

From 'Donorship'¹ to Ownership?

Moving Towards PRSP Round Two

If poor countries are to reach the Millennium Development Goals (MDGs), it is vital to learn the lessons from the first round of Poverty Reduction Strategy Papers (PRSPs). Despite opening some new space for dialogue, Oxfam and partners feel that PRSPs have been disappointing both in terms of process and content. Oxfam welcomes the review of the PRSP process by the Independent Evaluation Office (IEO) and the Operations Evaluation Department (OED). We look forward to clear and hard hitting recommendations for the IMF and the World Bank as we move towards the second round of PRSPs.

Summary

Oxfam International supports civil-society partners to engage in Poverty Reduction Strategy Paper (PRSP) processes in 33 countries. Although the PRSP initiative is driven by the World Bank and International Monetary Fund (IMF), Oxfam believes that it offers a key opportunity to put country-led strategies for poverty reduction at the heart of development assistance. A large number of countries are part of the way through implementing their first PRSPs, and over the next two years there will be substantial revisions and second-round PRSPs in most poor countries. Given this, Oxfam welcomes the simultaneous reviews of the PRSP process being carried out by the Independent Evaluation Office (IEO) and the Operations Evaluation Department (OED). If poor countries are to reach the Millennium Development Goals (MDGs), it is vital to learn the lessons from the first round of PRSPs, at both the national and global levels.

In the view of Oxfam, there are two ways in which PRSPs can contribute meaningfully to overcoming poverty. Firstly, poor women and men have a 'right to be heard'. 'Voice poverty' – the denial of people's right to influence the decisions that affect their lives, and to hold decision makers accountable – is a central cause of impoverishment and suffering in the world. Secondly, the policies of governments and donors must be re-orientated to work in favour of the poorest sections of the community. The exclusion of poor people, and in particular women and marginalised groups, from policy making leads to a distorted perspective on development priorities, exclusion of significant sectors of the population from the benefits of development, and increasing inequality.

Unfortunately, in the experience of Oxfam's staff and partners around the world², the promise of PRSPs' contribution to poverty reduction remains largely unfulfilled. Three years on, and over 50 PRSPs³ later, a clear overall picture is emerging, based on our work with partners on PRSPs in more than thirty countries.

On the PRSP **process**, we recognise the fact that PRSPs have been a step forwards. New spaces for dialogue on policy have been opened up in almost every country. Representatives of civil society have had access to policy debates that were hitherto entirely closed to them. However, the spaces remain very small and are not guaranteed. 'Consultation' is a more appropriate description than 'participation' in almost all cases. Important stakeholders, both powerful ones such as elected politicians and powerless ones such as rural women, have rarely been involved. **In Ghana, for example, partners report that neither women's groups nor parliamentarians were involved in the PRSP formulation⁴**. Donors maintain far too much control over policy content, employing conditionality and 'backstage'⁵ negotiation to the detriment of participation processes. Lastly, these new opportunities for dialogue on policy remain very fragile and dependent on the largesse of donors, rather than being institutionalised as a right.

On a related point, Oxfam is concerned that the lessons on participation in PRSPs are not being applied in other areas of the work of the World Bank and IMF. Participation in key documents such as the Country Assistance

Strategy (CAS) and on policy-based lending such as the Poverty Reduction Support Credit (PRSC) and the PRGF (Poverty Reduction Growth and Facility) is sporadic and superficial. **In Honduras, for example, the recent IMF mission held no meetings with representatives of civil society, despite the critical decisions being made.** On Poverty and Social Impact Analyses (PSIA), participation is also clearly lacking. Even transparency remains manifestly inadequate. Ironically, despite the more carefully spun image of the Bank, the IMF is now a lot more transparent⁶. However, both institutions are still failing to release key documents. In particular it is completely unacceptable that the World Bank does not release information on policy-based lending, and in particular the Letter of Development Policy⁷.

On the **content** of PRSPs, we address five areas: PSIA, Macroeconomics, Trade, Gender, and Education. On PSIA, progress is worrying, particularly as most PRSPs continue to reflect the structural-adjustment emphasis on 'belt-tightening' economic frameworks, liberalisation, privatisation, and growth based on one or two primary exports. There has been virtually no attempt to question this tired and discredited uniform prescription, or to build evidence-based country-specific pro-poor policies. The majority of key reforms are still going ahead without analysis of the impact that they will have on poor women and men. An expansion of World Bank studies is welcome, but so far they remain opaque and self-serving. **For example, in Malawi a key PSIA study of agricultural privatisation has only just been made public, two years after it was completed**⁸. Progress by the IMF on PSIA is non-existent. Serious macroeconomic decisions, such as the policy of targeting a fiscal surplus in Cameroon instead of spending to reach the MDGs, are being taken without any analysis of their impact. Oxfam believes that PSIA is critical to the development of pro-poor policies. It can offer depth to second-round PRSP debates, leading to national ownership of policies through the analysis and choice of genuine options, so immediate attention to improving PSIA implementation is crucial.

On macroeconomics, the role of the IMF is paramount. Despite the laudable aims of their PRGF, the yawning gap between the rhetoric and the reality of Fund programmes at the country level must be addressed urgently, if PRSPs are to retain credibility. IMF economic frameworks and conditions are undermining PRSPs and progress toward the MDGs all over the world. **For example, in Honduras the disbursement of \$400 million has been delayed during a dispute with the IMF over teachers' salaries.**

On trade, conditions forcing countries to open up their markets have continued under PRSP, and 'capacity building' provided by the World Bank further promotes the agenda of openness as an end in itself, rather than careful analysis of the kind of trade policy that is best for poverty reduction. **In Ghana and Georgia, tariffs agreed by parliament were later removed in response to pressure from the IMF and World Bank.**

On gender equity, almost all PRSPs have been very weak, with minimal attention paid to the issue. **World Bank and IMF Joint Staff Assessments of PRSPs singularly fail to address gender equity.** Oxfam and its partners believe that gendered poverty strategies are the only ones that will actually succeed in reducing poverty, and that the IMF and World Bank could do much more to ensure that the next round of PRSPs routinely and comprehensively addresses the issue.

Finally on education, PRSPs have helped to put education firmly at the centre of the drive for poverty reduction. However, **the links between PRSP**

and the Education For All Fast Track Initiative are not clear in many countries, and major gaps remain between the resources required to deliver education for all and the resources being promised by donors.

Not only is the poor progress on content damaging in its own right, but it also has a negative impact on the process. As we move to the second round of PRSPs, it will be hard to mobilise civil society to participate to the same extent as it did in the first round. As it becomes increasingly clear that the policy prescriptions within PRSPs do not come from PRSP participation processes, and instead continue to reflect the backstage influence of the donors' own agendas, Oxfam staff and partners are becoming discouraged by the significant (and apparently wasted) expenditure of time and effort.

For both process and content, although the overall picture is discouraging, it is important to note that the experience varies greatly from country to country, and that within particular countries individual vision and leadership (particularly from the IMF and World Bank, but also from the broader donor community and governments) have influenced the quality of the outcomes to date.

Improvement in second round PRSPs is of course not the sole responsibility of the World Bank and IMF. Given that this is a submission to the IEO and OED, it focuses mainly on clear steps the IFIs can take to improve PRSP. However, all stakeholders, including Oxfam and partners, are seeking to learn lessons in order to make substantive improvements in the next stage. The following sections contain many detailed recommendations to the IEO and OED on each of these areas, based on the experience of Oxfam staff and partners. However, we make one key overarching recommendation:

- **The World Bank and IMF should ensure that each country carries out an independent 'PRSP Lessons Review'. This would examine ways in which the process and content of the second PRSP can be improved, based on the lessons of the first round in that country. It would lead to the design of a participatory process for the second round. It would also aid a decision about the areas on which a PSIA should be carried out to support the debate on specific policy options. This review should be supported by the World Bank and the IMF, but should be country-led, participatory, and implemented by independent researchers.**

Contents

This submission reflects Oxfam International's strategic areas of work on PRSP, organised around PRSP participation and content. Correspondingly, the submission focuses first on lessons about participation. Following this there is a discussion of PSIA which spans both participation and content. There is then a brief discussion of PRSPs in relation to our four strategic content areas: Macroeconomics, Trade, Gender and Education. Finally, three short case studies are included (Ghana, Cambodia, and Georgia), giving an overview of each priority area within a specific country context.

Each section is followed by a detailed list of recommendations to the IEO and OED.

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Participation in PRSPs

Arguably the most innovative element of the PRSP initiative has been the requirement that each PRSP should be 'country driven' and drawn up with the 'broad participation of civil society'. As a result, every government has had to ensure that this has to some extent been the case. This 'process conditionality' is in many ways problematic, and also in a sense contradictory, but has nevertheless opened new spaces for dialogue in many countries.

Unsurprisingly, participation processes have varied enormously from country to country, ranging from the cursory to the elaborate. In Kenya, for example, Oxfam and partners judged that the process was very positive, and the most participatory policy formulation in that country to date, involving among other things many Participatory Poverty Assessments (PPAs), district consultations, thematic groups, and the involvement of civil society in the drafting of the document. Conversely in Azerbaijan, although partners also saw the process as a positive step compared with previous policy formulation, the spaces available for dialogue in this relatively closed society were a lot smaller.

Given the existing body of (often excellent) analysis on participation in PRSPs¹⁰, the following section aims to tackle some of the matters that are perhaps not raised as often, and to underline the importance of some of the more common criticisms, based on the experience of Oxfam and of our partners.

Participation for what?

One IMF staff member interviewed by Oxfam, who had previously worked in South Korea, commented: 'In South Korea we had none of this participation business, which is expensive and time consuming. Instead we had 10 per cent growth and we eliminated poverty in a generation!' Although this is an extreme and questionable view, it is indeed important not to accept any participation, no matter of what quality, at face value, but instead to ask continually *Who is participating?* and *What impact is the process having in changing policies and power relations?*

- 1 The identity of those who participate is critical. In the majority of countries there is no doubt that significant sums have been spent to ensure the participation of many people, but they are often not the right people.
- 2 Unless participation results in policy change, it rapidly loses all credibility.

- 3 Participation will not be effective unless it recognises the realities of politics and power. Participation will not lead to poverty reduction unless both the powerless and the powerful are involved. Nor will it work unless political realities are both recognised and utilised.

The following discussion and resultant recommendations on participation are based on these three broad points.

The glass is a quarter full

Extensive consultation by Oxfam with partners on their experience in the participatory PRSP processes revealed disaffection, considerable concerns, criticisms, and suggestions for improvement, many of which are detailed below. However, in addition it yielded one overall positive result, which should be mentioned first. **In response to the question whether the PRSP represented the most open policy dialogue in their country to date, the uniform response from Oxfam offices and civil-society partners in virtually every country was a clear *yes*.** The processes vary enormously, but it is undeniable that PRSP has opened up new spaces for participation in most countries. To recognise this positive development is not to deny the manifold limitations of these new spaces, nor their unholy origins in donor conditionality. Instead, it is simply a recognition that PRSPs do represent an important if small step in the right direction.

A small step indeed

There are however, many flaws in the PRSP participatory processes. We list below some of the most important and perhaps more uncommon criticisms.

Consultation not participation, and the need for minimum standards

'Participation' is often viewed as a continuum from Information-Sharing at one end, through Consultation and then Collaboration, to Empowerment/Joint Decision Making at the other end¹¹. The majority of experiences reported by Oxfam staff and partners suggest that their engagement with PRSPs constituted consultation. In Ghana, for example, Oxfam partner ISODEC commented that the PRSP was 'a consultation process with the selected few'¹². It is clear that the word 'participation' has several different meanings, depending on who is using it. Until now, the World Bank and IMF have refused to define what they perceive as minimum standards for participatory processes, on the basis that different countries have very different contexts. **Although country-context is of course very important, Oxfam does not believe that this precludes the setting of minimum standards for participatory processes.** National governments can work with civil society, through the recommended PRSP Lessons Review, to design the participatory process from the

outset. In so doing, agreed benchmarks can be identified to give **country-specific indicators against which the process can then be measured**. The World Bank and IMF can play a key role in supporting this process.

Lack of ownership by government and political society

Much is written about lack of civil-society participation, but a lot less on the two very important sections of society that were largely omitted from PRSP formulations: government and political society.

In government, what we have seen in the majority of PRSP processes is the rising pre-eminence of Ministries of Finance, at the expense of planning ministries and line-ministries¹³. More often than not, PRSPs have entirely disregarded existing planning processes, and most famously in Cambodia, where the Asian Development Bank supported the five-year Socio-Economic Development Plan (SEDP) while the World Bank supported the PRSP process¹⁴, but this was true also in Kenya, Vietnam, Malawi, and many other countries. Even in Uganda, often idealised as a model, the World Bank accepted the government's Poverty Eradication Action Plan (PEAP) as its PRSP only under considerable duress. It is also true that within PRSP processes line-ministries beyond Education and Health are often only very loosely involved. In particular, crucial ministries such as Agriculture and Trade are often unaware of the PRSP, or exercise minimal influence on it. This makes the preparation of the document much easier, but also means that it is far less likely to include many crucial debates, or to be implemented.

In political society, PRSPs have largely circumvented existing processes of representative democracy. Many of these are themselves extremely new and fragile initiatives. This is not to idealise existing political structures, but instead to realise that without political support, PRSPs stand very little chance of being implemented. This is particularly the case in countries such as Ghana, Nicaragua and Honduras, where new governments are lukewarm in support of PRSPs drawn up by their predecessors. **Not only should the political class be much more heavily involved in PRSP formulation, but in addition new PRSPs should be changed to fit increasingly with domestic political timetables, such as elections.** Encouraging political engagement with the process, and particularly making poverty reduction politically significant, is vital if these policies are going to become reality. In Uganda this was clearly demonstrated when the policy of abolishing health-care user fees was agreed only when it became a hotly contested electoral issue, thus forcing the hand of the government.

Bias towards elites

The bias of participatory processes towards one or other grouping in society has been well documented in some ways – but not in others. Gender bias has been discussed at some length, and is also covered in full later in this paper. Bias towards urban dwellers, or away from indigenous groups and other marginalised constituencies, is also well covered in other documentation¹⁵. These were all very important flaws in the majority of participatory processes.

In particular, complaints about the exclusion of the poor highlight one bias that is perhaps not so commonly recognised, although more recent academic analysis is beginning to draw it out¹⁶. This is the bias towards elites in these processes: almost everyone involved in PRSP formulation is a middle-class technocrat. This is the case regardless of whether these people are women or men, or represent donors, government, international or local non-government organisations (NGOs) or other Civil Society Organisations (CSOs).

The result of this bias is often consensus – but it is rarely a consensus informed by the participation of poor women and men, and as such is unlikely to be pro-poor. For example, in Malawi a large meeting was held to start the PRSP process, attended by more than 500 urban-based development professionals from government, donors, and civil society. Key causes of poverty were agreed, and the second most important cause of poverty identified was ‘the laziness of the poor’¹⁷. That this should be agreed in a country where many rural women work 14-hour days and each year survive for six months on one meal a day clearly illustrates the importance of class bias in participatory processes.

For civil society it is vital that other organisations beyond NGOs are involved, such as religious groups, trade unions, and professional associations. However, attempts at broader inclusion also need to understand the class dynamics that exist in all sectoral groups.

Backstage ‘donorship’

There has been considerable discussion about the failure of PRSPs to generate new policy frameworks, and the fact that instead they almost uniformly reflect the agenda of the donors. This paper adds to this policy-content analysis in later sections, concerned with macroeconomics, trade, gender and education.

The point here is not the validity of particular policies, but the overwhelming influence of the donor agenda, and its damaging effect on nascent participatory discussions, as Box 1 demonstrates.

It is clear that if donors, and particularly the World Bank and IMF, are truly committed to participation, they must abandon this backstage manoeuvring. If behind a mask of participation,

Box 1

Armenia: Macroeconomic Debate Undermined by IMF

The Armenian PRSP process began very positively in May 2002. Armenia is a very new democracy, but owing to the legacy of the Soviet era it has a well-educated population. This was partly the reason why Armenian civil society could fully engage in the technical macroeconomic debates about the PRSP. In particular, one group of young economists from civil society, the Economic Development Research Centre (EDRC)¹⁸, worked closely with the Ministry of Finance to produce their own macroeconomic figures for the first draft of the PRSP. These figures recognised the importance of both growth and equity, setting targets for the reduction of inequality as well as for increased growth. They were included in the first draft of the PRSP. This debate and collaboration over macroeconomics is virtually unique among PRSP processes.

Unfortunately, when the second draft of the PRSP was released in May 2003, without any explanation this commonly agreed macro framework had been dropped in favour of the figures agreed with the IMF under the PRGF agreement. Despite civil society taking the issue to the Executive Directors on the boards of the IMF and World Bank, this has remained the case for the final version of the PRSP. Unsurprisingly, civil society activists have become increasingly disaffected as a result, and after a promising start the PRSP process in Armenia has been substantially discredited.

donors in fact cede none of their historical power over policy formulation the process is undermined and is unlikely to lead to the implementation of pro-poor policies. Unless donors do far more to share some of their control over national policy choices in the next round of PRSP, the initiative is unlikely to last.

Recommendations

Above we have presented only some of the criticisms of the 'participatory' processes made by Oxfam staff and partners¹⁹. However, PRSP processes represent an important if small step forwards. With a clear realisation of the reasons why participation is important, combined with an informed analysis of power and politics, the second round of PRSP could build further on this small improvement. In particular we make the following recommendations to the IEO and OED:

- Overall the World Bank should work with governments and civil society to commission independent and country-led 'PRSP Lesson Reviews'. The objective of these studies should be to make country-specific recommendations on how the second round of PRSP can be more effective, and to set nationally agreed benchmarks for participation.
- The country-specific minimum standards of participation would form the basis of an assessment of participation at the end of the process.

- The World Bank and IMF should release timely crucial Bank and Fund documents that form the background to PRSP discussions. The public release of PRGFs and PRSCs in draft form should be a priority. In addition core documents associated with all forms of programmatic lending should be available to the public including all economic and sector work and the Letter of Development Policy.
- The World Bank and IMF should develop clearer and more rigorous standards for reporting by the government to the boards about the participatory process, which might be required to include some or all of the following: details of parliamentary involvement; a list of domestic stakeholders involved and specifically women's organisations; a detailed schedule of the participatory process; discussion of the main issues raised and how the PRSP addressed them; an annex prepared with representatives of civil society, conveying their views on the quality of the process, and how their views have been addressed. This should be included in the JSA.
- The World Bank and IMF should ensure that firm steps are taken to involve politicians, and to alter timetables in order to combine PRSPs with existing plans and electoral cycles. No PRSP should be agreed without extensive debate in parliament.
- The World Bank and IMF, at the same time as supporting engagement with existing representative democratic structures, should also support the institutionalisation of participatory mechanisms. Participation of poor women and men should become a legal requirement, as is the case in Honduras and Bolivia, rather than continuing to be dependent on the whims of donors.
- The World Bank and IMF should work to ensure that all government ministries are proactively involved from the outset, with inter-ministerial teams running the second round of PRSP.
- There must be a serious attempt to involve poor people, and to devise clear mechanisms to include their priorities, beyond the benevolent 'synthesis' of researchers. All second round PRSPs should at a minimum fully integrate an independent gendered Participatory Poverty Assessments (PPA) as was the case in Kenya and Uganda.²⁰
- Donors must not undermine the process with their own backstage activities. In particular, the PRGF must be clearly based on the PRSP, as should the World Bank's policy-based lending such as the PRSC.
- PSIA must also be participatory, and based on the country-led process of the PRSP, to ensure ownership of the analysis.

PRSP and Poverty and Social Impact Analysis²¹

PSIA: deepening and widening the PRSP debate

Poverty and Social Impact Analysis (PSIA) has the potential to be an integral part of the PRSP process in poor countries. It can increase ownership of national poverty-reduction plans, and at the same time address the continuing absence of debate over reform options and their differential impacts on poor people. In particular it can examine the different impacts of policies on women and men. If poor countries are to reach the MDGs, country-specific reforms need to be carefully designed, based on broad consensus and wide ownership. PSIA, linked to ongoing reforms and to PRSPs, offers a key way of achieving this.

PSIA: commitments by the World Bank and IMF

Both the World Bank and the IMF have made repeated commitments since the introduction of PRSPs in 1999 to carry out PSIA on all key reforms. President Wolfensohn and Managing Director Kohler reiterated this commitment in 2002²². Most recently the communiqué of the Development Committee following the 2003 annual meetings called for 'the Bank and Fund to respond to requests of countries undertaking Poverty and Social Impact Analyses'²³.

PSIA: actual progress to date

The World Bank

The World Bank carried out a series of pilot PSIAs between 2000 and 2002, the majority of which are apparently now complete (although many are yet to be made available). The Bank is now rolling out PSIA, aiming to cover more than 40 countries²⁴. This represents considerable progress, and is to be welcomed. However, **the vast majority of reforms, even in flagship PRSC arrangements such as those adopted in Uganda, are still being implemented in the absence of any PSIA²⁵.**

In addition, Oxfam still has deep concerns about the analysis that is being done, in terms of both ownership and options:

- Firstly, there is a continued lack of transparency: not all the pilot studies are available for public scrutiny. **In Indonesia, the majority of staff in the World Bank office itself, including the Country Representative, were unaware of a planned PSIA on fiscal issues²⁶,** and unsurprisingly no one in civil society was aware of it.
- Secondly, there is no clarity on how and by whom the topics for the new studies have been chosen. **Contentious issues, such as**

Cambodia's accession to the World Trade Organisation, for example, were not chosen for PSIA (see Box 5). Instead it is the World Bank that chooses the topics largely on the basis of its CAS and proposed lending.

- Thirdly, PSIAs are seen by the World Bank as analysis to inform the sequencing and implementation of reforms that have already been decided. For example, the terms of reference for the proposed PSIA study in Viet Nam on trade liberalisation are clearly biased towards the benefits of liberalisation: 'The PSIA will [help] prepare a road map for WTO accession ... identifying complementary policies to mitigate adverse effects'²⁷
- Lastly, almost no attempts have been made to engage with a broader range of stakeholders, such as parliaments, civil society, and academics in order to stimulate wider debate about reform options, or to generate ownership of the analysis.

Box 2

Release of Malawi PSIA Delayed for Two Years

In Malawi the pilot study on the privatisation of the state marketing board, ADMARC, has only recently been released – two years after it was carried out. Yet the topic has in recent months been hotly debated by parliament and by civil society. Independent PSIA was commissioned by civil society²⁸, and countrywide discussions with communities were broadcast on national radio. In the context of the food crisis in 2002, and the chronic food insecurity due to HIV/AIDS, it is difficult to exaggerate the importance of the reform of ADMARC for poor women and men. Yet rather than engage in this debate with their study, the World Bank chose not to release it.

In short, the studies being carried out by the World Bank do not yet fulfil the definition of a genuine PSIA.

The IMF

Progress on the part of the IMF is even more limited, a fact that the IMF fully accept: '**None of the PRGF-supported programme documents represent a rigorous study assessing poverty and social impact**'²⁹. This is particularly crucial, given the importance of a new approach to macroeconomics needed to meet the challenge of the MDGs. Some new PRGF agreements continue to contain a short section, outlining the rationale for their economic prescriptions, entitled 'PSIA'. However, these are very limited. For example, the PRGF designed to support the new Cameroon PRSP, has no impact analysis, despite preferring to achieve a fiscal surplus rather than the option to reach MDG on infant mortality³⁰. The Rwanda PSIA pilot that examined the macroeconomic framework has yet to be officially discussed by the IMF. At a recent meeting in Rwanda with civil society, IMF officials were horrified to find that draft copies of this PSIA were in circulation³¹.

At present the Fund argues that it is not within its competency to conduct or support PSIA, but like the Bank it has often been reluctant to accept analysis done by other agencies. Thus the appropriate division of labour between the Fund, the Bank, and other donors needs to be fully clarified, and accountability should be clearly assigned. The current lack of any action on PSIA by the IMF is unacceptable, especially on the macroeconomic issues they consider to be their core competency. Part of their renewed commitment to PRSPs and Low Income Countries must include their fulfilment of 'due diligence' requirements to carry out PSIA of key macroeconomic reforms.

The urgent need for minimum standards and accountability

Civil-society groups around the world, including Oxfam, have consistently called for a set of minimum standards to be used when designing and implementing PSIA³². We have also called for the World Bank and IMF to be held accountable for not carrying out these studies on key reforms.

Box 3

PSIA- Minimum Standards

- PSIA topics should be chosen and managed from the outset by multi-stakeholder groups, under the leadership of governments.
- These multi-stakeholder groups should, wherever possible, be the same groups that are drawn together under the PRSP, and should include representatives of civil society.
- Research should be carried out by independent researchers, and resources channelled through the government, as was the case with PRSP processes.
- All PSIA should examine genuine policy options, and not simply design mitigation measures and sequencing of already agreed reforms.

On accountability, the IMF must ensure that PSIA is carried out in advance of every new PRGF, and that this in turn is linked to broad debate about the macroeconomic framework for the PRSP. New PRGFs should not be agreed by the board of the IMF unless such a study has taken place.

Similarly, for the World Bank, the Board should not agree to support any new reforms unless it can be shown that an independent country-led PSIA has been carried out which supports the proposed reform.

Reasons given by the IMF and World Bank for lack of progress on country-led PSIA

The IMF and World Bank repeatedly give the same arguments for their lack of progress on PSIA:

- **‘Too complicated, not enough data.’** This excuse is not acceptable. It may be true for complex economic modelling, but the recent PSIA of the macro-framework in Rwanda demonstrated that analysis is possible even in a situation where good data is hard to come by. Simple analysis of potential impacts can be started immediately, while countries’ data are improved.
- **‘We won’t make PSIA mandatory, or else it will become an ineffectual formality: voluntary commitment is better.’** As we have seen, the voluntary studies are very poor. Enforcing accountability while maintaining the process requirements discussed above would ensure that country-led studies took place with participation. Although quality would still vary, as was the case with PRSPs, this would at least ensure a level of accountability and ensure that no reforms are supported without a PSIA.
- **‘The World Bank should do it: they are the poverty experts.’** This is true, but the IMF is the macroeconomic expert, and it is vital therefore that it should understand the impact of its macroeconomic prescriptions on poor women and men. Certainly a clear delineation of roles is required. The IMF should lead on macro-PSIA, developing the internal capacity to ensure that these studies take place. Many bilateral donors are interested in helping the IMF in this regard. The World Bank should lead on PSIA for all structural reforms.

Recommendations

Firstly, there is a need for broad agreement on the part of the World Bank, IMF, and other stakeholders on what actually constitutes PSIA. These minimum standards are essential. Oxfam suggests that they be based on the two criteria of **ownership** and **options**.

This means the following:

- A PSIA is analysis that is led by country authorities, and involves multi-stakeholder groups including civil society. The reforms to be analysed would be chosen by this group, and this choice process could be part of the proposed PRSP lessons review.
- A PSIA is analysis that is carried out by teams of local researchers, supported by donor-provided technical assistance. The multi-stakeholder group will manage the research teams, starting with the drafting of the terms of reference.
- A PSIA is one that examines the likely outcomes of a range of policy options, and not simply the sequencing or mitigation of agreed reforms.

- A PSIA is one that gives an analysis of the differential impact of policy reforms on women and men.

Any study that does not fulfil these criteria should not be described as a PSIA.

- To ensure forward-looking accountability, the World Bank CAS and IMF PRGF should include a matrix that identifies the following:
 - key areas for reform in the country in question
 - donors supporting the reform
 - reforms identified for PSIA by country authorities
 - institutions funding PSIA
 - timing of the analysis
- Country-led PSIA must be carried out on all major Bank-supported structural reforms, as a matter of due diligence. This requirement should be included in the new Structural Adjustment Operational Procedure/Bank Procedure.
- Country-led PSIA must be carried out on every IMF macroeconomic framework, in line with the key features of the PRGF.
- All board papers for both the IMF PRGF and the World Bank's adjustment lending should include a summary of the country-owned PSIA and their influence on policy choices.

Macroeconomics and PRSPs³³

The importance of macroeconomics to PRSPs, and the role of the IMF

PRSPs are supposed to present a country's vision for poverty reduction. Increasingly they will also identify specific strategies for achieving the Millennium Development Goals (MDGs). Achieving poverty reduction and the MDGs involves detailed sectoral plans in areas such as Education and Health, based on broad participation. However, it also crucially relies on having an overall poverty-focused macroeconomic framework that seeks to maximise the resources available to support poverty reduction. It is the macroeconomic framework that defines the levels of debt relief, aid, revenue, and inflation and, as a result, the resources available for poverty-reducing expenditures.

In the vast majority of PRSP countries, governments have also negotiated Poverty Reduction and Growth Facilities (PRGFs) with the IMF. These loans are based on macroeconomic frameworks drawn up with the IMF, in which targets are agreed for crucial economic indicators such as inflation and the budget deficit. As such, the IMF has a vital role to play in working within the PRSP process to ensure a broad consensus on the optimal macroeconomic framework to achieve poverty reduction and the MDGs.

PRSPs driven by the PRGF

Unfortunately, the well-documented reality in all PRSP countries is that, of all the policy areas, macroeconomics was the least open to debate³⁴. Often it is claimed that civil society lacks the knowledge to engage in debate on macroeconomic issues; but, as the Armenia case showed, even where civil society clearly does have the expertise, its inputs are rapidly marginalised.

In fact, it is clearly the case that PRSP macroeconomic frameworks are taken directly from PRGF agreements that have been agreed with the IMF before the PRSP is finished. Of the 20 PRSPs completed by March 2003, 16 had IMF PRGF programmes agreed before the PRSP was completed³⁵. For example, the PRSP for the Kyrgyz Republic, completed in December 2002, is quite explicit that this is the case: 'the financial support to the PRSP will be adjusted each year within the budget framework, reflecting... the implementation of the PRGF'³⁶. There has been no debate or participation in the drawing up of the PRGF agreement.

Macro frameworks are not pro-poor

It is unacceptable that macroeconomics should not be discussed, despite its massive importance. This is true regardless of the degree

to which the PRGF frameworks are poverty-focused. However, the lack of debate is further compounded when it becomes clear that the PRGF frameworks are not at all poverty-focused.

Analysis by Oxfam and Eurodad³⁷, together with a considerable number of case studies from around the globe, shows clearly that the IMF macroeconomic frameworks remain antipathetic to the interests of poor people. They continue to target macro-stability and a reduction in the dependency on aid at the cost of other priorities, including poverty reduction. Macro-stability is of course vital to any sustained attempt to reduce poverty. However, within the broad definition of 'macro-stability' there is considerable room for debate. In the case of aid, for most poor countries the reality is stark: the MDGs will not be reached without very considerable increases in external aid.

If the IMF is to play a role in helping to support PRSP and achieve the MDGs, then it should clearly be working with countries to design financial frameworks for PRSPs that can optimise poverty-reducing expenditures. Unfortunately, the evidence shows that the IMF is programming further deflation, deficit reduction, and aid graduation for poor countries. Our evidence shows that in 16 out of 20 countries inflation of less than 5 per cent is targeted, without any discussion of the trade-off between this reduction and poverty-reducing expenditure. Reducing inflation below 10 per cent is broadly agreed to be very important, but policies to achieve very low inflation may harm poor people, as they restrict pro-poor spending and can induce recession. Similarly the majority of programmes seek to reduce the fiscal deficit, with no discussion of the trade-offs involved, as the example from Cameroon in Box 4 shows.

Box 4

Cameroon Plans to Reach MDGs Shelved

Cameroon completed its PRSP in August 2003. This PRSP is interesting, in that it contains more than one spending scenario for Education and Health³⁸. On the basis of the higher spending scenario, a number of the MDGs in Health and Education will be reached, but on the lower spending scenario they will not. For example, under the lower spending scenario the MDG target of infant mortality will be missed by 44 per cent. However, the PRGF for Cameroon, released at the same time as the PRSP, supports the lower spending scenario. This spending scenario involves Cameroon moving during the three years of the PRGF from a fiscal deficit of just 0.7 per cent to a surplus of 0.7 per cent³⁹. This change of 1.4 per cent of GDP could have doubled expenditure on health. This clearly undermines the objectives of the Cameroon PRSP, yet the IMF makes no attempt in the PRGF to explain why it favours fiscal surplus in this case, and the corresponding lower spending by government on poverty reduction and the MDGs.

Lastly, programmes consistently predict and plan for declining levels of aid, despite the huge needs of poor communities, and in the face of

considerable evidence to the contrary, both globally and on a country basis. In Mozambique the PRGF predicted declining aid, despite significant increases in donor funding and the extreme poverty of large sections of the population. These predictions then became the figures on which the PRSP was based, making it less ambitious and ensuring that the MDGs remained out of reach.

Failure to meet the commitments made under the PRGF

When it was introduced in September 1999, the PRGF was hailed as a major step forward for the IMF. For the first time, poverty reduction was officially accepted by the Fund as its primary objective. In particular, the PRGF had seven 'key features' which defined how it differed from its predecessor, the Enhanced Structural Adjustment Facility (ESAF). Of critical importance were key features that promised greater ownership; embedding the PRGF in the PRSP; flexibility on fiscal targets; and Poverty and Social Impact analysis (PSIA) of key reforms⁴⁰.

Unfortunately, as the above evidence shows, four years later it is clear that the IMF is failing to deliver on these laudable commitments. In fact, the opposite is clearly the case. There is no national ownership of macroeconomic frameworks, the PRSP is in fact embedded in the PRGF, fiscal flexibility is not apparent, and the IMF by its own admission has failed to ensure that Poverty and Social Impact Analysis is carried out on any of its macroeconomic reforms.

Box 5

Honduras: Fast Track Off Track

In Honduras the PRSP was completed in 2001. However, it has barely been implemented, due primarily to the fact that there have been no funds available to do this. The reason for this is that Honduras went off track with the IMF's PRGF in 2001, and is yet to get back on track. As a Heavily Indebted Poor Country, this means that Honduras cannot reach full debt relief, and it also means that resources from donors such as the Inter-American Development Bank (IDB) have been withheld until an agreement is reached. The source of the disagreement is that the IMF believes that the government has allowed teachers' salaries to rise too high. The implication of the disagreement is that funds totalling nearly \$400 million have been held up. One-third of children in Honduras do not finish school. The financing gap for the Education for All- Fast Track Initiative plan in Honduras is \$50 million, or one eighth of the amount that has been held up over the last two years. It is hard to see how the IMF is working towards poverty reduction and achievement of the MDGs in Honduras. In fact it looks very much as though the opposite is the case.

The multiplier effect: the IMF impedes debt relief and aid

Debt relief and increasing amounts of donor aid are conditional on a country's having an IMF programme in place. This means that the failure of the Fund to develop a more poverty-focused role based on the PRSP is compounded. Failure to have an IMF programme in place spells disaster for a country, because substantial resources are withheld when IMF targets are not met.

Ironically, with the move by many donors towards more direct budget support in countries with good PRSPs and macro-stability, the role of the IMF as the 'signaller' to other donors is becoming more important – when the opposite should be the case.

Recommendations

It is clear from the evidence that PRSP macroeconomic frameworks are undermining rather than underpinning poverty-reducing expenditures. It is also clear that there is no debate on these frameworks, and that they are dominated by the IMF with its PRGF. Finally, it is evident that because donors link their aid to the IMF PRGF, the problem is multiplied tenfold. Unless this situation is fundamentally changed before the next round of PRSP formulation, the poverty focus of the IMF risks being largely discredited, as indeed does the entire PRSP initiative. However, if it does change, the IMF can play a very important role as a key partner, working with others in designing macro-frameworks that will optimise resources for poverty reduction and the MDGs. Given this, Oxfam makes the following recommendations.

- In countries which still need an IMF programme, the IMF should take 12 months to work with partners in government, donors, and civil society to identify the resources required to reach the MDGs. The IMF should then actively work with others to lobby for the maximum amount of external assistance from donors.
- As part of this process, the IMF should work with country governments, donors, and civil society to open up the debate on the optimal macroeconomic framework to enable rapid progress towards poverty reduction and achievement of the MDGs. Independent Poverty and Social Impact Analysis (PSIA) of alternative macroeconomic scenarios must be carried out by the IMF as a matter of due diligence, in line with the key features of the PRGF. The World Bank must work with the IMF to help it to ensure that PSIA is carried out.
- The IMF must work with the World Bank and others to develop the capacity of its staff in relation to gender and the key relationship between gender and macroeconomics. Gender must be addressed in any macroeconomic PSIA carried out.

- At the end of the period, and as the PRSP and PRGF are finalised, the IMF should work with stakeholders to seek broad agreement on the optimal macroeconomic framework. This agreed scenario, rather than any 'baseline' scenario, would become the basis for the PRGF, fully aligned with the PRSP objectives and the country budget.
- Any prediction by the IMF of declining aid flows must be fully justified by evidence from donors. All fiscal deficit and inflation targets should be backed up by independent analysis and broad agreement that this is the best option for poverty reduction.
- The IMF and World Bank should work with donors to ensure that aid and debt relief is de-linked from the PRGF programme, and instead is based on the implementation of the PRSP and the PRSP progress report. The progress report should be discussed annually at the Consultative Group meeting of all donors in a country, which should be open to all stakeholders.

Trade and PRSPs

The debate about trade and its relationship to poverty reduction is an extensive and contentious one. Oxfam believes that trade is a key means for countries to reduce poverty and that the trade policies that a country adopts are a vital part of its strategy to tackle poverty⁴¹. However, a belief that trade is a key engine for poverty reduction does not in any way mean that Oxfam supports the wholesale and unilateral liberalisation of trade rules in poor countries. This is particularly so given the huge protection given by rich countries to their own products. The key objective should always be poverty reduction, and trade is one way of achieving this. Any moves towards further openness (or indeed further protection) should be premised on a clear analysis of what is best for generating poverty reduction in that country.

Unfortunately both the World Bank and the IMF continue to support wholesale and unilateral trade liberalisation by poor countries⁴². They continue to assume that there is an automatic link between increased openness and poverty reduction, despite extensive evidence to the contrary. As such they support increased trade openness in countries around the globe, without any analysis of the potential impact on poor women and men. This has continued in PRSPs, in the policy-based lending from the World Bank and IMF that supposedly supports PRSPs, and finally in their non-financial capacity building and support on trade issues.

Trade and PRSPs

In general, PRSPs have paid little attention to trade issues, despite their vital importance to poverty reduction⁴³. When PRSPs discuss trade, they start from the view that trade liberalisation is good for the country. In an examination of 27 African PRSPs, UNCTAD notes that there are only two instances (Mozambique and Rwanda) where the policies advocated diverge from the conventional wisdom that maintaining liberal trade regimes is beneficial for the poor.

Where PRSPs pay attention to trade, they focus on exports. Constraints existing outside the relevant country's borders are often ignored. In a study of 17 PRSPs, ODI finds that external constraints were considered in only six of the cases under review, mostly in respect of market-access restrictions⁴⁴.

While PRSPs tend to address trade in a general way, IMF PRGF documents give more detailed attention to trade liberalisation, and many PRGF arrangements include one or more conditions related to trade reform⁴⁵. According to Christian Aid, the loan documents often set conditions on trade reform that failed to be underpinned by a

sufficient analysis of the links between poverty and various options for trade policy⁴⁶. Only the PRSC of Viet Nam proposes to undertake a PSIA for trade liberalisation⁴⁷.

There is close co-operation between World Bank, IMF, and WTO on trade issues. One of the areas in which they co-operate is capacity building related to trade. In 1996, the World Bank, IMF, ITC, UNCTAD, UNDP, and WTO established the Integrated Framework for Trade Related Assistance to Least Developed Countries (IF), in order to streamline the delivery of aid and trade-related technical assistance to the LDCs. Through this initiative and others, the World Bank is rapidly becoming the monopoly provider of trade-related capacity building⁴⁸.

A recent evaluation of the Integrated Framework has been rather critical of the initiative as a leaked copy of the 2003 review shows. The review claims that there remains a tendency to assume a direct cause and effect link between trade openness and poverty reduction. Countries participating in the IF remarked that 'the agency (in most cases the World Bank) is not only leading the process but has ownership of the process as well..... Agency, donor representatives and external consultants tend to deliver the goods rather than mentor and assist the local IF focal point'. The review recommends full poor country participation in the definition of the terms of reference for diagnostic studies, and more emphasis on local knowledge.

Box 6

Trade and PRSP in Cambodia

In Cambodia, the current PRGF negotiated with the IMF included the reduction of tariff rates as a structural benchmark. This was not the first IMF programme to include trade conditions. Under a succession of IMF programmes, Cambodia has embarked on a rapid trade-liberalisation exercise. Average tariff rates have been halved since 1996, to 15 per cent. In addition to the shock caused by such rapid reform, the decrease in applied tariff rates demanded by the IMF and the World Bank weakened the bargaining position of Cambodia during the WTO-accession process.

In Cambodia the PRSP continued this process, calling for rapid integration into world markets through fast-track entry to the WTO. The PRSP assumes that increasing trade opportunities are good for the poor, as it may provide employment and other benefits, despite the fact that export growth (narrowly based on the garment sector) since 1993 has failed to produce any major impact on poverty reduction⁴⁹. The PRSP, like the IF (see below), does not include an analysis of the impact of these reforms on groups such as small-scale farmers. The PRSP recognises the danger that the benefits of trade may be exported along with the products, and calls for ex-ante poverty and social-impact analysis. However, while incorporating these comments from NGOs, they were not heeded. The World Bank does not want to support PSIA on trade, since it was not lending on this issue, although there are indications this view may be changing. There are no

specific measures to mitigate the negative effects of trade in the PRSP itself.

Cambodia was also a pilot country for the Integrated Framework (IF) described above, and the findings of the IF are 'mainstreamed' in the PRSP. The IF focuses on promoting agricultural and rural-based industries (rather than just Export Processing Zones). However, the IF analysis and strategy is largely focused on supply-side issues (how much produce can be generated for export), rather than on poverty-reduction issues (how many jobs in rural areas can be created). When addressing gender-related issues in trade, the IF points to the inclusion of handicrafts and garments as exports, and considers the employment status of female-headed households. It does not give adequate attention to the role of women (in both male-headed and female-headed households) in agriculture, post-harvest processing, and marketing, where arguably the bulk of the trade-related employment opportunities will be. NGOs have raised concerns about the persistence of food insecurity even in provinces which export surplus rice.⁵⁰

What has gone wrong?

Public debate on trade policies in PRSPs has been limited. In Viet Nam, for example, the Ministry of Planning and Investment did not want anyone to focus on trade-policy issues.

PRSPs fail to analyse the impact of trade reform on levels of poverty. The labour market, employment⁵¹, and social protection. Although globally the World Bank and the IMF have begun to recognise that trade liberalisation may have an adverse impact on poor people, this is not reflected in PRSPs or their loan arrangements with developing countries. The IMF and WB themselves found that that few countries analyse the risk associated with trade liberalisation, and that none of the PRSPs present an explicit PSIA of trade policy⁵². They prescribe trade measures, either as conditions attached to their programmes or through more subtle forms of leverage. The experience with the Integrated Framework has not shown better results in terms of analysing the impact of trade measures on poverty. Instead, concerns have been raised that the World Bank will use trade-related capacity building as a means of securing trade liberalisation from developing countries⁵³.

The freedom of action of recipient governments in the determination of the nature and content of trade policies continues to be severely constrained by conditions attached to multilateral lending and debt relief. In Georgia, the parliament decided to introduce an export ban on logs, in order to combat illegal logging. The World Bank and IMF did not agree, so the export ban was reversed, thus undermining democratic policy making⁵⁴.

Finally, unilateral trade liberalisation under IMF programmes undermines the negotiating capacity of developing countries in the WTO. In Cambodia this contributed to a package of concessions that

went far beyond the level of commitments that least developed countries need to make in order to accede to the WTO⁵⁵.

Recommendations

Trade reforms and policies would be designed to give maximum returns to poverty reduction, and be informed by ex-ante Poverty and Social Impact Analysis. Trade-related capacity building should help poor countries to develop appropriate trade strategies that benefit their economies and reduce poverty. The Integrated Framework should make poverty reduction the first priority. Oxfam agrees with UNCTAD's view that 'Integration studies must see integration as a means to beneficial development and poverty reduction rather than as an end to itself. It should not be assumed from the outset that the goal is to strengthen the policy environment for trade liberalisation; rather, the objective should be to promote trade in a way which supports development and poverty reduction.'⁵⁶

Given this, Oxfam makes the following recommendations to the IEO and OED.

- The World Bank and IMF must ensure that trade reforms and policies are designed in a participatory way, in the context of PRSP processes aiming at poverty reduction. The World Bank and IMF should respect national democratic decision making on trade issues.
- The World Bank and the IMF should remove any conditions in their lending relating to trade liberalisation. They should also stop exerting major influence on trade-policy reforms behind the screens. The proper contexts in which to discuss reciprocal trade liberalisation are the WTO and regional trade agreements, which enable governments to exchange concessions.
- The World Bank and IMF should support poor countries to conduct independent PSIAs on trade reforms, even when they do not have specific conditions or lending on trade issues. PSIA should play full attention to the gendered impact of trade policies.
- The World Bank and the IMF should ensure that the IF favours more participation from developing countries, and there should be a real collaboration between all organisations involved. This should start with the national work already done on trade diagnostics.

Gender and PRSPs⁵⁷

Gender equity vital to poverty reduction

Oxfam believes that comprehensive gender mainstreaming in PRSPs is vital for poverty reduction. Women and men experience poverty differently. Usually women and girls are hardest hit by gender-related inequalities. Across the developing world, women are worse off than men, in terms of education, health, agricultural opportunities, political participation, financial assets, and in many other respects. Gender equality is a good in itself, in that to achieve it is to recognise equal human rights. In addition identifying and addressing gender inequalities brings high social, economic, and financial returns. In short, any poverty-reduction strategy is far more likely to be successful if it addresses the gender dimensions of poverty.

Gender missing from PRSPs and Joint Staff Assessments

To date, very few PRSPs come anywhere close to mainstreaming gender⁵⁸. When PRSPs do address gender equity, most of them focus on women's practical or basic needs, treating them as a target or vulnerable groups. A few 'female' problems such as girls' school attendance or domestic violence are addressed, but very few PRSPs go further than this to attempt a more thorough and comprehensive analysis of inequalities between men and women, and the implications of this for the whole poverty-reduction strategy. Poverty data are rarely disaggregated, which is the first step for any gendered analysis. Instead the focus is on household surveys, which by definition fail to reflect intra-household differences, which are vital when designing gendered poverty-reduction strategies. This is the case for example in the PRSPs of Albania, Zambia, and Viet Nam⁵⁹. Regarding the policies and strategies themselves, chapters on human capital issues such as education and health are, not surprisingly, the most sensitive to issues of gender. Nevertheless, there is still much room for improvement. On matters of health, beyond maternal reproductive health, PRSPs rarely recognise gender. In education there are commonly commitments to improve disparities, but there is a lack of corresponding strategies, indicators, or adequate funding. Beyond Education and Health, the issue of women's rights is rarely addressed; for example, there are few strategies to increase the participation of women in parliaments or local government. There is no attempt at all to analyse the gendered implications of structural adjustment measures such as privatisation or trade liberalisation. Finally no PRSP even attempts to analyse gender and macroeconomics.

Another important leverage point for ensuring that PRSPs take account of gender-related disparities is the Joint Staff Assessment (JSA) of the PRSP. In none of the JSAs for PRSPs produced in 2002 did World Bank or IMF staff make any assessment of gender issues in particular sectors⁶⁰. Oxfam regards this as unacceptable, and believes that JSAs should pay substantially greater and more systematic attention to gender issues in PRSPs, as should the IMF PRGF, the World Bank CAS and related lending such as the PRSC.

Starting with the participatory process

In many PRSP processes, Oxfam and its partner organisations have put considerable effort into ensuring that processes are gender-inclusive. The extent of participation by these groups has of course varied, as has the quality of the participatory process as a whole. Gender organisations and women in particular should be adequately represented, and there should be enough time for each sectoral group to have its strategy critically analysed from a gender perspective.

Box 7

Learning from mistakes: Gender in Uganda's first and second PRSP

Uganda provides an example of a case where women's groups have played a key role in both the first PRSP formulation and more recently in the second PRSP. For the second PRSP, Oxfam worked with partners to produce seven policy briefing papers, and one of these was based on gender. Oxfam is also engaging in research on gender and the agriculture budget, to examine the gendered implications of the government's plan for agriculture. In the first Uganda Participatory Poverty Assessment, of which Oxfam was a key partner, steps were taken to give gender training to researchers and to develop a gendered research methodology. However, attention to gender was subsequently minimised during the national synthesis, with previously disaggregated data even being re-aggregated. This problem was addressed in the second PPA, where a gender specialist was included from the outset, and half of the writing team were women. The results of the second PPA were far more gender-sensitive, and it is hoped that gender-related considerations will be fully integrated in the new PRSP, due to be published in March 2004⁶¹.

Targeting the writers and implementers of policy

Work on the promotion of gender equity reflects the broader work on PRSPs, in that it has twin objectives relating to participation and the content of documents. It is possible to have comprehensive participatory processes that involve women's organisations but still to be left with gender-blind PRSPs. Described as a process of 'evaporation', this was common in many countries. In Yemen, extensive work with the government by Oxfam and gender partners during the process of PRSP formulation was barely reflected in the final document. It is also the case that documents written in collaboration with gender experts or consultants may include the

right phrases, but unless the writing has been based on the genuine participation of women and those responsible for actual policy implementation, gender-sensitive commitments are unlikely ever to be fully implemented.

A comprehensive strategy for ensuring that gender is properly taken into account should therefore aim both to focus on engendering the participatory process and also work to influence the policy makers and consultants who are actually responsible for writing and implementing the documents.

Box 8

Viet Nam: an example of best practice on Gender?

The preparation for the CPRGS (Comprehensive Poverty and Growth Strategy) /PRSP of Viet Nam was an example of good practice with regard to gender. Both the National Committee for the Advancement of Women (NCFAW) and the Women's Union (WU) directly participated in the preparation phase of the PRSP (however, only after the first draft had been completed and circulated). They were granted the right to review each draft and to contribute directly to the decision making, and their views appeared to be taken seriously. They founded the NCFAW taskforce, with the participation of a gender consultant. This taskforce organised consultations and workshops in all branches of the NCFAW and WU throughout the country, down to the local level. The results of these consultations were formulated in detailed suggestions and presented to the PRSP-drafting team round-table conferences. The NCFAW had a discussion with World Bank officials and female National Assembly deputies, and conducted a survey among donors and partners. NCFAW and WU directed their suggestions at strategic issues and macro-level policies. The co-operation between NCFAW and WU created forums for poverty reduction and gender equality with the participation of – and critical dialogue between – men and women from various social groups, researchers, donors, and members of the drafting team. From the fourth PRSP draft onwards, more attention was paid to gender issues. Gender equality was recognised as a cause of poverty. The final PRSP draft contains most of the major messages that had been formulated in the National Strategy for the Advancement of Women to 2010. Important gender-related issues were integrated in the areas of agriculture and rural development (land titling, access to credit, agricultural extension training, provision of extension services, etc.), education (overcoming gender stereotypes in textbooks, school enrolment, kindergarten, etc.), access to health services, targeting men in family-planning programmes, etc.)⁶².

Although the above could be considered as good practice, it signifies only a first step towards gender-aware PRSP processes. A first constraint in the contents of Viet Nam's PRSP is the lack of gender-sensitive indicators, strategies, and a budget. Clear and specific guidelines need to be developed, instructing line ministries and provinces to translate the PRSP into gender-sensitive action plans with specific gender-sensitive indicators. Secondly, although the WU and NCFAW obtained the right to participate, they have only a consultative status, rather than a specified decision-making role and rights that are explicitly defined⁶³.

Following through on gender

It is of course vital that not only do PRSP documents take full and proper account of gender-related problems, but that commitments thus made are then translated into decisions about actual resource allocations within the national budget, and in the allocation of donor aid. Considerable work is being done on gendered budgets, but much of it remains at the 'workshop level' and is yet to be translated into concrete outcomes. In many cases this is partly due to the unavailability of disaggregated data, which makes gendered policy making and analysis difficult. The World Bank and IMF could do a lot more to help here, in the following ways:

- ensuring that all data gathered in household surveys is disaggregated
- supporting working groups on gender in each PRSP process to identify actual outcomes and indicators to ensure that gendered policies are incorporated in PRSPs
- assisting Ministries of Finance to draw up budgets which reflect this gendered approach in their outlines of planned revenue and expenditure
- working with civil society to ensure that these resources are actually allocated according to the budget.

Recommendations

As we move towards the second round of PRSPs in many countries, there are clear and practical steps that both the World Bank and the IMF could take to ensure that gender-related considerations are far better integrated in poverty strategies than previously:

- The World Bank should ensure that all the living standards surveys/ household surveys that it supports gather data that is disaggregated by gender.
- The World Bank and IMF should strongly recommend that each PRSP process has a working group on gender, with staff from government, donors, and civil society. This group should have responsibility not just for drawing up gender plans but also having the power to review and change all other sectoral plans to ensure that they take full account of gender.
- The World Bank could support the gender training of key stakeholders in the PRSP process, including ministers and technical staff. This training could be carried out by local women's organisations, and should be very practical and timely to ensure maximum impact on the process.

- The World Bank should work with governments to ensure that participatory processes are designed to guarantee women's involvement.
- The IMF needs to ensure that its staff receive gender training, and specifically training on the clear links between gender and macroeconomic policy choices. IMF missions should not only talk to finance ministries, but also those in Government dealing with gender. The World Bank should work closely with the IMF on this.
- The IMF must develop and draw on research that clearly factors in the reproductive role of women when making macroeconomic calculations.
- All Joint Staff Assessments must have a clear gender analysis if they are to be accepted by the boards of the World Bank and the IMF.
- The World Bank needs to support Ministries of Finance and civil society to translate the gendered PRSP commitments into real budget allocations and actual expenditures on the ground.

Education and PRSPs

Despite some success, the PRSP experience of Oxfam staff and partners shows that donors, IFIs and poor country governments have yet to prove that they are ready to face the social, political, and financial challenge involved in achieving good-quality education for all.

The importance of education

The work done to prepare the PRSPs shows once again the alarming situation in education in the poorest countries. More than 120 million school-age boys and girls do not attend school. The majority of them (more than 70 million) are girls. In 2000, there were 847 million illiterate adults in developing countries, and 64 per cent of them were women. In Chad, where Oxfam works on education with partners, more than 80 per cent of the population is non-literate. In Viet Nam, 60 per cent of the poor do not complete the primary education. In Malawi, the average ratio of children to teacher is 70:1.

PRSPs commonly give a clear diagnosis of education needs and the scope of the problem. Most also recognise that investment in education is a vital prerequisite of poverty reduction. This is an important contribution to raising the visibility and importance of education.

Measuring targets and targeting measurement

Most PRSPs reflect the Millennium Development Goal of achieving universal primary education by the year 2015. This should be welcomed. According to the World Bank, all PRSPs so far produced include the target of achieving 100 per cent enrolment and attendance for basic education⁶⁴. However, although countries mention goals for primary education in their PRSPs, only one country includes all three MDG indicators for education, 15 have none of them, and only seven include an indicator to measure primary-school completion⁶⁵. Completion rates are vital because they are an indicator of the quality of the education provided. In many countries large numbers of children do not complete school, and particularly girls.

Turning policies and promises into poverty reduction

Beyond the stated will to achieve UPE targets, several factors could delay the implementation of the ambitious education policies in many PRSPs. Those factors must be identified and confronted.

Education as a right

First of all, education is not generally considered from a rights-based approach (PRSPs, for example, do not use as a reference the UN 1959 Declaration on the Rights of the Children), nor do the strategies reaffirm the primary responsibility of the State in this regard. This is important, because the experiences of some civil-society organisations (CSOs) make them doubt the reality of the commitments made by governments and donors when the time comes for setting priorities in a context of scarce resources.

In Zambia, for example, CSOs complain about the government's failure to fulfil its commitments and deliver on priorities previously agreed. There was a good level of dialogue between government and CSOs in the process of preparing the PRSP and sectoral plans, but when the time came to allocate resources to education in the framework of HIPC, none of the priorities were recognised in the budget⁶⁶.

Targeting the poor

Very few PRSPs set specific targets in relation to education for marginalised or impoverished people or regions. In Nicaragua one NGO working with children⁶⁷ complains that the information available 'is not reflecting specific data on the poorest areas, which makes it impossible to evaluate in which areas of the country the implementation of the strategy has had a bigger impact⁶⁸'.

There are positive exceptions in some countries such as Viet Nam and Honduras, with significant ethnic minorities, specific measures to promote bilingual education have been taken.

Some other countries include specific measures to promote the enrolment of the poorest by means of grant programmes, distribution of educational materials, or the provision of free meals, with the objective of reducing absenteeism. Most importantly, user fees have been removed in a number of countries, most recently Kenya, a measure which Oxfam partners report has greatly improved poor children's access to education⁶⁹.

Nevertheless, the policy of user fees and cost sharing continues in many countries. The Chad PRSP, for example, includes the establishment of a policy of cost sharing which will require families to support part of the functioning costs of schools. In addition, in many PRSPs extensive non-financial contributions such as time spent helping to build and maintain schools are still being promoted, under the guise of 'increased community management of schools'.

Box 9**Honduras: lack of donor aid keeps 130,000 children out of school**

More than 130,000 Honduran children, between the ages of 6 and 12 are not attending school because of their families' poverty⁷⁰. Twenty per cent of them are not attending school because their families do not have money for their notebooks and pencils, while 15.5 per cent cannot afford appropriate clothing and shoes. Another important factor reducing access to school is user fees. In 11 departments the size of the gross fee was increased between 1990 and 1999, causing many children to seek paid work. At the same time the ambitious national education programme elaborated by the government in development of the PRSP has resulted in Honduras being chosen as one of seven selected for the global Education Fast Track Initiative. The initial budget prepared by the government for the first 18 months of Education For All is \$47 million⁷¹. Unfortunately however, donors have so far contributed only \$14 million, leaving key programmes such as bursaries for poor girls and boys unfunded. At the same time, the disagreement with the IMF over teachers' salaries is delaying completion point of the HIPC initiative for the country, meaning that the disbursement of \$400 million is being withheld (see macroeconomics chapter). This clearly shows how conflicting objectives and failed donor commitments mean that Education for All remains a distant dream for Honduras.

Lack of donor support for Education for All

The Education Fast Track Initiative (EFA- FTI) was announced at the World Bank Spring Meetings in 2002, in order to meet the Millennium Development Goal of achieving universal completion of primary education by 2015. Eighteen developing countries, all of them engaged in the PRSP process, were invited to join. The FTI is supposed to give specific support to national education strategies, in line with PRSPs⁷².

Members of the Global Campaign for Education, of which Oxfam International is a founder member, consider that the track record of the FTI after two years is disappointing. Donors are not honouring the commitments they made, and there is a serious risk that the international targets will be missed. Today the initiative still requires \$118 million to make possible the implementation of the approved education plans⁷³.

Coherence between PRSP and other initiatives such as education MDGs

There are many international initiatives intended to improve access to education⁷⁴. Potentially PRSPs could be used as a lever to strengthen these various initiatives, linking them to an overall country plan for poverty reduction. This is by no means automatic, however, and often there is little coherence between these competing initiatives. For example, Education for All plans have often been prepared separately from the PRSP process, or from existing education-sector plans, and there is now a risk that MDG plans,

including education, will be elaborated outside of the PRSP. Partners report that this was the case in Cambodia, where the localisation of MDGs was a separate and parallel process to that of the PRSP.

Given that they were launched at different times, there are of course some differences in the timings of PRSPs and MDGs. Most PRSPs were drawn up before the current push for the MDGs had gained momentum, and they have shorter timeframes. Nevertheless it is critical that second-round PRSPs should all have clear scenarios specifying the resources required to reach the MDGs. In particular it is unacceptable that, in the name of realism, projections included in the most recently approved PRSP are less ambitious than the MDG goals in education, as is the case in Cameroon (see macroeconomics chapter).

More and better paid teachers essential

Finally across the world, advice from the World Bank and IMF on macroeconomic policies is endangering the measures planned to improve the quality of education: the pressure to reduce public expenditure, particularly government staff, is encouraging the system of double shifts in schools (which usually mean fewer hours per pupil) or the hiring of temporary or part-qualified teachers. Both in Nicaragua and Honduras, the low level of teachers' salaries is one of the most important obstacles to improving the educational system. In Honduras, for example, despite the intransigence of the IMF, the World Bank concedes that the recent rises in teachers' salaries only bring them back to the same level they were at in the early 1990s, and that many remain very poorly paid. It is not surprising then that teacher absenteeism is an increasing problem. In Malawi almost 500 teachers are lost every month, far more than are being trained, and a newly appointed teacher earns approximately \$20 a month. If the MDGs are to be reached, the World Bank and IMF must realise that this will require adequate numbers of teachers, adequate training, and a living wage, not just more school books or classrooms.

Recommendations

- In the second round of PRSPs, the World Bank and IMF should do far more to encourage countries to eliminate cost sharing in education.
- Indicators that measure quality, such as gendered completion rates, must be included in all education plans, and the World Bank should support countries to achieve this.
- A gendered analysis needs to be incorporated throughout plans related to education. The World Bank and IMF need to support PRSP working groups in doing this.

- Access to education must be perceived as a right. Including education as a statutory expenditure in country budgets is one practical way of implementing this, and it should be researched by the World Bank and IMF.
- The IMF and World Bank must recognise the crucial importance of paying adequate numbers of teachers a living wage if quality EFA is to be achieved.
- Initiatives by civil society to monitor the implementation of education policies should be supported by the World Bank and IMF, and they should include collaboration on issues concerning public-expenditure management where appropriate.
- The World Bank and IMF must increase the pressure on bilateral donors to reinforce their commitments to education for all. Financing gaps must be clearly publicised by the World Bank and the IMF, and donors who are slow to act must be named.
- EFA, MDG, and PRSP initiatives need to be fully integrated, and the World Bank has a clear role to play to ensure that this takes place.

Country Case Studies: Ghana, Cambodia, and Georgia.

The PRSP process in Ghana

Overview

In Ghana the PRSP process (GPRS) started in July 2000, just before the elections of the new government formed by the New Patriotic Party (NPP). Responsibility was given to the National Development Planning Commission (NDPC). Oxfam partner ISODEC notes that in comparison with the past, the NPP government did make admirable efforts to consult stakeholders. Nevertheless, the process had many flaws. ISODEC describes the Ghanaian PRSP process as a consultation involving only a selected few: 'Consultation was more with urban based NGOs and less so with rural communities. Most women's groups were not part of the process and CSOs did not have the chance to interact with their constituencies to feed back into the process or even to mobilize them to make input. Major contentious sectoral policies contained in the GPRS were hardly debated. They appear to have either been transferred from past programme commitments (e.g. water privatisation, energy policies, land reforms, fast track privatization of some strategic state-owned enterprises such as the Ghana Commercial Bank, etc.), picked from official addresses or strongly pushed by donors'⁷⁵

The coherence of the GPRS was further reduced by the executive summary attached to it by the new administration. Rather than summarising the main text, the 'Executive Summary' reflected the new government's election manifesto. Vision 2020, a major document prepared by the previous government, formed by the National Democratic Congress, and setting out its vision of the country's development from 1995 to 2020, was abandoned. Thus the GPRS story reveals a conflict between the electoral mandate of a democratically elected government and the outcomes of the GPRS process⁷⁶.

The GPRS was finalised in February 2003. It expects parliament to play an important role in monitoring government poverty-reduction programmes and projects, but the GPRS does not elaborate further on how this will happen. Representatives of civil society will be invited to sit on the technical committee and the national inter-agency Poverty Monitoring Groups (PMGs).

In May 2003 the IMF approved a new PRGF for Ghana. The Bank is preparing a new Country Assistance Strategy for the country. The CAS preparations include regional consultations with civil society, based on the GPRS. Participants are asked which issues are missing in the GPRS, and what elements could enrich the CAS.

Poverty and Social Impact Analysis

In order to qualify for a PRSC and to get Multilateral Donor Budget Support (MDBS), Ghana needs to do three Poverty and Social Impact Analyses (PSIAs). In order to select issues for the PSIAs, the government produced a list of 30 topics. A workshop was organised with all stakeholders, and 16 research topics were selected. Further prioritisation led to the selection of seven studies. Out of the seven issues, five got funding, but at least two of the funded issues were derived from the long list and not from the shortlist. This poses questions about the selection process and suggests that donors were pushing their own priorities.

One of the issues that was not identified as a priority for PSIA was the privatisation of Ghana Commercial Bank (GCB). Nevertheless it is a hotly debated issue, and one of the key areas of reform under the new PRGF arrangement. Privatisation is part of a scheme to cut the government's access to domestic financing and to limit financing of fiscal gaps to borrowing from foreign sources, particularly multilateral sources. Such a scheme will worsen Ghana's already precarious dependence on foreign financing and deepen its indebtedness. CSOs fear that by privatising GCB, and making it purely profit-driven, the rural areas with very low savings capacity will be completely marginalised. Civil society is calling on the government to open up the matter for wider debate and to organise a referendum on the GCB issue. A PSIA would be a welcome resource to inform the debate.

Trade

The GPRS focuses on exports. It wants to promote new areas of competitive advantage and to take full advantage of preferential access to markets. Oxfam partner ISODEC notes that while the GPRS acknowledges that food-crop farmers are the poorest and that domestic trade is in ruins, at the same time it places emphasis on export commodities such as cocoa, cashew, and shea butter. Again, coherency is lacking. Regarding imports, the GPRS aims to open up the country, to introduce competition, and to create an enabling environment for the private sector. At the same time, the GPRS says that the trade-liberalisation policy will be reviewed in the light of its impact on the economy and the environment. The GPRS also wants to minimise the incidence of dumping. The question, however, is how the government will implement these commitments. Filing complaints against dumping is very complex, it takes much time, and

the government lacks the necessary resources. This became clear in discussions on cheap poultry imports to Ghana.

The import of poultry is a hotly debated trade issue in the context of the PRS process. The GPRS itself scarcely addresses these issues, yet it could have substantial implications for poor women and men.

The 2003 budget raised tariffs on poultry imports to 40 per cent. This concurred with the WTO Agreement on Agriculture, which enables Ghana to impose tariffs up to 100%. The import tariff was raised in order to deal with the increasing imports of European poultry. The budget was debated in parliament and accepted. However, the IMF staff argued strongly against this measure, and in 'discussions' with the IMF on the new PRGF the authorities agreed that these tariff increases would not be implemented during the period of the proposed arrangement. Within two months it was announced in the press, bypassing parliament, that, owing to a deal with the IMF, the import tariffs were reversed. Labour unions, farmers' groups, and NGOs are deeply concerned about this. They have called on the government of Ghana to reinstate the tariffs that were passed by parliament under the Act in protection of domestic poultry producers, and they also call on the IMF, the WTO, and the World Bank to respect their national sovereignty and their right to pursue their own national development agenda.

One of the conditions of Ghana's PRSC is for the government to submit a Public Procurement Bill to parliament. In the current situation the government has discretion as to where to source its goods, services or works, whether from domestic enterprises or from foreign entities. Public procurement is not mentioned in the GPRS.

In order to ensure transparency and to eradicate corruption, the Ghanaian Government is working on a Public Procurement Bill⁷⁷. The last draft of the Bill also addresses comprehensively market access requirements. The overriding rule is that foreign firms must be invited to bid for public sector contracts. While Oxfam partner Third World Network Africa (TWN) remarks that ensuring transparency in government procurement is a laudable aim, they are worried about the current market access provisions of the Procurement Bill. Making International Competitive Bidding a basic principle undermines Ghana's ability to develop and rely on its own local industry, services and firms, in order to generate jobs, growth and exports and to compete effectively with the influx of foreign firms and products.

According to TWN the World Bank and some Western countries have been pushing hard to include market access requirements in the bill and especially equal access to government contracts for contractors from all countries. This pressure on providing market access and equal treatment in Ghana's Procurement Law undermines multilateral decision making on government procurement policies

within WTO⁷⁸. Developing countries have strongly resisted market access and equality of treatment principles proposed by the western WTO members did not reach an agreement on these issues in Cancun. According to the Bank, however, there was no pressure by the Bank on Ghana to open up its public procurement policies to international bidding⁷⁹.

Education for All

The GPRS notes that the quality of education is alarmingly low. Overall, gross primary admission and primary school enrolment ratios have not significantly improved since 1992. The GPRS notes that illegal school fees have worked to the detriment of enrolment and retention rates. Ghana does not have a policy to abolish user fees. The message of the World Bank is not clear either. The government says that user fees are a condition imposed by the World Bank, which is also what CSOs believe. The World Bank office in Accra says that it had lengthy discussions with the Ministry of Finance on the abolishment of fees, and that finally the Ministry of Finance agreed with 'government controlled fees'.

Donor contributions constitute an average 79 per cent of the overall education budget and 15 per cent of basic education expenditures. Government is obliged to provide local matching funds or fulfil other conditions, and failure to do so may result in the withholding of donor grants. Donors also often suspend disbursements when government fails to meet agreed economic and structural targets such as those agreed with the IMF. The Ministry of Education is currently preparing an education strategy in order to qualify for the Fast Track Initiative.

Financing for poverty reduction and debt issues

The GPRS process generated an unprioritised list which implied grossly unrealistic expenditure. Because the full costing of the total GPRS would far exceed all available resources, the government decided to concentrate its efforts on securing financing for the medium-term priorities set out in the 'Executive Summary'.

The use of budgetary savings from interim debt relief should be used in priority areas like health care and education, listed by the Ministry of Finance. The IFIs prescribe that the increase in total spending on these areas must equal or exceed HIPC debt relief.

The GPRS says that money from the HIPC Fund will be distributed to the most deprived districts. Oxfam partner SEND (Social Enterprise Development Foundation of West Africa) notes, however, that the government also promised that each district, regardless of its level of prosperity, would receive an equal amount of money out of

the HIPC Trust Fund. This is not contradictory, the government says: one has to include also the projects submitted by various government ministries to the Ministry of Finance. If a project is approved, the money is transferred to the district HIPC account. SEND set up a district monitoring system to observe the spending of HIPC money in Ghana. It intends to monitor three indicators: good governance, accountability, and equity⁸⁰.

Gender

According to Netright, a Ghanaian network of organisations and individuals working on gender equity, women's issues were not addressed adequately in the GPRS, and women were not consulted adequately either. When Netright obtained the documents and found that gender had not been taken into account, they decided to organise and intervene on their own. The final GPRS, however, remains weak on gender, and the World Bank shares Netright's criticisms of the document. The Joint Staff Assessment (JSA) notes that while the GPRS recognises particular structural, social, and cultural impediments for women, it does not include a specific set of measures aimed at improving their status. The JSA recommends that specific measures for reducing gender disparities be identified in future updates of the GPRS.

The PRSP process in Cambodia

Overview

In the year 2000, the Cambodian government started to work on the Interim Poverty Reduction Strategy.

In the process for writing the National Poverty Reduction Strategy (NPRS), the Royal Government organised a number of workshops to provide feedback and request comment on the drafting process. The NGO Forum of Cambodia, a major Oxfam partner in Cambodia, encouraged CSOs to join the participation process facilitated by the government. The majority of workshops were held in Phnom Penh, making provincial participation difficult, although the government managed to organise a number of provincial workshops during the final phase of the drafting. Participation was hampered because the PRSP was drafted in English, whereas provincial development plans are drafted in Khmer. Nevertheless, during the drafting of the NPRS, CSOs brought many ideas and issues to the discussion in a number of detailed and well-researched submissions. The PRSP was approved in December 2002. The consultation process did not lead to any major changes in government or ministry policies and plans.

CSOs in the health and education sectors raised the problems of unpredictable and late disbursement of funds to the provinces, and under-expenditure in the priority social sectors. Many CSOs felt that

clear indicators are needed for disbursements of funds, public-sector reform, salary reform, and good governance. The final NPRS expresses many of these concerns, but indicators and monitoring mechanisms agreed in the last Consultative Group meeting were not included.

CSOs also criticised the lack of prioritisation in the PRSP. Subsequently, the annual PRSP progress report has focused on five sectors: rural and agricultural issues, road infrastructure, women, education, and health. But this is not the prioritisation of policy measures that is needed. A proper prioritisation process should identify a limited set of specific objectives, and then identify the policy measures and projects that stem from these objectives. Only when the priorities for poverty reduction are properly identified, debated, and agreed will the PRSP be of use.

The PRSP process in Cambodia took place in parallel to the process for the development of the five-year Socio-Economic Development Plan (SEDP), supported by the Asian Development Bank. CSOs criticised the parallel processes and the lack of coherence between the two national planning documents. Now there is agreement between government and donors that the next SEDP and NPRS will be merged and presented in a single document. The PRSP (supported by the World Bank) was also developed and finalised in parallel with the MDG localisation (supported by the UNDP). The NGO Forum notes that the localised Cambodian MDGs do not actually match and sometimes even contradict the indicators of the NPRS. The Ministry of Planning has been asked to look at both groups of figures and rationalise the indicators⁸¹.

Poverty and Social Impact Analysis

Cambodia will have one PSIA, which will be concerned with Social Land Concessions. This will be carried out through the WB/GTZ-funded land project. Oxfam GB and GTZ will each do part of the study, and they have hired a team of Cambodian national researchers to do other parts. The PSIA on Social Land Concessions seems to endorse the use of alternative assessment methods (like participatory rural appraisal, a set of methods often used by CSOs to assess needs in a village, which involves the local population in the assessment), although within the Bank there seems to be a difference of opinion on the validity of alternative methodologies. The Social Land Concessions PSIA includes working with locally based CSOs. The process is fairly consultative.

CSOs have also requested the World Bank to carry out a PSIA on trade policies, given the vital importance of the impact WTO accession will have on the poor in Cambodia. The JSA notes that CSOs have requested PSIA on theme such as trade, but notes limitations to existing data and the complexity of PSIA, and only

commits the Bank to analysing the distributional impact of land reform. The World Bank also said that it did not want to fund a PSIA on trade, since it was not lending on this issue. To date no PSIA on trade has been considered by donors or government.

Trade

The PRSP calls for rapid integration into world markets through fast-track entry to the WTO. The NGO Forum has run various workshops on trade issues, and these workshops have reflected a concern that rapid trade reform with little consideration of possible negative consequences may have an impact on groups of poor people, for example, small-scale farmers.

The PRSP reflects the government's 'Pro-poor Trade Strategy'. CSOs believe that there has been inadequate attention to distributional impacts. Increasing trade opportunities is assumed to be good for the poor, as it may provide employment, generate income, etc. There has been no real analysis of the impact of terms of trade on poverty. The PRSP recognises the danger that the benefits of trade may be exported along with the products, and calls for ex-ante poverty and social impact analysis. However, it is not clear that these comments from CSOs will be heeded, especially as there is no provision for PSIA in the action-plan matrix. There are no specific measures to mitigate the negative effects of trade in the PRSP itself⁸².

The JSA notes that the PRSP does not evaluate the distributional impact of macroeconomic or structural policies. It also questions the efficacy of Export Processing Zones in reducing poverty, and encourages further analysis before this initiative is pursued.

Cambodia was one of the eleven pilot countries for the Integrated Framework, a joint plan of the World Bank and five other institutions to streamline the delivery of trade-related technical assistance to the least-developed countries. For Cambodia, an Integrated Framework-funded competitiveness study has examined local constraints to increasing export markets, but failed to demonstrate clear links between increased competitiveness and poverty reduction. The Integrated Framework was mainstreamed into the NPRS. However, there was virtually no consultation around it or discussion of the findings.

Financing poverty reduction and debt issues

Many proposals in the PRSP were not costed and not budgeted for by either government or donors. In that sense it was considered to be unrealistic. NGO Forum notes that the costed items in the Action Plan matrix add up to \$5.2 billion, far in excess of the likely level of resources. The Ministry of Planning did attempt to prioritise the measures and reconcile the NPRS with the Public Investment Programme (PIP, a system of documenting and prioritising projects

which was previously introduced by the Asian Development Bank), but the project floundered. The Ministry made repeated requests to donors for assistance, and was willing to consider any method of prioritisation, but no donors came to their assistance⁸³.

Since there are no national priorities, donors can easily set their own aid agenda, even while claiming that their agenda is in line with the NPRS. In terms of allocation, government and donors are prioritising health services and education. There is a notable gap in financing for agriculture and rural development. The assumption is that the private sector will (and should) be the provider of economic services. Oxfam is seriously concerned about this assumption. Firstly, private-sector investment in Cambodia shows no signs of increasing, as potential investors have been cautious in general. Secondly, a private-sector agenda cannot be conflated with a poverty-reduction agenda. The private sector tends to invest in areas of highest immediate returns (urban and peri-urban, clustering around growth poles, low value-added manufacturing with minimal backward linkages), and those will not be investments with the highest impacts on poverty reduction (such as investments that focus on poor producers in remote rural areas)⁸⁴.

The IMF resident representative organised a series of meetings with CSOs on key macroeconomic issues. IMF and CSOs discussed issues related to taxation, governance and corruption, and the WTO. For each meeting a CSO was asked to make a brief introduction to the issues and the concerns of civil society, and then this was to lead into a general discussion. While these discussions were welcome, it is not clear to what extent the process has changed the IMF's way of doing business in Cambodia.

Gender

Mainstreaming gender in the PRSP process and content has gone relatively well. The Ministry for Women and Veterans' Affairs (MOWVA) had been very actively involved throughout the PRSP preparation and consultation process, both officially as part of the CSD (a core group in government responsible for PRSP process) as well as participating in all consultations and actively seeking views of women's groups and civil society. Oxfam, NGO Forum, and other civil-society groups have been active in raising awareness about the PRSP and the gender implications with both CSOs and government. As a result there is a relatively strong gender perspective in the PRSP narrative, and there is a gender section in the policy-action matrix, but there are few meaningful or monitorable indicators and targets. Donors (UNIFEM-UNDP, World Bank, ADB) have established a donor working group on gender equity to support MOWVA and MOP in a gender-linked assessment of the MDGs, the results of which will be used to lobby to strengthen the gender indicators and

targets in the PRSP annual review. It should be noted that this is one of the few areas where real co-ordination with donors has taken place⁸⁵.

The PRSP process in Georgia

Overview

Recent elections in Georgia have resulted in the resignation of President Shevardnadze and will lead to a new government. The impact on the PRSP is not yet known, yet it is clear that from the outset the PRSP process in Georgia was considerably politicised, since responsibility for the interim process (IPRSP) and subsequently for the PRSP itself has lain with office of the president (the State chancellery).

The Interim PRSP was prepared and submitted during 2001, with minimal consultation. The full PRSP, called the Economic Development and Poverty Reduction Program (EDPRP), was completed in June 2003. NGOs organised themselves in the PRSP Watchers Network, but it was hard for civil society to exert any influence on the process. Three people from the Georgian government wrote the first version of the PRSP, without any input from others. The participatory process improved over time; for the writing of the second draft, the State chancellery involved several government experts, and the editorial commission of the draft final PRSP included two representatives of civil society⁸⁶. The State chancellery wrote the final version of the PRSP. Civil society criticised the general character of the document and its lack of coherence with existing loans. Among the public, the PRSP is effectively unknown to the majority. Newspapers and the television barely paid attention to the PRSP, and parliamentary involvement was minimal.

The IMF and the World Bank are preparing a new PRGF and a new CAS based on the EDPRP. Discussions with civil society on the PRGF have been very limited. Public participation in the process of preparing the CAS is also flawed. While the World Bank has encouraged broad public participation in the process for the preparation of the Georgian PRSP, it has adopted an approach of selected public participation in CAS preparations. This has excluded a broader public debate on priorities in the CAS, and it has also excluded civil society organisations that were involved in the preparation of the EDPRP.

Poverty and Social Impact Analysis

Since 1993 Georgia has experienced a severe energy crisis. The EDPRP recognises existing problems in the energy sector as a major cause of poverty. In 2001 the World Bank started a PSIA pilot on

energy issues in Georgia. In September 2003 the final draft, entitled 'Revisiting Reform' was completed. The PSIA considers tariffs, subsidies, and cost recovery in the energy sector. The scope of the PSIA is rather limited, since it only looks at tariffs as a means of coping with energy-sector debt. It does not address problems regarding the calculation of costs for energy production, and it ignores major problems in the growth of energy debt, such as the mismanagement of funds. Nor does the PSIA draft mention the illegal export of electricity to third countries, including Azerbaijan and Turkey, despite this corruption issue being widely covered by the independent research and the media. Several times the State prosecutor started criminal cases to investigate the problems in the energy sector. NGOs have raised concerns about the mismanagement of funds of international financial institutions and say that the IFIs have failed to create effective mechanisms to monitor their own programmes, thus leaving space for corruption to flourish.

The PSIA process was closed. The report, 'Revisiting Reform', was written by a small team led by World Bank specialists, the government, and some NGOs. It did not include a broad public debate on energy-sector reform. The Georgian population, however, is very concerned about energy-sector reforms. Involving them in a public debate on required reforms would create the opportunity to raise support for further activities for energy-sector rehabilitation and would help to identify the most appropriate policy measures⁸⁷.

Trade

Georgia is a very liberalised country. It entered the WTO as a developed country, which means that the country has to fulfil many conditions. One of the trade issues related to the PRS process in Georgia is the export of timber. Abolishing export measures for timber has been debated under the PRGF arrangement with the IMF and was also an issue for discussion with the Bank.

Deforestation is a major problem in Georgia, from both environmental and economic perspectives. Increased poverty rates and the energy crisis have led to an increased pressure on wood resources for fuel, as poor people burn wood to keep warm. The major cause of deforestation, however, is illegal commercial logging. Measures to combat this problem have included initiatives to combat corruption and measures related to the trade in timber. While timber export is free, imports are taxed at 35 per cent. This means there is an incentive for timber exports and a disincentive for imports, a state of affairs which favours illegal logging in Georgia. Since 1997 there have been several democratic initiatives to discourage timber exports, based on concerns about illegal logging. The IMF and World Bank have systematically blocked these measures, thus undermining democratic decision making and restricting national sovereignty⁸⁸.

The latest example was in July 2001, when parliament introduced a temporary ban on the export of timber. Parliamentary leaders stressed that the export ban would be removed as soon as the authorities introduced measures to stop illegal tree cutting⁸⁹. The World Bank was not happy with the ban and responded that 'This may have implications on our ability to provide financing under SAC III, as we understand the ban violates prior agreements with the IMF, and their program is a prerequisite for resumption of adjustment lending for Georgia. In addition, it will certainly delay if not jeopardise financing for a forestry project on which the authorities and we have worked so well over many years⁹⁰.' In response the government backed down and announced that it would not renew the temporary ban on timber exports. During recent conversations with Oxfam and its Georgian partner Green Alternative, Fund and Bank staff said that even if measures to introduce an export ban or an export tax on timber were chosen democratically, they might still be the wrong measures!

Education

Georgia has a literacy rate somewhere between 75 and 85 per cent, as a result of the positive impact of Soviet education policies – which have now been reversed. The Georgian Young Lawyer's Association (GYLA) warns that the situation may gravely deteriorate if the education system does not change fundamentally. Without fundamental changes the country risks having a significant number of illiterate citizens within the next 10 years. GYLA studied the current state of the education system in Georgia. On the EDPRP, GYLA notes that it fails to provide a correct analysis of the Georgian education system. According to GYLA, the EDPRP is full of nice words on education, but they remain meaningless since many issues are ignored, and where issues are addressed, the EDPRP fails to present an action plan. One of the missing elements is a reform of the fee system in schools. While the constitution provides free elementary and basic education, imposition of fees by schools is a frequent practice in Georgia, which is a heavy burden for parents. The EDPRP does not address the issue. According to the EDPRP, the reform of secondary education will continue with the financial assistance of the World Bank. GYLA is concerned about the management of the funds involved; it found that the majority of the expenditure was directed at funding the operational costs of the co-ordination centre of the educational project, reconstruction of the centre's office, and procurement of information technology and office equipment. A considerable amount was spent on training and conferences. A lot of money went to consultation services, but the Ministry of Education did not want to give further information, so it remains unclear when and for what purpose consultants were contracted – and who they were. As for funds that were spent for

schools and pupils, they were insignificant compared with the total. Activities that would directly benefit schools attracted only 19 per cent of the total amount spent. Therefore a lack of analysis, a lack of action, and a lack of focused spending undermine the educational reforms that the Georgian EDPRP should address⁹¹.

Financing

Financing is a very hot topic in Georgia, especially since the European Union withdrew funding and the World Bank announced plans to halve its investment in Georgia. This may seriously jeopardise PRSP financing. However, the recent 'rose revolution' in Georgia may lead to greater finance, and some countries such as the Netherlands have already promised new money. The PRGF with the IMF was drawn up two years before the PRSP was finalised, and had substantial influence over the content of the final PRSP. The final PRSP has two scenarios, base-case and optimistic, and the base-case scenario has been used in line with the IMF.

Although Georgia is a very indebted country, it is not eligible for treatment under the HIPC Initiative since the ratio of debt to exports is below the critical threshold of 150 per cent. Oxfam partners GYLA and Green Alternative have not been in favour of debt relief for Georgia, since so much money was spent badly. In addition Green Alternative fears the conditionality that comes with debt relief, because of its potentially negative impact on the future economic development of Georgia.

Gender equity

The situation in Georgia as in other former Soviet Union countries is atypical, in that the legal framework in support of gender equality is generally very good, dating from the Soviet era. However, since independence the actual position of women in society has got significantly worse, and inequality has increased.

At the beginning of the PRSP process, the attention given to gender equity was very poor, but this improved considerably as the process went on. The PRS Watchers' Network held a round-table meeting on gender; it was very well attended and produced recommendations to submit to the PRSP writing team. The final draft of the Georgian PRSP has only two very short paragraphs on gender, and despite the development of a gender policy being a stated objective in the main document, it fails to appear in the matrix of activities. The Joint Staff Assessment of the Georgian PRSP released in November 2003 makes absolutely no mention of gender.

Notes

¹ This excellent term was first coined by John Weeks of the School of Oriental and African Studies (SOAS) in the UK, in his presentation made to the EURODAD annual conference in December 2003.

² Our submission reflects the strategic aims of Oxfam International in its global PRSP initiative. Preparation of this submission has involved the production of case studies in a number of PRSP countries, together with broader synthesis and analysis of the views of staff and partners.

³ This figure includes both Interim and Full PRSPs.

⁴ Integrated Social Development Centre (ISODEC) See case study at the end of this paper for more details.

⁵ The term 'backstage' was first used by McGee, R et al *Poverty knowledge and policy processes: a case study of Ugandan national poverty reduction policy* Research Report 53, Institute of Development Studies, Sussex 2002

⁶ This was also reflected in the two review processes. The IEO process has been extremely open and transparent, with considerable scope for engagement, whereas the OED process has been closed in comparison.

⁷ The LDP is available for PRSC arrangements, but is still kept confidential for all other policy based lending by the World Bank. In addition for the PRSC and all other loans the President's report/program document, the Tranche Release Memorandum, the Chairman's Concluding Remarks for PRSC and a summary of Board discussion for PRSCs are all not available and should be.

⁸ The executive summary was made available in November 2003, but the full study is actually yet to be made available.

⁹ See PRSP core principles, available at www.worldbank.org/poverty/strategies/overview.htm#core_principles

¹⁰ The best documentation on this are the many submissions made by external agencies to the PRSP Review organised internally by the World Bank and IMF in 2002. They are available at www.worldbank.org/poverty/strategies/review/extrev.htm

¹¹ This continuum was first suggested in McGee, R and Norton, A (2000) 'Participation in Poverty Reduction Strategies' Sussex: Institute of Development Studies.

¹² See Ghana case study at the end of this paper.

¹³ In addition to this concern, the rising importance of finance ministries and indeed the amalgamation of finance and planning ministries in almost every country is worrying. Firstly because it is often the uniform assumption that this is the best way to go despite some very good planning ministries in some countries, and secondly because there is a concern it will mean that short term budgetary issues are prioritised over longer term planning towards the MDGs.

¹⁴ See NGO Forum on Cambodia (2001) 'Rapid Assessment of the PRSP Process in Cambodia: Two Banks, Two Processes, Two Papers'

¹⁵ The best documentation on this are the many submissions made by external agencies to the PRSP Review organised internally by the World Bank and IMF in 2002. They are available at www.worldbank.org/poverty/strategies/review/extrev.htm

¹⁶ See for example Craig and Porter (2002), Gould (2003) , Stewart and Wang (2003), McGee et al (2002c)

¹⁷ Max Lawson, pers. comm.

¹⁸ For further information, please see their website at www.edrc.am

¹⁹ It is of course possible at this point to see the glass as three-quarters empty, rather one-quarter full; to argue that, instead of representing a small step forwards, PRSPs have in fact had a negative impact, neutering and depoliticising participation, while leaving the donor agenda unaltered. This may well be true in some countries, but overall we believe such an argument over-states the case.

²⁰ In Kenya in particular a clear formula was used to integrate the actual priorities of the poorest through national PPAs. Unfortunately these were then overuled by the priorities of the elite based urban working groups.

²¹ For more information on PSIA and the position of Civil Society see www.eurodad.org/articles/default.aspx?id=451 and also the Eurodad collection of issues related to PSIA www.eurodad.org/articles/default.aspx?id=462

²² This commitment was made at his meeting with Civil Society during the PRSP Review in January 2002.

²³ http://web.worldbank.org/shared/SiteResources/DEVCOMMINT/Resources/Communiqués/September2003DCCommunique_E.pdf

²⁴ IMF and World Bank *Poverty Reduction Strategy Papers- Progress in Implementation* September 2003

²⁵ In Uganda the first PRSC is complete, and the recent PRSC stock-take failed to explore why no PSIA had been carried out. At the same time only a handful of PSIA are planned for the next PRSC, with the topics chosen by the World Bank with minimal consultation.

²⁶ Max Lawson, pers comm.

²⁷ World Bank *Social Impacts of WTO Accession in Vietnam: A Prototype for Detailed Incidence Analysis* Draft ToR

²⁸ Nthara, K *What needs to be done to improve the impact of ADMARC on the poor* Phase 2 Report Joint Oxfam Programme in Malawi.

²⁹ IMF 2002 *Poverty and Social Impact Analysis in PRGF- Supported Programmes* Washington: IMF

³⁰ This is further discussed in the section on Macroeconomics and the PRSP.

³¹ McNairn, R 'Minutes of IMF meeting with Civil Society' 20th November 2003 Unpublished.

³² For more information, see 'Where is the Impact?' Available at www.eurodad.org/articles/default.aspx?id=451 and www.eurodad.org/articles/default.aspx?id=462

³³ For a more in-depth analysis of these debates, see the recent Oxfam Paper on the IMF and the MDGs www.eurodad.org/articles/default.aspx?id=494 and also recent Eurodad papers on the IMF www.eurodad.org/articles/default.aspx?id=457

³⁴ The complaint that macroeconomics was not discussed was common to every PRSP process. In a meeting organised by Oxfam of civil society PRSP partners from across the world in October 2002 this was one of the key findings.

³⁵ IMF *Aligning the IMF's Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Strategy Approach* April 25 2003

³⁶ Kyrgyz Republic PRSP, page 25

³⁷ This joint research with Eurodad is the latest phase in a research programme focusing on the IMF and particularly on the implementation of the PRGF, which began in early 2003. This includes a matrix analysing PRGF arrangements which looks at the broad range of fiscal and structural conditions, together with three papers looking at macroeconomic modelling, structural conditionality and the signalling role of the IMF. For more information see www.eurodad.org. The sample used for this specific survey included the following countries: Rwanda, Albania, Benin, Bolivia, Burkina Faso, Cambodia, Cameroon, Ethiopia, Ghana, Honduras, Malawi, Mauritania, Mozambique, Nicaragua, Niger, Senegal, Tanzania, Uganda, Vietnam and Zambia.

³⁸ See the Cameroon PRSP Chapter 4, Macroeconomic and Sectoral Framework see www.imf.org/external/pubs/ft/scr/2003/cr03249.pdf

³⁹ Fourth review of Cameroon PRGF www.imf.org/external/pubs/ft/scr/2003/cr03401.pdf

⁴⁰ IMF *Key Features of the Poverty Reduction and Growth Facility* September 1999

⁴¹ For more information see the Oxfam Trade Report, available at www.maketradefair.com/stylesheet.asp?file=03042002121618

⁴² The average number of trade related conditions in IMF programmes increased massively during the nineties. They have now fallen back, but this is arguably more due to the fact that most poor countries are now heavily liberalised and open.

⁴³ Bieckmann F. and C. van der Borgh, *Social impact analysis of trade reforms in PRSPs and loan-related documents*, 2002; UNCTAD, *The Least Developed Countries Report*, 2002; Ladd, P., Christian Aid, *Too hot to handle? The absence of trade policy from PRSPs*, 2003

⁴⁴ Hewitt, A. and I. Gillson, ODI, *A Review of the Trade and Poverty Content in PRSPs and Loan-Related Documents*, 2003.

⁴⁵ Bieckmann F. and C. van der Borgh, *Social impact analysis of trade reforms in PRSPs and loan-related documents*, 2002

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- ⁴⁶ Ladd, P., Christian Aid , *Too hot to handle? The absence of trade policy from PRSPs*, 2003
- ⁴⁷ Grady, Oxfam GB East Asia, pers. comm.
- ⁴⁸ Tan, C., Third World Network, *Paving the Yellow Brick Road. The World Bank's Foray into Trade Capacity Building and the World Trade Organisation's Agenda: A Critique*, 2002.
- ⁴⁹ Mia Hyun, Oxfam America Cambodia, pers comm.
- ⁵⁰ Petersen, R, NGO Forum Cambodia, pers. comm.
- ⁵¹ ILO, GB.285/ESP/2. *Poverty Reduction Strategy Papers (PRSPs): An assessment of the ILO's experience*, 2002
- ⁵² IMF and World Bank *Poverty Reduction Strategy Papers- Progress in Implementation* September 2003
- ⁵³ Powell, Bretton Woods Project, *Cornering the market: the World Bank & trade capacity building*, 2002 and Tan C., Third World Network, *Paving the Yellow Brick Road. The World Bank's Foray into Trade Capacity Building and the World Trade Organisation's Agenda: A Critique*, 2002.
- ⁵⁴ Green Alternative, 2003, pers. comm. See Georgia case study at the end of this paper.
- ⁵⁵ Oxfam, *Cambodia's Accession to the WTO. How the law of the jungle is applied to one of the world's poorest countries*, 2003
- ⁵⁶ UNCTAD, *The Least Developed Countries Report*, 2002
- ⁵⁷ This chapter draws heavily on Garrett, A and Zuckerman, E *Do Poverty Reduction Strategy Papers address gender issues? A gender audit of 2002 PRSPs* available at www.charityadvantage.com/genderaction/images/2002%20PRSPs%20&%20Gender.doc we are very grateful to Elaine Zuckerman in particular for her assistance and comments on early drafts of this section. See also the Gender Action home page for more excellent documents on PRSP and gender www.charityadvantage.com/genderaction/HomePage.asp
- ⁵⁸ Sadly, in many countries this represents a step backwards in comparison with previous plans, perhaps as a result of PRSPs being based in Ministries of Finance and thus deprived of the influence of more socially oriented Ministries.
- ⁵⁹ Zuckerman, E and Garrett, *2002 PRSP Gender Audit*. 2003
- ⁶⁰ Ibid.
- ⁶¹ Monica Naggaga, Oxfam GB Uganda, pers. comm.
- ⁶² Loi, et al, *2003*
- ⁶³ Ibid.
- ⁶⁴ World Bank, *Targets and Indicators for MDGS and PRSPs: What countries have chosen to monitor – November 2003*
- ⁶⁵ Ibid.
- ⁶⁶ Chilufya Kasutu, Oxfam GB Zambia, pers comm.

⁶⁷ *Federación Coordinadora Nicaragüense de ONGs que trabajan con la Niñez y la Adolescencia* (Nicaraguan Coordination of NGO working with children and teenagers)

⁶⁸ Ibid.

⁶⁹ Emily Lugano, Oxfam GB Kenya. Far more needs to be done however, especially reaching children of the most marginalised and the poorest, such as the pastoralists and urban slum dwellers with whom Oxfam works in Kenya.

⁷⁰ Honduras PRSP

⁷¹ Paguaga, Vilma Honduras EFA co-ordinator, pers. comm. September 2003

⁷² The donors' compromise was to cover any costs that could not be met out of a country government's commitment to spend 20% of its budget on Education.

⁷³ Global campaign for Education Education for All Fast Track, The No-Progress Report (Sept.2003)

⁷⁴ The following are a selection: The Millennium Development Goals, Education For All, The Ten-Year United Nations Girls' Education Initiative, The Right to Education for Persons with Disabilities: Towards Inclusion, HIV/AIDS and Education

⁷⁵ ISODEC, pers comm.

⁷⁶ CDF Evaluation Secretariat *Evaluation of the Comprehensive Development Framework Ghana Case Study 2003*

⁷⁷ Yao Graham, Third World Network, Pers. comm. 2003

⁷⁸ Yao Graham, TWN Africa, Pers. comm. 2003

⁷⁹ Melkert, World Bank, 2003, personal communication

⁸⁰ Danse, Sam Oxfam GB Ghana, pers. comm.

⁸¹ ISODEC *Worsening the Woes: The Role of Donors in Education 2002*

⁸² CDF Evaluation Secretariat *Evaluation of the Comprehensive Development Framework Ghana Case Study 2003*

⁸³ Petersen, NGO Forum of Cambodia, pers comm.

⁸⁴ Petersen, NGO Forum of Cambodia, pers comm.

⁸⁵ Hyun, Oxfam America in Cambodia, pers.comm.

⁸⁶ Chitanava, PRSP Watchers Network, pers. comm.

⁸⁷ Kochladze, Green Alternative, pers. comm.

⁸⁸ Kochladze, Green Alternative, pers. comm.

⁸⁹ IMF, Staff Report First Review Georgia PRGF, 2001

⁹⁰ Lynn, 2001, letter to the chairman of parliament, quoted in Green Alternative and Friends of the Earth International *Decade of Independence- Effects of Economic Liberalisation in Georgia 2003*

⁹¹ Popkhadze, Georgian Young Lawyers Association, *Monitoring of the Georgian Education System 01 01 2003-30 09 2003*

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