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## **G-24 Discussion Paper Series**

# **The World Bank's Poverty Reduction Strategy Paper Approach: Good Marketing or Good Policy?**

**Jim Levinsohn**

*No. 21, April 2003*

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TRADE AND DEVELOPMENT**

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***G-24 Discussion Paper Series***

**Research papers for the Intergovernmental Group of Twenty-Four  
on International Monetary Affairs**



**UNITED NATIONS**  
New York and Geneva, April 2003

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UNCTAD/GDS/MDPB/G24/2003/2

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UNITED NATIONS PUBLICATION

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## PREFACE

The *G-24 Discussion Paper Series* is a collection of research papers prepared under the UNCTAD Project of Technical Support to the Intergovernmental Group of Twenty-Four on International Monetary Affairs (G-24). The G-24 was established in 1971 with a view to increasing the analytical capacity and the negotiating strength of the developing countries in discussions and negotiations in the international financial institutions. The G-24 is the only formal developing-country grouping within the IMF and the World Bank. Its meetings are open to all developing countries.

The G-24 Project, which is administered by UNCTAD's Macroeconomic and Development Policies Branch, aims at enhancing the understanding of policy makers in developing countries of the complex issues in the international monetary and financial system, and at raising awareness outside developing countries of the need to introduce a development dimension into the discussion of international financial and institutional reform.

The research carried out under the project is coordinated by Professor Dani Rodrik, John F. Kennedy School of Government, Harvard University. The research papers are discussed among experts and policy makers at the meetings of the G-24 Technical Group, and provide inputs to the meetings of the G-24 Ministers and Deputies in their preparations for negotiations and discussions in the framework of the IMF's International Monetary and Financial Committee (formerly Interim Committee) and the Joint IMF/IBRD Development Committee, as well as in other forums. Previously, the research papers for the G-24 were published by UNCTAD in the collection *International Monetary and Financial Issues for the 1990s*. Between 1992 and 1999 more than 80 papers were published in 11 volumes of this collection, covering a wide range of monetary and financial issues of major interest to developing countries. Since the beginning of 2000 the studies are published jointly by UNCTAD and the Center for International Development at Harvard University in the *G-24 Discussion Paper Series*.

The Project of Technical Support to the G-24 receives generous financial support from the International Development Research Centre of Canada and the Government of Denmark, as well as contributions from the countries participating in the meetings of the G-24.

**THE WORLD BANK'S POVERTY REDUCTION  
STRATEGY PAPER APPROACH: GOOD  
MARKETING OR GOOD POLICY?**

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**G-24 Discussion Paper No. 21**

April 2003

## *Abstract*

*In 1999, the World Bank and the International Monetary Fund adopted a new set of processes to guide lending to some of the world's poorest countries. This set of processes is known as the Poverty Reduction Strategy Paper (PRSP) approach.*

*This study reviews the PRSP approach. The study begins with a primer of just what the PRSP approach is. In what ways does it represent a change in practices and in what ways is it a codification of business-as-usual? The paper then reviews the recent "mid-term" evaluations of the PRSP approach conducted both internally by the Bank and Fund as well as by external organizations. It is argued that neither the internal nor external reviews are asking the really hard questions. To really evaluate the PRSP approach, it is necessary to compare outcomes to what would have happened but for the PRSP's implementation. That means evaluating the marginal impact of the approach. Knowing whether the PRSP process is really addressing the concerns of the poor means being able to identify the poor, measure changes in their well-being, and then analyse whether these changes are in fact due to changes in policy resulting from the PRSP approach.*

## *Table of contents*

<i>Preface</i> .....	<i>iii</i>
<i>Abstract</i> .....	<i>vii</i>
<b>I. Introduction</b> .....	<b>1</b>
<b>II. The PRSP process</b> .....	<b>2</b>
A. How the process is supposed to work .....	2
B. What should be in a PRSP? .....	4
<b>III. Evaluation from inside</b> .....	<b>6</b>
<b>IV. Evaluation from outside</b> .....	<b>8</b>
<b>V. Yet another review</b> .....	<b>9</b>
<i>Notes</i> .....	13
<i>References</i> .....	14

# THE WORLD BANK'S POVERTY REDUCTION STRATEGY PAPER APPROACH: GOOD MARKETING OR GOOD POLICY?\*

**Jim Levinsohn**

## **I. Introduction**

In 1999, the World Bank and the International Monetary Fund (IMF) adopted a new set of processes to guide lending to some of the world's poorest countries. Amid the blizzard of acronyms explaining the new process,<sup>1</sup> the Bank and the Fund laid out a process that very poor countries would need to follow if they wished to make use of various concessionary lending facilities. About two and a half years later, in the spring of 2002, the Bank and the Fund concluded a review of this new process. Contributors to this review included dozens of non-governmental organizations (NGOs) as well as the Bank and the Fund themselves. The Bank and the Fund, while acknowledging that the process could be improved, concluded that it worked pretty well based on the preliminary evidence so far available. The NGOs were, on the whole, less enthusiastic.

Neither the Bank nor the outside commentators are asking the hard questions. The right question to ask is the following: Relative to what

would have happened absent the adoption of the Poverty Reduction Strategy Paper (PRSP) process, has the implementation of the PRSP process yielded benefits that exceed its considerable administrative costs?

Instead of tackling this difficult question, the Bank and the Fund have basically evaluated the PRSP process noting that some potentially replicable good practices have emerged and that the inclusivity that the PRSP process promotes is helpful. In particular, the process is better than one that ignores the poor, never solicits outside opinion, imposes solutions with no reference to the particulars of the recipient country, and is derived with no consultation with the recipient country. Compared to this picture of international lending hell, the PRSP process fares quite well indeed. Many of the NGOs, on the other hand seem to be evaluating not the PRSP process, but rather seem to be asking the grand question of whether the Bank has achieved its stated mission of "A world without poverty". By this metric, the process falls rather short.

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\* This paper was prepared with financial support of the International Development Research Centre (IDRC) of Canada.



Before trying to answer whether the PRSP process has been a good thing, this paper first reviews just what this process is supposed to be. It goes on to examine some of the existing reviews of the PRSP approach, tries to explain why these tend to fall short of their goal, and finally tries to answer the question formulated above. The conclusion is that the PRSP approach is full of good ideas. At the end of the day, though, knowing whether the PRSP process is addressing the concerns of the poor means being able to identify the poor and measure changes in their well-being. This is hard enough, but to really answer the question at hand, one also needs to examine whether the changes in the welfare of the poor are in fact due to changes in policy resulting from the PRSP approach. This is a very tall order to fill. In a surprisingly large number of countries, though, it is, at least in principle, doable. (In others, the data simply do not and for the foreseeable future will not exist.) The first round of reviews of the PRSP approach have been dominated by precious little careful quantitative analysis and, instead, a lot of stories, but they are not the way to guide policy. Future reviews of the PRSP process, from all sides, should honestly confront the difficult task of determining the marginal impact of the PRSP approach and refrain from making conclusions based on pre-existing notions of whether the process is or is not working.

## II. The PRSP process<sup>2</sup>

Poverty reduction strategy papers are not a trivial bureaucratic hoop through which countries have to jump. Rather, they comprise major effort. How did it come to pass that countries from Albania to Zambia have, in the last couple years, written papers averaging around a hundred pages or so on how these countries plan to reduce poverty?

### A. *How the process is supposed to work*

At their September 1999 annual meetings, the Bank and Fund lined up behind a proposal that “country-owned” poverty reduction strategies should form the basis for all Bank and Fund concessional lending. These strategies would take

the form of papers called Poverty Reduction Strategy Papers. Hence was born the PRSP process. The process was essentially a way to implement a set of principles the Bank had earlier adopted. These principles were called the Comprehensive Development Framework. The relationship between the Comprehensive Development Framework and the PRSP process is confusing,<sup>3</sup> but it is probably appropriate to think of the Framework as the destination and the PRSP as the route selected.

In time, the plan is that every country receiving what is called HIPC (highly indebted poor country) relief and all countries making use of the IMF’s Poverty Reduction and Growth Facility will need to author a PRSP that must then be approved by the boards of the Bank and Fund.<sup>4</sup> The expectation is that eventually about 70 low-income countries will be expected to prepare PRSPs. Clearly, the process is going to be pervasive and will not be restricted to only the most troubled or very poorest economies.

The Bank and Fund have gone to some pains to emphasize that there is not a single template for a PRSP. Rather, each nation’s PRSP is expected to follow the following five principles:<sup>5</sup>

In the language of the PRSP Sourcebook of April 2001, PRSPs should be:

- country-driven and owned, based on broad based participatory processes for formulation, implementation and outcome-based monitoring;
- results-oriented, focusing on outcomes that would benefit the poor;
- comprehensive in scope, recognizing the multidimensional nature of the causes of poverty and measures to attack it;
- partnership-oriented, providing a basis for the active, coordinated participation of development partners (bilateral, multilateral, non-governmental) in supporting country strategies;
- based on a medium and long term perspective for poverty reduction, recognizing that sustained poverty reduction cannot be achieved overnight.

In order to focus attention on the marginal changes brought about by the PRSP process, it is worth considering which of the above represent a change from the Bank's and Fund's usual way of doing business. This is an analysis of intent, not necessarily an analysis of outcomes.

*Point 1:* The notion that a country's plan of action should come first and foremost from the recipient country and not from the Bank and Fund is a fine idea and is, if not new, at least more prominently displayed than it has been in the past. It takes a bit more reading before one notes that these plans have to be approved reasonably enough by the boards of the Bank and Fund. In the end, the plan is going to be a collaborative effort between the poor country and the Bank and Fund. Under the PRSP process, it is now clear that the first hand played is that of the country and the lending agencies can then respond. One of the real changes that is highlighted in this first principle is the inclusion of all the groups that comprise "broad based participatory processes". The phrase "country ownership" has come to mean more than just that the Finance Ministry has to sign off on the plan. Rather, it is expected that country ownership will come about through:<sup>6</sup>

- The participation of many ministries, parliament, and provincial or state governments.
- The inclusion of other "stakeholder groups". This list includes "civil society groups, women's groups, ethnic minorities, policy research institutes and academics, private sector, trade unions, and representatives from different regions of the country".
- The participation of other external aid providers.
- The inclusion of "mechanisms used to consult the poor and their representatives".

Some of these really are changes from the usual way of doing business. In particular, the explicit inclusion of multiple branches and layers of government and the inclusion of civil society groups are new ways of trying to do business. Readers from developed countries that tend to have less geographic and ethnic divisions, better communication infrastructure, and more established governmental institutions can judge for

themselves how easy it would be to get the above list of stakeholder groups to agree on a strategy to alleviate poverty in their own country. Still, in principle, it sounds like a good idea to at least ask for everyone's involvement. The efficacy of this strategy in practice is discussed below. The explicit inclusion of the poor in the consultative process is a new thing. How this is actually done is again tricky, and whether it is effective is again a separate matter that is discussed below. Finally, the idea the first draft of the document that will guide economic policy (which is now the PRSP) be initially drafted by the recipient country and not the Bank or Fund is also a change from how these matters often unfolded in the past.

*Point 2:* The focus on a "results-oriented" process is hopefully not new. It is clear what the alternative is, but few seem to have advocated a process-oriented strategy without reference to results prior to 1999. On the other hand, the focus on how the results impact the poor is a marginal (in the positive sense) change in emphasis if not content. This is a very good idea in principle. In practice it is often hard to analyse in a rigorous way the distributional impact of government expenditures and other policies, but the intent is right on target. There is a danger that the parties involved will shy away from the difficult question of just how a policy impacts the poor and instead take the much easier route of suggesting that any policy that promotes economic growth is good for the poor since in general growth is good for the poor. This point, too, is discussed below in the evaluation of the PRSP process.

*Point 3:* The PRSP process should acknowledge the many dimensions of poverty. One way in which Bank thinking about poverty today really does seem different than that of ten or twenty years ago is an increased emphasis on dimensions of poverty beyond income-based measures. Point 3, then, does seem like a change in Bank/Fund policy. As will be argued below that this change is not always for the better and that there are some pretty good reasons for sticking with income (or consumption) based measures of poverty. Still, it is a change.

*Point 4:* The PRSP process should include participation by other aid providers, or, to use the language of the PRSP Sourcebook, "development partners". The idea here is that the PRSP process

should be such that all the aid providers come together to support the poverty reduction plan. Because the plan is, in principle, the work of the country and not the Bank, this means aid providers should be supporting the country's own plan. This seems ingenious. Because at the end of the day the Bank and Fund have to approve the PRSP, this point could appear to be a strategy for getting other aid providers to buy into a Bank/Fund development strategy. But if the PRSP strategy is a good one and if this results in other aid givers also focusing on the poor, this is a laudable goal. Whether this point represents a marginal change is unclear. The fact that PRSPs need Bank/Fund approval still gives the Bank and Fund the final say on the policy environment required to obtain concessional lending. This has been and continues to be the case. Whether the Bank and Fund have in the past tried to get other bilateral, multi-lateral, and non-governmental parties to support the Bank and Fund's policy prescriptions varies by instance.

*Point 5:* The last point is a concession to reality. Because poverty reduction is a long term process, the PRSPs should adopt a medium- and long-term perspective. This does not seem to represent much of a change from the past.

These are the goals of the PRSP process. Devising the plan to implement these goals has proven to be a time consuming task. Because the PRSPs are "country-owned", the burden falls on the country to develop the plans. This is a cost to the country as it can easily take about two years to develop a PRSP and in many of the very poorest countries, there is not a surplus of qualified talent to draft a good PRSP. Still, the alternative is for the Bank and Fund to develop the PRSP itself. A middle ground, and one which has in practice been adopted in several countries, is for the Bank and Fund to provide assistance when needed but to leave the main responsibility for writing the plan in the hands of the country.

The above discussion was focused on how the process is supposed to work. In the following will be discussed the sort of content that a PRSP is supposed to include. The next section will evaluate how well the PRSP process has worked.

## B. What should be in a PRSP?

A good PRSP should lay out a plan to reduce poverty and increase sustainable economic growth. Of course, if this was easy, the Bank with its thousands of PhD.-trained professionals and billions of dollars of resources would probably have solved the issue some time ago. Still, it is important to specify the goals of the PRSP. The PRSP Sourcebook focuses on four key topics that a good PRSP should address. These are:<sup>7</sup>

- Macro and structural policies to support sustainable growth in which the poor countries participate;
- How to improve governance – including public sector financial management;
- Appropriate sectoral policies and programmes; and
- Realistic costing and appropriate levels of funding for the major programmes.

The guidelines outlining what countries should include in their PRSPs also highlight the importance of prioritizing. Finally, there is mention of the need to discuss "appropriate sequencing" of policy actions. This last point is an especially important and too frequently ignored missive. In the critical analysis in the last section, the importance of the sequence of policy actions (which may be very different than the priority of policy actions) is discussed. Each of the above four areas of content certainly belong in a PRSP. Indeed, given this list, it is not clear what area of development-related government policy does not belong. Each area is discussed in turn.

The first area speaks to the importance of macroeconomic policy as well as regulatory policy. The macroeconomic focus results from the belief (which is empirically well-founded) that macroeconomic growth is good for the poor. This part of the PRSP is intended to address some of the concerns that have traditionally been in the IMF's domain – for example, inflation and exchange rate policy. Alas, while the evidence strongly supports the idea that growth is good for the poor, the record on just what promotes economic growth is much less clear. The PRSP

Sourcebook is apparently less ambivalent as to what makes an economy grow or not. For example, explicit mention is made of constraints on growth such as exchange rate controls (tell that to Malaysia), and trade barriers (someone inform China).<sup>8</sup> Specific mention is also made of labour market policy as well as other regulatory and market controls. The broad prescription seems to be one in which macroeconomic reform should be planned out according to the mostly-standard Fund prescriptions, but with concern to how the policies will impact the poor. There is specific mention of the possible need “to strengthen social safety net programs prior to embarking on the reform program”. This is right, but many and probably most of the countries writing PRSPs don’t have much in the way of social safety nets to start with. To ask a country like Mauritania or Burkina Faso to be sure to implement policies (that is, expend funds) to protect the poor from the adverse impacts of contractionary monetary policy while keeping an eye on the government budget deficit is a mighty tall order to fill.

The discussion of labour market policy is also ambitious. The PRSP should address issues such as “minimum wages; payroll taxes; rules governing hiring/firing of workers; labour standards” and other labour market regulations and how these regulations impact the poor. Doing this for a country like the United States for which there is an astounding wealth of high quality labour market panel data would be a real contribution to the state of the art of economic policy analysis. Doing this in a convincing way for Chad (which acknowledges in their interim PRSP that they don’t have a lot in the way of data) is inspirational in its ambition.

Overall, some parts of the discussion of the macroeconomic content of PRSPs strike me as extraordinarily hopeful. It might seem like there is little downside to asking for countries to at least try to address these important macroeconomic concerns and the linkage of these concerns to poverty. That might be right, but an alternative view is that when one asks for a policy plan for which there is no hope of careful analytic support, one just gets platitudes and, if the country is gaming the situation, a discussion of what the country thinks the Bank and Fund want to hear.

The second area of content for PRSPs is a plan to improve governance. The inclusion of this

area in the PRSP process speaks to the growing awareness that the quality of institutions matter for economic progress. There is little doubt what the Bank and Fund are looking for here. The countries are expected to address issues such as the accountability and transparency of governmental expenditures as well as issues regarding the non-functionality (in some cases) of civil service. The Bank and Fund documentation regarding the link between this aspect of the PRSP and poverty is the somewhat nuanced, but the basic idea is straightforward and seemingly correct. If the government is corrupt, the poor are going to have less influence on government policy and more difficult access to government services for the simple reason that they are less able to afford the access and services.

The third area that the PRSP should address is the selection of “appropriate sectoral policies and programs”. The PRSP Sourcebook includes chapters on several specific policy areas. These include education, health, environment, mining, and “social protection”, among others. Although suggested policy prescriptions will differ by country and by sector of policy, the general approach suggested for PRSPs is that countries ascertain what makes poor households poor and use policies to mitigate the resulting poverty. There seem to be two broad approaches. First, countries should examine the roles that lack of access to health care, education, credit, sanitation, and the like play in determining poverty. Countries should then direct policy appropriately while minding their budget constraints. The PRSP Sourcebook makes clear that “policy and program priorities will not be implemented unless countries ensure that they can afford the public expenditures they plan”. Second, countries should analyse the distributional impact of the expenditures they plan to make. These distributional impacts can vary by geographic region, income group, gender, and religious or tribal group. The PRSP guidelines make clear that countries should analyse these distributional impacts of proposed policies. Furthermore, the prioritization and sequencing of the different policy options should take into account the impact on the poor. While these are also tall orders to fill, economists know how to undertake these tasks if the data permit. Conversely, the data requirements are not trivial and requiring information on the distributional impact of policies when the data to fulfil this request does not now exist and will not exist



in the foreseeable future encourages hollow and unsubstantiated claims that probably sound really good on paper.

The last area that the PRSPs should address is just how much all the grand plans are going to cost and to essentially propose a budget. This requirement of the PRSP ties in closely with the first requirement, macroeconomic stability. The budgetary implications for the PRSPs need to take account of the possibility of shifting existing expenditures, raising new government revenues, and external assistance. Because the Bank and Fund are the ones approving (or not) the PRSP, they are presumably best able to judge the reasonableness of the likelihood of external assistance. The request for realistic budget information is both necessary and appropriate.

The remainder of this paper is devoted to trying to analyse the effectiveness of the PRSP process. That is, how well has it worked and what lessons are emerging after about two and a half years experience? The simple volume of work product stemming from the PRSP process is overwhelming. There are tens of thousands of pages of PRSPs, interim PRSPs, Bank and Fund joint staff assessments of the PRSPs, progress reports, status reports, policy papers, and notes to guide Bank and Fund staff as well as the PRSP Sourcebook to guide nations as they prepare PRSPs. Even if one restricted one's attention to, say, just the PRSPs (final and interim) themselves, there are about four dozen countries with quite varying experiences. Here, we will begin by evaluating the existing evaluations by taking a critical look at what those inside the process (the Bank and Fund) and those outside the process (mostly NGOs) think of the PRSP approach.

### III. Evaluation from inside

In the summer of 2001, the Bank and Fund undertook an extensive review of the PRSP process. That review was completed in March 2002 and the results of the review, in keeping with the spirit of inclusion, are available on the web.<sup>9</sup> The Bank and Fund findings are presented in both an executive summary and a lengthy detailed report. The summary of this internal review is taken from the "Review of the Poverty Reduction Strategy

Paper (PRSP) Approach: Early Experience with Interim PRSPs and Full PRSPs", dated 26 March 2002.<sup>10</sup>

There are two broad approaches one can take in evaluating the PRSP approach. The first is to examine the multitude of experiences and then highlight best practices. The second is to step back and ask if the process is working and, relative to what probably would have happened anyway, whether the process is truly beneficial to the poor. It's possible to do the former and never really tackle the latter. The Bank and Fund internal review illustrates the point. Highlighting best practices is, for sure, useful. Over time, dozens of countries will move from their interim PRSPs to preparing the real thing. Learning from the experiences of those who have come before makes perfect sense. But this is not the same as asking whether the entire approach is working. This criticism of the internal review, though, is admittedly too harsh. The internal review takes the stance that it is simply too early to know if the process is impacting poverty. Instead, since many countries are in the process of either writing interim PRSPs or moving from the interim to full PRSP, it is more useful to simply highlight best practices.<sup>11</sup> It is probably too early to make firm judgments on how the process is impacting poverty. It is not, though, too early to ask whether we'll *ever* be able to answer this question. The Bank and Fund are optimistic as they predict that a "rich information base should be available from a range of countries during the next three years to allow these questions (concerning poverty outcomes) to be posed more precisely". The more cautious conclusion is that time-series data on income or expenditure-based poverty outcomes is currently scarce in most countries writing PRSPs. Countries are being urged to collect the needed data, but it remains to be seen whether this will in fact happen. While some data on things like primary school completion rates and changes in government expenditure patterns are likely to be available, data on changes in poverty outcomes over time are less available.

The internal review of what's happened so far, though, focuses on highlighting best practices. (There are dozens of these and countries that are preparing interim or full PRSPs would be well advised to review the entire Bank and Fund review.)

Those countries that have completed full PRSPs have often built upon existing data and analyses as well as on prior strategies. That is, many of the countries that did full PRSPs already had poverty reduction programmes in the works before the PRSP process was announced. One of the countries often mentioned as doing a pretty good job is Uganda. Uganda, though, put together their "Poverty Eradication Action Plan" in 1997 so they were ready to go when the PRSP approach was announced in 1999. This speaks to the marginal impact of the PRSP approach. In the case of Uganda, much of what showed up in their PRSP was going to happen anyway. The organization of the plan and perhaps the increased emphasis on inclusivity were impacted by the PRSP process, but the overall plan was already well under way. Similarly, in Mozambique, the PRSP built upon the government's 1999 poverty reduction plans. In Mauritania and Burkina Faso, the governments set up plans to attack poverty in 1998, while Bolivia did so in 1997 and Honduras and Nicaragua put together anti-poverty strategies following Hurricane Mitch in 1999. Hence, if one were to look only at those countries that either have already or have almost completed full PRSPs, many are articulating plans that pre-dated the PRSP approach. In these cases, the marginal impact of the PRSP approach is diminished.

The Bank and Fund internal review does suggest that the PRSP approach has yielded some changes in process. These include:

- (i) PRSPs have led to wider governmental involvement. Before the PRSP process, it was common for Bank and Fund borrowing issues to be handled almost entirely by the finance ministry. The new process has led to ministerial-level involvement by several ministries. It remains the case that the "core" ministries (for example, planning or finance) are more involved than sectoral ministries, but the change is in the right direction.
- (ii) PRSPs have led to greater involvement by civil society organizations. These organizations frequently did not have an opportunity to offer meaningful input prior to the PRSP approach. This is a two-edged sword. On the positive side, it means that more segments of society have an opportunity to weigh in with opinions and concerns. On the negative side, the additional participation tends to "compound rather than resolve the problem of prioritization".<sup>12</sup>
- (iii) The PRSP approach has highlighted the need for decent data if one is going to implement careful poverty diagnostics. The internal review notes that the PRSP process has "been marked by useful steps toward better poverty data and diagnostics". So far, every one of the completed full PRSPs has drawn upon "nationally representative household surveys from which income/consumption poverty estimates were derived". While some of these surveys were almost a decade out of date, it is nonetheless impressive that all the countries even had a national household income/consumption survey on which to draw. There is a concern, though, that those countries that have completed their full PRSPs are not representative of poor countries in terms of data. Rather, those that had the necessary data were, not surprisingly, the first to get their PRSPs completed. It might seem overly obvious that careful poverty measurement and diagnostics will require a national-level household survey, but the point is an important one. Simply focusing attention on the need for this sort of data, all by itself, is a contribution of the PRSP process.
- (iv) Finally, the PRSP process has highlighted the importance of better understanding and analysing the distributional consequences of government expenditure. While issues such as efficient public administration, honest and transparent government expenditure systems, and the distributional aspects of revenue collection are mentioned in the PRSP approach, none of these are really new. An explicit focus on the distributional aspects of the expenditure side of the budget is, if not new, at least more prominent. This is a great idea, but the data requirements necessary to implement this analysis are substantial. Doing this analysis correctly and informatively means analysing who benefits from government expenditure. Good analysis probably requires more than just examining the fraction of the government budget that is devoted to, say, health and education (which is what is presented in the internal review.) By presenting "evidence" in their own report that

doesn't even come close to the level of care and detail that the PRSP Sourcebook suggests, the internal review sets a pretty bad example.

#### IV. Evaluation from outside

As befits an inclusive process, the review of the PRSP approach solicited opinions from those outside the Bank and Fund. In an admirable display of non-censorship, these reviews are on the PRSP review website. Most of the reviews submitted by non-governmental organizations (NGOs) do not focus on whether the poor are or are not benefiting under the PRSP approach. Rather, most of the NGO reviews focus on the NGOs. Many of these reviews, for example, ask whether the NGOs are having the sort of input to the process that the Bank and Fund seemed to be promising. (Equating input with perceived influence on output, their answer seems to be, "no".)

The occasional review, that does focus on poverty alleviation, concludes that poverty is not being alleviated. While this review was necessarily limited, it was not selective. There appears to be no NGO review that provided careful data analysis to back up its conclusions. Lack of data, though, didn't stop some NGOs from concluding that the PRSP approach was essentially a fraud. One of the most negative of the reviews was jointly submitted by "Jubilee South, Focus on the Global South, AWEAPON, and the Centor do Estudos Internacionais with the support of the World Council of Churches". Titled "The World Bank and the PRSP: Flawed Thinking and Failing Experiences", the review is mostly as advertised. The review concludes that "Fighting poverty becomes the newest justification for the aging prescriptions geared to increasing the overall opening of the "host country" to external economic actors and free market rules". While one can argue about whether open trade is good for poverty alleviation, this review makes no reference to any studies and cites precious little evidence of any sort in its broad-brushed conclusions. This review is a study in how not to do programme evaluation, but it's not a bad case study for Manifesto Writing 101.

Several of the NGO reviews make the case that the focus on income-based measures of pov-

erty is too narrow.<sup>13</sup> In an especially nicely explicated review, for example, the Catholic Relief Services noted that while income-based measures are necessary, they are not sufficient. "Too often, PRSPs fail to reflect a broader approach to poverty reduction that fully addresses dimensions related to security or empowerment as essential ingredients for poverty reduction".<sup>14</sup> This message is echoed by many groups. None, though, offer suggestions of how one might measure these other "ingredients" so as to be able to ascertain whether the PRSPs are actually addressing these dimensions of poverty.

Another message that permeates many of the NGO reviews is a sense of frustration that their input is not taken as seriously as, say, the input of the Bank and Fund. Some NGOs express the belief that while they are grateful for the opportunity to weigh in, their voice is not having much impact. While some NGOs remark that the PRSP approach has given civil society more room for input than the old process,<sup>15</sup> there seems to be a congruence of complaints that civil society is not having much impact when it comes to designing economic policy. In particular, NGOs often complain that they have little influence when it comes to planning macroeconomic structural adjustment and other poverty reducing economic policies. Catholic Relief Services wrote, in their review, that "Despite some positive and real openings for dialogue between government and civil society, there has been little noticeable impact on the content of the PRSPs". Save the Children UK wrote in their review, "The experience to date is that there seems to have been little difference between policies outlined in the I-PRSP, describing current arrangements under the IMF Poverty Reduction and Growth Facility and the final or draft PRSPs, supposedly written after a participatory process has taken place".<sup>16</sup> The European Network on Debt and Development (EURODAD) raised similar concerns.<sup>17</sup>

Taking as correct for the moment that civil society is not having much impact on the economic policy content of the PRSP approach, there are at least two explanations. First, it is possible that civil society is simply being allowed a voice at the table and, no matter what is said, civil society is preordained to be marginalized. Second, it might be that civil society is just not sufficiently well-trained to take on the tricky task of designing

well-targeted poverty reduction policies under the budget constraints that are a crucial part of the reality of poor countries' economic plight.

Some reviews are more nuanced than others, but the depressing message of many of the NGO reviews is that these organizations are woefully under-prepared when it comes to a careful evaluation of the PRSP approach or a convincing analysis of poverty dynamics or the distributional impact of government expenditures.<sup>18</sup> Many of the NGOs that offered well exposed critiques of the PRSP process do an amazing amount of good on the ground in poor countries. Examples include Oxfam, Save the Children, Catholic Relief Services, and World Vision. These organizations know how to run projects and, on a very personal level, enhance the quality of life of the world's poor. The knowledge gained in the field is invaluable, and these organizations contribute to the PRSP process by commenting on the PRSP approach. At the end of the day, though, they typically do not seem to have the capacity to offer compelling guidance when it comes to making economic policy and rigorously evaluating the distributional implications of that policy.<sup>19</sup>

The PRSP process has also been reviewed by other multilateral institutions. One of the most sensible reviews came from the Inter-American Development Bank (IDB.) The IDB noted that "Making PRSPs a condition for debt relief imposes a timetable that is technically and politically sub-optimal; it undermines the quality of the document and compromises the social marketing of its content".<sup>20</sup> The IDB pointed out that while asking for input from many is, in principle, a good idea, it has led to PRSPs that are essentially a "shopping list of problems".<sup>21</sup> The IDB also noted that the process itself is simply too time-consuming and too expensive. In an understated summary, the IDB suggested that "Perhaps, less time could be spent in preparing diagnoses and more time in designing appropriate responses to the country's most pressing problems".

## V. Yet another review

Both the process and the content of the PRSPs are especially sensitive to the plight of the very poor. This raises the question of why the Bank

and Fund have elected to highlight the link between their lending programmes and poverty in the late 1990s. Some of the answer is probably what a for-profit business would call marketing. A quick read of issues of the World Development Report of around 20 years ago turns up consistent references to poverty reduction, most usually in the context of rural development. While the World Bank did not have a website with the lead banner proclaiming "Our Dream is a World Free of Poverty" in 1982, at some level the Bank has been working on helping the poor in developing countries for decades. The advent of the inclusive PRSP process coincides with a heightened awareness of the Bank in civil (and sometimes not-so-civil) society. Recent anti-globalization demonstrations have put the Bank in the position of having to re-state and better market its mission. This is probably a good thing, especially if it can be done relatively costlessly. (Alas, the PRSP process is not costless, nor do the Bank and Fund incur all the costs.) The coincident timing of the adoption of the PRSP process and the Bank's need to better explain what it does lead some to wonder whether the PRSP process is but window dressing. That is, is the PRSP process simply good marketing? The answer is clearly "no".

While the PRSP approach with its emphasis on inclusion and focus on poverty alleviation is undoubtedly good marketing, it is not just marketing. There is content. Content alone, though, does not mean that the PRSP approach embodies real change. The right question to ask is whether the content is really different from what would have happened anyway. This concern speaks to the need to address the question posed at the outset, namely, what are the marginal costs and benefits of the PRSP programme. Especially because the more cynical observers may believe that the PRSP process is simply good marketing in response to the Bank's and Fund's increased visibility, it is important to keep the spotlight on the marginal changes imposed by the PRSP process.

This focus on marginal changes – changes relative to what would have happened anyway – matters because not all changes are marginal changes. As noted above, the Bank has focused on issues of rural development and the poor for decades. In the month before the Bank and Fund adopted the PRSP process outlined above, the same economists occupied the same offices<sup>22</sup>



around 19<sup>th</sup> Street in Washington, DC and, for the most part, they were thinking about the same things before and after the PRSP process was institutionalized. In order to address the claim that the PRSP process is more than good marketing, it is necessary to speak to the marginal net benefit of the process.

The inclusionary aspect of the PRSP approach, if not new, at least receives more prominent billing. The same can be said for the explicit focus on how outcomes are likely to impact the very poor. The increased attention given to definitions of poverty that extend beyond those measured by income or expenditure is new. Following from this, the increased use of qualitative or narrative approaches to poverty research is new. The notion that the lending country should initially draft the poverty alleviation plan is, in many cases, new. Claims that the PRSP process is simply a relabelling of the existing process just do not stand up to scrutiny. Not everything, though, is new. The emphasis on pro-growth macroeconomic policies, fiscal responsibility, and the importance of both good policy and good government have been around for a while.

Not all that is new is good. Some of the innovations embodied in the PRSP approach seem flawed in practice, and some of the flawed parts of previous approaches have survived. But some of the new elements are clearly improvements. In the following the weaknesses and strengths of the new approach will be discussed in greater detail. The strengths clearly outweigh the weaknesses.

The current PRSP approach does not place sufficient emphasis on the importance of policy sequencing and instead highlights the need to prioritize policy decisions. These are not one and the same and the distinction seems especially important when it comes to government spending and poverty alleviation. While sequencing is mentioned a couple times in the voluminous PRSP background material,<sup>23</sup> it is hardly highlighted. The PRSP approach forces the country to explicitly state how poverty is to be addressed. Adding an increased emphasis on the tricky issue of policy sequencing would be a good idea.

The PRSP process discusses the role of trade policy in poverty alleviation with too much assuredness. See, for example, the PRSP Sourcebook

chapter on trade policy.<sup>24</sup> While links between trade and poverty are nicely highlighted in background documents (cited but not well-represented in the Sourcebook) by Alan Winters, the trade policy guidance in the PRSP process doesn't adequately reflect the lack of evidence on the links between trade and poverty. While the focus on knowing what the poor consume and how they earn their livelihoods is right on target, the suggestion that more open trade is good for the poor is based more on faith than evidence. Although the PRSP documents are peppered with references to moulding the particulars of a poverty alleviation programme to the details of the country, the discussion of trade policy (as well as some of the macroeconomic prescriptions) seem to come from a one-size-fits-all mentality.

The PRSP process also stresses the need to hear from the poor so as to be able to better address their concerns. To a degree, this is a great idea, but when anecdotal and qualitative approaches begin to guide policy making, it's time to step back and re-evaluate. This approach is evidenced by the much-heralded "Voices of the Poor" project in the Bank.<sup>25</sup> (This project is not part of the PRSP programme but is clearly related.) The advantage of a project like this is that it gives a human face to an issue that might otherwise be obscured by facts and figures. That project also brings to the fore the sense of hopelessness that comes from simply not having a voice due to how poverty interacts with the politics of decision making at the village, provincial, and federal levels. That project also highlights gender-related aspects of poverty. It makes for engrossing and sad reading. This sort of work is a useful complement to more rigorous quantitative work, but it is not a substitute. The qualitative work suggests some alternatives to income- or expenditure-based measures of poverty. The problem with measures such as, for example, disenfranchisement or opportunities-based measures of poverty is that they are very hard to measure. If one cannot measure these aspects of poverty, it is hard to know whether these aspects of poverty are being alleviated. Absent data, it's all too easy for advocates or sceptics of one stance or another to simply assert the alleged effectiveness of their preferred poverty alleviation policies. While income- and expenditure-based measures of poverty have their drawbacks (they don't address the issue of voicelessness to the extent that it's unrelated to income or expendi-

ture), they also have their advantages. De-emphasizing these traditional measures seems a bad idea. Supplementing them with capabilities-related measures of poverty, many of which can be measured (e.g. health, education, nutrition, or even some self-reported measures of well-being) seems like a good idea. Adding to the mix metrics that cannot be measured is more problematic. It should be noted that the PRSP Sourcebook chapter on "Well-being measurement and analysis" does the job right. The focus there is solely on measurable poverty indicators.

There are many innovations in the PRSP approach that count as strengths. These include the inclusivity of the approach, the principle that the country (and not the Bank/Fund) initiate the first draft of the plan, and, most of all, the focus on the need for data to evaluate the effectiveness of the PRSP. Each are discussed in turn.

On the whole, the inclusivity of the PRSP approach is a good thing and a welcome change. This inclusivity extends to both civil society (that is the obvious part) but also to broader branches of government than just the finance and planning ministry (this part is less obvious.) It is the latter that will probably yield the greatest benefits. By at least trying to get multiple ministries and, in many cases, multiple levels of government involved in the development of a poverty reduction strategy, the likelihood of success of the resulting plans is enhanced. This seems to be one aspect of inclusivity that is working. The inclusivity of the PRSP approach is a double-edged sword. When everyone's input is requested, the list of issues to be addressed starts to look like a shopping list, and many of those weighing in on the process are ill-trained to do so. This has been discussed above in the section on the NGO reviews of the PRSP approach and won't be repeated here. The alternative is to proceed without soliciting the input of civil society, and this seems even more problematic. The uncomfortable truth is that the Bank/Fund and recipient government are still free to ignore what they perceive as bad advice. The problem arises when, for political reasons or otherwise, good ideas get equal billing with silly ones.

The PRSP process, in principle anyway, is structured so that the first draft of the poverty alleviation plan is written by the country and not the Bank or Fund. It doesn't always work this way

since in some countries, there just is not enough capacity. Still, when there is capacity, this ordering of matters is an improvement and, in the absence of capacity, the process is no worse than before. Here, it is too early to know whether this move to enfranchise the country is working. The idea is that by instilling a greater sense of ownership, the country will feel more committed to implementing the plan.

A common complaint about asking the country to initially draft the PRSP is that some countries simply don't have the capacity. While this is undoubtedly true, it is not a fair complaint. When the capacity is not there or is not forthcoming, experience suggests that the Bank/Fund teams will step in and assist. It is hard to see how this outcome is worse than the alternative in which the Bank/Fund teams initially draft all the plans for all the countries. The other alternative, conditional on not being able to magically create local capacity in an instant, is to not make the PRSP approach so demanding. It is true that a careful analysis of the distributional impact of myriad policies with an emphasis on quantitative analysis is difficult. But relaxing these requirements is a bad idea. Absent hard quantitative goals and metrics for success, it is too easy for the PRSP approach to be waylaid by political concerns with proclamations of success or failure motivated by dogma rather than evidence.

The focus on poverty as opposed to, say, broadly defined economic growth is so pervasive in the PRSP approach that it could almost go unmentioned. This focus is real, not just marketing and it permeates almost every aspect of the process. It's an obvious good idea. An implication of the focus on poverty is that it requires very detailed household-level (if not individual-level) data. Detailed data are required to identify the poor and even more data are required to identify transitions from or into poverty. These data are needed for several aspects of successful PRSP implementation. In particular:

- Data on household income or expenditure are needed to determine just who the poor are. These data are not as available as one might think. There are many examples of household surveys in which expenditure data is scarce and in which income data is either not reported, reported only in broad bands (which

makes identifying the very poor hard) or reported only incompletely. (For example, income from self-production is sometimes poorly reported as are transfers from non-resident household members.) These data are usefully supplemented with data on self-reported measures of well-being and other capabilities-based measures.

- Data on household expenditure are needed to determine how poor households might be impacted by various policy options that are part of PRSPs. For example, the PRSP Sourcebook notes that what a household consumes will impact how it is effected by trade policy. Similarly, consumption patterns will be important to the analysis of the distributional impact of price changes that might arise from shifts in food pricing policy or other tax-related policies. Expenditure data is generally more scarce than income data but they are going to be essential.
- Data on the household use of public services are needed to determine the distributional impact of government provided programmes and services. That is, to know whether, say, health clinics or clean running water investments will help the very poor, one requires data on the poor of these services by the poor.
- Data on the income sources of the very poor are needed to ascertain how the employment effects of various macroeconomic policy options are likely to impact the very poor. This means knowing more than just a household's income, and instead knowing the source(s) of that income, often by sector of employment.

All of the above are data needed to establish baseline estimates of poverty and its correlates. To really evaluate the impact of the PRSP policies, one needs either repeated cross-sectional data on the above items or, ideally, panel data. In most developing countries, the former are more available than the latter. Nationally representative panel surveys are pretty rare. Cross-sectional surveys (often annual) are more available but by no means common. Absent panel data, it is going to be impossible to investigate transitions into or out of poverty. Questions about whether the poor are a stable population or are comprised of different households moving into and out of poverty remain unanswerable without panel data.

The PRSP documentation is admirably upfront about the need for good household data if one is going to be able to identify the poor and monitor changes in their (individual or collective) welfare. There are myriad references to the necessity of using and, in many cases, collecting household-level data. This is exactly the right way to focus the evaluation of the PRSP plans. By focusing on poverty, which occurs at the level of the household or individual and not at the level of the nation, the PRSP approach redirects attention to micro-data and away from macroeconomic data. This is a good thing. Micro-data are required for most poverty-related policy analysis and with the Bank and Fund arguing for its collection, it is more likely that such data might be collected.

If there were very little micro-data available, one might wonder whether the PRSP approach could be evaluated, but the World Bank appears to have access to a much larger amount of data than one would expect.<sup>26</sup> On a helpful web page titled "Household Surveys for Poverty Monitoring",<sup>27</sup> the Bank notes that fully 97 per cent of the population of low and middle income countries are covered by at least one survey with data on consumption and/or income as of the year 2000. Furthermore, the comparable figure is 86 per cent for those covered by comparable data for at least two points in time. In Africa, where some of the poorest countries are, 93 per cent of the population is covered by at least one survey measuring income and/or consumption while 51 per cent are covered by comparable data for at least two points in time. These are hopeful figures. They suggest that it is, in practice as well as in principle, possible to evaluate the efficacy of the PRSP approach over time.

In order to conduct the evaluation of the approach, it will be necessary to continue to collect household survey data and not just rely on the existing stock of data.

This is acknowledged in the PRSP documentation and assuming it happens, this is a nice side benefit of the approach.<sup>28</sup>

In the Bank's and Fund's common review of the PRSP programme, they noted that it was too early to examine whether the approach was working. That is why they instead focused on best practices. The quantitative evaluation that was pre-

sented was minimal and did not really address the issue of how changes in government spending were impacting poverty-related outcomes. The NGO reviews did not contain even bad quantitative analysis. At the end of the day, there seem to be no evaluations of a particular PRSP programme that really examine the effectiveness of the programme at the level of detail that the programme recommends.

Just as it is useful to highlight best practices so that other countries can gain from the experiences of the first completed PRSPs, it would be very helpful if the Bank and Fund or an NGO could provide one, just one, careful, detailed, and rigorous analysis of a PRSP programme. Such an analysis would identify the poor and note the usefulness (or not) of expansive definitions of poverty relative to more narrow ones. The analysis would look carefully at how the poor spend their incomes and from whence the incomes come. The analysis would examine the distributional consequences of government spending and would try to distinguish between marginal changes in policy and expenditures or programmes that would have happened anyway. Ideally, this analysis would be based on multiple waves of a household survey. The results would of course be preliminary. Still, providing an example of how it is done would be a helpful addition to an ambitious and, on the whole, admirable programme. The Bank and Fund have the expertise and resources to conduct such an analysis, have access to the necessary data, and presumably know what constitutes a convincing analysis of a PRSP programme since, after all, they wrote the Sourcebook.

## Notes

- 1 For example, the overview of the new programme, summarized in about one page and available at [www.worldbank.org/poverty/strategies/overview.htm](http://www.worldbank.org/poverty/strategies/overview.htm), refers to the CAS, CDF, HIPC, I-PRSP, JSA, PRGF, PRSC and PRSP.
- 2 Much of this section is drawn from material on the World Bank's PRSP website. This website, devoted to the PRSP process, is a tremendous resource. There, one can find links to all the original PRSP reports, the interim reports, the evaluation of these reports, the many contributed papers evaluating the PRSP, and hundreds of related links. The address is: [www.worldbank.org/poverty/strategies/index.htm](http://www.worldbank.org/poverty/strategies/index.htm).
- 3 The Bank has provided the following incomprehensible diagram to explain the relationship between the Comprehensive Development Framework and the PRSP process: [www.worldbank.org/cdf/cdfprsplink.pdf](http://www.worldbank.org/cdf/cdfprsplink.pdf). Some help in figuring all this out is found at: [www.worldbank.org/cdf/overview.htm](http://www.worldbank.org/cdf/overview.htm).
- 4 Countries can still obtain concessional lending before their PRSP is complete and one way to do this is to prepare what is called an Interim PRSP (I-PRSP). This is basically like a PRSP but much shorter, less detailed, and easier to prepare. It's not too wrong to think of it as a draft mini-PRSP.
- 5 In some documents, there are five key principles, in some there are six or seven, but in substance all the lists are quite similar. To the Bank's and Fund's credit, there is a very clear set of expectations associated with what the PRSPs are supposed to accomplish. The PRSP Sourcebook draft of April 2001 is available at [www.worldbank.org/poverty/strategies/sourctoc.htm](http://www.worldbank.org/poverty/strategies/sourctoc.htm).
- 6 See page 6 of the Overview chapter of the PRSP Sourcebook, April 2001 draft for public comments.
- 7 Taken verbatim from the PRSP Sourcebook, page 17 over the "Overview" section.
- 8 The PRSP Sourcebook makes explicit reference to the well-publicized findings of Dollar and Kraay and their contention that open trade regimes promote growth which alleviates poverty. No mention is made of the careful and fairly devastating critique of that work.
- 9 The review has its own homepage: [www.worldbank.org/poverty/strategies/review/](http://www.worldbank.org/poverty/strategies/review/).
- 10 The 103 page review is downloadable at: [www.worldbank.org/poverty/strategies/review/earlyexp.pdf](http://www.worldbank.org/poverty/strategies/review/earlyexp.pdf).
- 11 In 2005, another review of the PRSP approach is scheduled and in the 2002 review, it is noted that the next review will need to "examine changes in poverty outcomes".
- 12 See paragraph 42 of the internal Bank and Fund review, cited above.
- 13 The same would apply to expenditure-based measures. While economists tend to differentiate between the two and prefer expenditure-based measures since they are more resilient to transient shocks, the complaints about income-based measures seem to apply to expenditure-based measures too.
- 14 "Review of the Poverty Reduction Strategy Paper Initiative", December 2001, Catholic Relief Services, page 12. Available at: [www.worldbank.org/poverty/strategies/review/crs1.pdf](http://www.worldbank.org/poverty/strategies/review/crs1.pdf).
- 15 For example, Catholic Relief Services note that in Honduras, Bolivia, and to some extent in Zambia, civil society groups had voices in the PRSP that they had not had prior to the PRSP approach.
- 16 This review is available at: [www.worldbank.org/poverty/strategies/review/scuk1.pdf](http://www.worldbank.org/poverty/strategies/review/scuk1.pdf).
- 17 Their report is available at: [www.worldbank.org/poverty/strategies/review/eurodad1a.pdf](http://www.worldbank.org/poverty/strategies/review/eurodad1a.pdf) and [www.worldbank.org/poverty/strategies/review/eurodad1b.pdf](http://www.worldbank.org/poverty/strategies/review/eurodad1b.pdf).
- 18 A synopsis of dozens of the submitted reviews of the PRSP process by organizations and, in some cases, individuals, is found at: [//www.worldbank.org/poverty/strategies/review/imfio1.pdf](http://www.worldbank.org/poverty/strategies/review/imfio1.pdf). Some are quite good (e.g. Oxfam) and some are quite not-so-good (e.g. African Citizens Development Foundation). The Lagos-based group concluded that the root cause of all poverty in Africa is corruption.).
- 19 With huge budgets and hundreds if not thousands of development specialists including some of the best poverty



researchers in the world, the Bank/Fund group brings tremendous expertise to the table. It's just not realistic to expect NGOs to be able to employ similar expertise. This is not to say that the Bank/Fund is always right and the NGOs never so. Hardly. But it is intended to point out the reality that there are vastly different levels of expertise at the NGOs when it comes to policy analysis.

- 20 Several NGOs also made this point. A more subtle question is whether, conditional on the requirement that a PRSP or IPRSP be completed to obtain concessional lending, is it perhaps good public policy to rush the completion of the document in order to get the needed funds to then move forward with the real business of poverty alleviation and economic growth.
- 21 The IDB review is available at: <http://www.worldbank.org/poverty/strategies/review/imfio1.pdf>.
- 22 Well, maybe not the same offices given the Bank's and Fund's propensity to constantly "re-organize", but the idea still stands.
- 23 See, for example, the brief discussion of sequencing in the "Overview" chapter of the PRSP Sourcebook, page 18.
- 24 This is available online, like all the chapters. The overview of the trade chapter is at: [www.worldbank.org/poverty/strategies/chapters/trade/trade.htm](http://www.worldbank.org/poverty/strategies/chapters/trade/trade.htm) The entire chapter is available at: [www.worldbank.org/poverty/strategies/chapters/trade/trad0613.pdf](http://www.worldbank.org/poverty/strategies/chapters/trade/trad0613.pdf).
- 25 This project has its own web page. The address is: [www.worldbank.org/poverty/voices/index.htm](http://www.worldbank.org/poverty/voices/index.htm).
- 26 While much of the data is probably of questionable quality and much of it is not publicly accessible, the list of household surveys that exist, many of which are less than 10 years old, is surprisingly extensive.
- 27 See [www.worldbank.org/poverty/data/index.htm](http://www.worldbank.org/poverty/data/index.htm) and [www.worldbank.org/poverty/data/census/part2.htm](http://www.worldbank.org/poverty/data/census/part2.htm) #Findings as well as the links contained there. These are very useful resource pages for those looking for household-level data.
- 28 The Bank and Fund will be in a position to make newly collected data available to the NGO and academic communities and should exercise its power to persuade. In some parts of the world, the household data is not made publicly available, and there is little justification for this once household identifiers have been removed.

- Catholic Relief Services, "Review of the Poverty Reduction Strategy Paper Initiative", December 2001. [www.worldbank.org/poverty/strategies/review/crs1.pdf](http://www.worldbank.org/poverty/strategies/review/crs1.pdf).
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