. Policy blueprints are often inappropriate to country circumstances. The International Finance Institutions acknowledge that policy alternatives need to be developed, in particular in the area of pro-poor growth (PPG). However, it is difficult to imagine how a constructive dialogue on PPG, macroeconomic issues and alternatives can be envisaged without reasonable internal capacity or access to impartial know-how. For homegrown policies, the question of capacity building and access to know-how is of critical importance. The *Global Development Network* (www.gdnet.org) – sponsored inter alia by the World Bank, Japan and Germany – is perhaps the most prominent global initiative that is trying to address these deficiencies at a global level.

No doubt standard macroeconomic packages along the lines of traditional IMF/Bank policies geared towards *allocative efficiency* (see above) are strongly criticised by academia and civil society (the PRSP-related macroeconomic policy recommendations of the Bank and the Fund are described in: Ames et al 2001; for academic criticism see: Herr/Priewe 2001; views of civil society can be found, inter alia, under www.saprin.org; EURODAD 2001; Eberlei/Siebold 2002). One key question emerging is how to align enhanced and possibly increased pro-poor spending with fiscal and overall macroeconomic stability, thereby taking into account the vulnerability of the external position. Furthermore, it is obvious that

more efficient social spending alone will not be sufficient to bring countries onto a sustainable growth path. Active macroeconomic and distribution policies together with targeted support or protection for sectors (agriculture, financial sector, ...) also need to be considered, policies, which often go beyond the traditional advice package offered by the International Finance Institutions.

Most important in the long run is how to promote private sector led growth in an environment of low savings and investments and institutional weaknesses, in particular in the financial market. Private sector investment and financing decisions are critical to promote growth, however, they depend on a stable and reliable institutional and also macroeconomic environment. The challenge is to find the right balance between fiscal expansion and the establishment of the political, institutional and macroeconomic framework that is supportive of increased and sustained private investment and investment financing.

The poverty impact of a given growth rate depends on the structure of income and asset distribution. Since growth normally does not change the distribution of income, low levels of inequality tend to deepen the poverty impact of a given growth rate. The PRS have clearly revived the debate on growth and equity. It is obvious that countries will have to find their own concept for equitable growth. What is certain, however, is that the poor – precisely because they lack other means – benefit most from policies that enhance basic civil rights and the rule of law.

At least the PRS approach offers a new platform to engage in a constructive intra-society dialogue on these issues, which should be supported by external advice where desired and available. One constructive step in the right direction is the *ex ante* elaboration of *Poverty and Social Impact Analyses* (PSIA) of all major reform proposals (privatisation, tariff and tax reforms, sector policies ...), an exercise spearheaded by the World Bank and supported by major bilateral donors, including the UK and Germany. The main objective of these studies is to inform the internal debate and decision-making in a transparent manner.

III) At the core of any PRS are changes in public spending patterns towards pro-poor priorities. Difficult choices have to be made by governments to reorient scarce budgetary resources and we wish to underline the need for a participatory process to underpin and legitimise these changes. In an ideal world, an analysis of the very causes of poverty would lead to budget priorities addressing these causes and an evaluation system monitoring success or failure against relevant indicators.

First experience with PRS, however, shows a different reality. In the first place, budget management in low-income countries is generally weak and expenditure tracking insufficient, so that the desired reorientation of spending is difficult to implement in formal as well as in material terms (IMF/World Bank 2001).

One reaction is that the World Bank and the IMF as well as other donors have stepped up their support for fiscal management, with the IMF setting up Regional Technical Assistance centres in West and East Africa.

Also over-ambitious growth scenarios undermine the desired reorientation of budgets. Since resources are scarce, governments are tempted to avoid tough choices on priorities by assuming high growth rates – triggered by HIPC relief or PRS related concessional resources – which allow higher outlays for priority areas without corresponding cuts in non-priority sectors. However, since these ambitious growth rates often fail to materialise, the overall pro-poor budget allocation remains insufficient (for a case study of five African countries see: Foster et al 2002). Realism with regard to growth prospects is therefore called for.

5. Changes in World Bank Policies

The Bank, in particular IDA, which we treat here as a typified meta-donor will have to adapt to the PRS framework[3] – like other donors and the development community per se. The World Bank has subscribed to the PRS as the framework for its work in low-income countries; however, within a *bank culture* that traditionally places high priority on financial volumes delivered, the process character of the PRS poses substantial institutional challenges.

With the country as the unit of account and taking into account the attribution problems, the efficacy of the Bank (as well as other donors) hinges heavily on country performance (ownership). However, as we have pointed out, substantial changes in PRS-related governance and ownership will need time and considerable efforts to build much needed capacity. Hence, the Bank will need to prove its effectiveness through the production of PRS support products, which are feasible for enhancing and informing the co-operative effort. This means knowledge products, capacity building and co-ordinating efforts. Thus, the nature of the Bank will need to shift further towards that of a *Knowledge Bank*.

Financial products will nevertheless still dominate the Bank portfolio. It is already obvious that programmatic lending (budget support) will further increase in conjunction with efforts to enhance fiscal management (in co-operation with the IMF and bilateral donors). The implicit rationale is that a country-owned PRS allows donors to move to programmatic aid, if and when fiscal management is reasonably sound. Programmatic aid is treated and accounted for in the same way as internal resources, a feature which tends to promote ownership and reduce the burden on scarce administrative capacity. Unlike project aid – which despite the well-known fungibility of money tends to disregard questions of the overall efficiency of the budget system – programmatic aid offers the prospect of addressing systemic issues in a coherent manner. Efforts are underway in the World Bank, the IMF and the OECD to arrive at a common understanding of

what is to be considered *reasonable* in this respect and how to support countries in improving their budgetary management.

Sound fiscal management implies more than formal accountability. Systems of checks and balances need to be strengthened to ensure that agreed priorities are properly reflected in the budget and implemented by the administration. The media can play a critical role in ensuring public scrutiny and information.

Co-ordination capabilities and transparent interaction with developing countries and other donors will become more important in the work of the World Bank. The form of co-operation is just as important as the concrete projects or other contributions the World Bank (IDA) can provide. The World Bank (but also the IMF) will of necessity need to develop *process qualities* to foster co-ordination with governments, civil society and other donors. Transparency is certainly a key ingredient for enhanced process support, but also the ability to read the particular *political economy* of partner countries.

The Bank has already put a lot of effort into strengthening the poverty focus of operations (World Bank 2002b). The overarching strategic directions call for the Bank's activities in two areas to be focussed, firstly, building the climate for investments and sustainable growth and, secondly, empowering poor people to participate in development. The poverty focus of the World Banks' Country Assistance Strategies (CAS) has already improved and the Bank is putting a lot of effort into the improvement of poverty analysis to underpin strategy building and lending, as well as into capacity building for monitoring and evaluation.

6. Looking Forward and Beyond

The PRS approach has the potential to fundamentally redirect development and development assistance policies. Countries and development partners should seize this opportunity by sustaining their related efforts and continue to adapt to the PRS framework.

However, we should be aware that, despite all the efforts, poverty reduction in low-income countries is hardly likely to be achieved without support for changes in the international environment. The implementation of sound PRS strategies is important, as is the implementation of HIPC debt relief, but even more important seems to be the dismantling of obstacles in trade and market access.

The series of world conferences has shown that there is a widespread awareness and consensus in North and South regarding the importance of enhanced international framework conditions – in the areas of trade, financial stability, etc. – together with enhanced national efforts (see for example the *Monterrey Consensus* adopted at the *International Conference on Financing for Development*, Monterrey, Mexico, UN 2002). Unfortunately, it seems that developing countries underline the former and the developed world the latter. The resulting impasse has yet to be resolved. While these questions go well beyond the subject of this paper, we are tempted to draw one lesson from the PRS experience: any constructive solution will need to address the questions of *global governance*, in particular those of partnership and participation in global decision making.

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Abstracts

The authors present the concept of the *Poverty Reduction Strategies* (PRS). They explain the background in terms of development economics and discuss initial experiences after the implementation of the concept. In the authors' view, the major new aspect of this concept compared to traditional concepts is its emphasis on ownership (on the part of the partner countries) and on the broad participation of civil society in elaborating and implementing the PRS. It is this that gives the concept its specific political character. The authors conclude that the PRS concept offers an opportunity for successful poverty reduction and a new partnership between »donors« and »recipients« but that considerable efforts and adjustments are required of both the partner countries and the donors if it is to be realized successfully.

Die Autoren stellen das Konzept der *Poverty Reduction Strategies* (PRS) vor und erläutern dessen entwicklungsökonomischen Hintergrund. Die ersten Erfahrungen mit der Umsetzung des Konzeptes werden erläutert. Nach Einschätzung der Autoren besteht die wesentliche Neuerung im Vergleich zu traditionellen Konzepten in der Betonung von Eigenverantwortung der Partnerländer und breiter Partizipation der Zivilgesellschaft bei der Erarbeitung und Umsetzung von PRS. Daraus ergibt sich der spezifisch politische Charakter des Konzeptes. Die Autoren kommen zu dem Schluss, dass das PRS-Konzept eine Chance für erfolgreiche Armutsbekämpfung und ein neue Partnerschaft von »Nehmern« und »Gebern« darstellt, deren erfolgreiche Umsetzung aber noch erheblicher Anstrengungen und Anpassungen seitens der Partnerländer wie der Geber bedarf.

1 In 1997 African countries received, on average, $26 aid per capita, compared to $3 in South Asia and $13 in Latin America (see: World Bank 2000a: 30).
2 We will not discuss here the various linkages between the development of a PRS and HIPC debt relief which, inter alia, have given rise to the concept of interim PRS, or details of PRS discussion procedures in the Boards of the World Bank and the IMF. Interested readers may obtain this information from the relevant web-sites.
3 Donors have given IDA, the concessional fund managed by the World Bank, a firm orientation for IDA's role in the PRS framework in the negotiations leading to the latest replenishment (see: IDA 2002).

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PRSP: A poor Package for Poverty Reduction

A Basic Policy Statement of Focus on the Global South

1. Introduction

In theory, a Poverty Reduction Paper (PRSP) is intended to be a document prepared by a country government – under the supervision of World Bank-IMF teams – that identifies the incidence and causes of poverty, who the poor are, and strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be »locally generated and owned«, developed through »wide participatory dialogue«, and focused at both the micro and macro policy-making levels. Further, the PRSP framework is expected to »encourage the accountability of governments to their own people and domestic constituencies rather than to external funders«, where »the poor become active participants not just passive recipients« (Edgerton et al. 2000).

Experiences thus far from Asia, Africa and Latin America indicate, however, that in reality, country governments have little control over the structure, content and policy prescriptions in their respective PRSPs, thus making a mockery of Bank-Fund claims of national ownership, public accountability and broad based participation. Despite the rhetoric of »nationally driven« development, the PRSP framework continue to conflict with local and national priorities of reducing poverty, fostering domestically meaningful economic development, promoting equality and equity, and encouraging popular participation in the design of national development policies (see, for example: Jubilee South et al. 2001; Walther 2002).

Because of the central roles that the Bank and Fund have in global policy-making and governance, PRSPs have a leveraging role beyond debt relief and concessional credits. The United States, the European Union and other OECD members have fully endorsed the PRSP framework and agreed to base their respective official aid programmes to low income and crisis-ridden countries on the PRSP. Without a Bank-Fund approved PRSP, a low-income country can be virtually cut off from international aid, trade and finance.

As in previous Structural Adjustment Programmes (SAPs), PRSPs bind borrowing governments to implement Bank-Fund directed policies as conditions for receiving credits and other support from the Bank, Fund and bilateral donors. Experience shows that Bank-Fund conditions often prove to be more powerful than national laws since deeply indebted and cash strapped governments do not usually have access to alternative sources of development finance. Crucial national po-