

Poverty Reduction Strategy Papers at a glance





Poverty reduction: An emerging consensus

Poverty is the opposite of well-being. It means not just a lack of money or goods. Poverty encompasses a multi-dimensional reality including insecurity, vulnerability, powerlessness, social exclusion. Despite widespread recognition of multiple deprivations, the need for simple targets and indicators makes income poverty more prominent than other dimensions.

The history of the fight against poverty shows a mixed picture. On the one hand income pov-

erty has fallen faster in the past 50 years than in the previous 500 years. On the other hand, the number of people still living in poverty is unacceptably high. Over 1 billion people live in absolute poverty on less than US\$ 1 a day. Almost half of humankind (3 billion people) live on less than US\$ 2 a day. In the 1990s, an unprecedented global consensus emerged putting poverty alleviation a

In the 1990s, an unprecedented global consensus emerged putting poverty alleviation at centre stage of development efforts. Benchmark events included:

At the World Summit for Social Development, 186 governments resolved to eradicate poverty A conference identified International Development Goals (IDG), including halving extreme poverty by 2015

Over 160 world leaders endorsed the IDGs by approving the United Nations Millennium Declaration

1995

1996 1997

1998

1999

2001

2002

2003

1997–2006 was proclaimed "First United Nations Decade for the Eradication of Poverty"

IMF/World Bank agreed to link debt relief to Poverty reduction Strategy Papers (PRSPs)

2000

IMF/World Bank lead a review conference on the experiences of PRSPs

The Poverty Reduction Strategy Papers (PRSPs) are at the heart of the new anti-poverty framework of the international community. This promise takes up major concerns of non-governmental organizations (NGOs). They had been campaigning for a direct link of debt relief and poverty reduction. PRSPs originated in the environment of the Heavily Indebted Poor Countries (HIPC) initiative of the World Bank and the International Monetary Fund (IMF) but are today the key for access to a broader range of concessional lending by the Bretton Woods Institutions (BWI) such as:

- International Development Association (IDA), the World Bank's soft loan window;
- Poverty Reduction Support Credits (PRSCs), provided by the World Bank to support the implementation of PRSPs;
- Poverty Reduction and Growth Facility (PRGF) of the IMF;
- Debt relief measures in the HIPC framework.

PRSPs are not competing with but complementary to other instruments:

- PRSPs are based on the principles of the World Bank's Comprehensive Development Framework (CDF) and so are a practical vehicle for CDF implementation.
- The Country Assistance Strategies (CAS) are the World Bank's business plans for targeted support of national development strategies. After July 2002 all CAS for IDA countries are based on PRSPs.
- The Development Assistance Framework of the United Nations (UNDAF) is a business instrument for ensuring the UN team's cohesion behind the overall national development strategy.

Putting poverty reduction first

National PRSPs provide a mechanism to focus policies and resources for development on poverty reduction, including the savings from debt relief operations. Measures of poverty reduction and the promotion of economic growth are integrated into a coherent macroeconomic framework through a process of extensive consultations with national stakeholders. PRSPs describe the country's economic and social policies and programs over a three-year or longer horizon. In particular, pro-poor policies may cover (1) broad based access to resources, (2) priority for basic education & health, (3) labour intensive production, trade-related measures and promotion of Small and Medium Enterprises (SMEs), (4) propoor redistribution measures, (5) improvement of gender equity. PRSPs are the main vehicle to mainstream pro-poor policies in an accountable way.

Many interactions between economic policies and poverty reduction are still terra incognita. Also, profound disagreements persist on core policy issues related to economic growth, distribution and poverty among policy makers. scientists and donors. As a country-owned process, the design of a poverty reduction strategy assigns the choice of policy options and the responsibility to the country government or parliament. The BWI discuss and endorse the PRSPs but do not decide on their contents. In order to avoid delays in receiving assistance, Interim PRSPs may be set up describing the existing poverty strategy and the process for producing a full PRSP in a participatory way. Poverty reduction and implementation of the IDGs being a global effort, it is crucial to monitor not only PRSP-related achievements of the South but also northern performance on aid, trade and finance.

Key elements

Poverty assessment

Medium and long-term goals for poverty reduction

Structural reforms, sectoral strategies and action plans

Setting-up of clear budgetary priorities

Associated domestic and external funding needs

Performance indicators



The phases of PRSPs

Creating effective pro-poor policies and building meaningful participation into the process are the major challenges. The process of drawing up and implementing a PRSP varies from country to country. It takes place on the background of the specific situation of its society, economy, ecology and culture. PRSPs do not need to be produced from

scratch. The countries often have partial or even comprehensive poverty reduction policies already in place. The World Bank and the IMF have produced a PRSP sourcebook as a guide to assist countries in developing and strengthening poverty reduction strategies. This helping hand should not prevent countries from developing their own vision.

Review & revision

PRSPs are updated every three years, based on annual progress reports and evaluations

Monitoring

The progress is monitored to provide regular feedback

Implementation

All those involved (national–local, public–private, individual–institutional) put the PRSP into practice

Endorsement

Based on a Joint Staff Assessment (JSA), the PRSP is endorsed by the Executive Boards of the IMF and the World Bank

Assessment

Understanding poverty, its diversity, its causes, its effects

Strategy design

Participatory analysis of a range of policy options and identification of the most promising strategies

Approval

The country's authorities (government, parliament) decide on PRSP and its budgetary implications

Opportunities and risks

PRSP processes are far from being perfect. Typically, they carry opportunities and risks. In a recent assessment of the PRSPs five main themes of concern emerged:

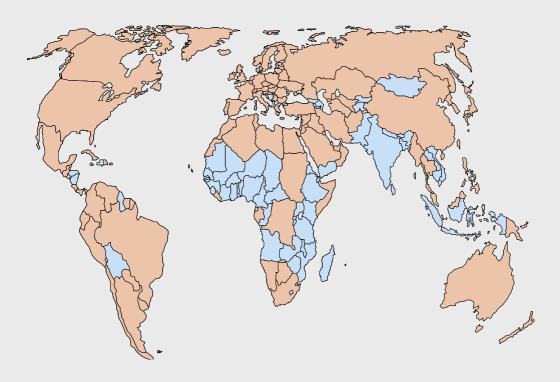
- (1) governance and accountability;
- (2) pro-poor policies;
- (3) effective monitoring;
- (4) donor practices;
- (5) lack of priority setting.

PRSPs strengthen Time pressure the position of local PRSPs facilitate Sector **PRSP** objectives undermines the quality require further financial in terms of pro-poor government, Wide Approaches resources and may of parliament (SWAPs) and contribute policies and civil to the reduction of aid and the increase aid-dependency society in transaction costs partirelation to cipacentral tory process of the PRSP government Despite PRSP-rhetoric, in Poverty reduction implementation and in extends beyond particular in case of social sector conflicting interventions PRSPs are a promising PRSPs provide an views, instrument putting poverty and includes opportunity to define multireduction at centre stage private pro-poor policies lateral sector of national policies and bilateral promotion donors disregard PRSPs Is the PRSP-process PRSPs could serve as a flexible enough to basis of coherent respect differing contributions (common Governments deliver perspectives pooling) PRSPs to fulfil BWI The opportunity costs on growth, by conditionalities of participation are distribution multisubstantial and often and pay lip service to poverty and lateral may not be reduction just to get structural and bilateral outweighed by results access to resources policies? assistance

Overview on PRSP-countries

Developing or strengthening a poverty reduction strategy is on the agenda of about 70 low-income countries. This is the case in the countries receiving debt relief under the enhanced HIPC (Highly Indebted Poor Countries) Initiative, the PRGF and/or IDA loans for which a PRSP, I-PRSP, or an annual progress

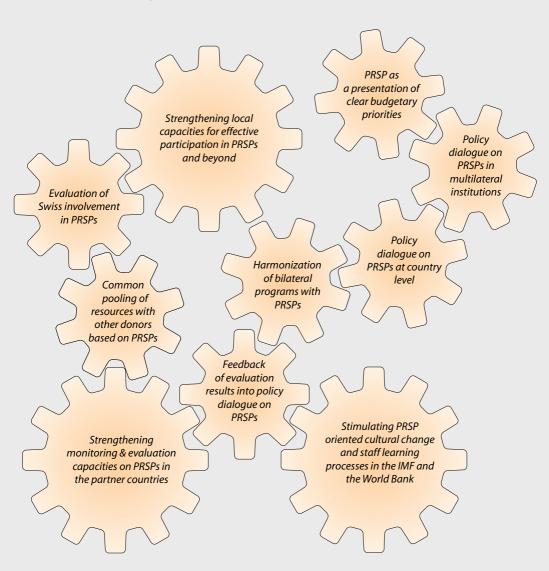
report supported by the Boards of the Bank and the Fund is necessary. Summing up, the instrument of PRSPs is relevant for an area where 2.2 billion people – about one third of the world's population – live, including 750 million of the 1.2 billion people living in absolute poverty.



Key elements of the Swiss position

Switzerland is prepared to use its bilateral and multilateral instruments of international cooperation to develop the opportunities of the PRSPs while minimizing their risks. As stated

at the DAC High Level Meeting in April 2001, "Switzerland intends to use the PRSP jointly with the CDF as a long-term framework for its development cooperation".



PRSP related links

Multilateral organisations

www.worldbank.org/poverty/strategies/index.htm www.imf.org/external/np/prsp/prsp.asp www.undp.org/poverty/initiatives/prs/ www.oecd.org/dac

NGOs

www.brettonwoodsproject.org/topic/adjustment www.eurodad.org/2poverty/indexpoverty1.htm www.jubilee2000uk.org/analysis/analysis.htm

Further links

www.brettonwoodsproject.org/links/links-adjustment.htm

International Development Goals: www.developmentgoals.org

Comprehensive Development Framework: www.worldbank.org/cdf

Further reading

PRSP Document Library: http://poverty.worldbank.org/prsp/ index.php

PRSP Sourcebook: www.worldbank.org/poverty/ strategies/sourctoc.htm

IMF/World Bank Comprehensive Review: www.worldbank.org/poverty/ strategies/review/index.htm



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