



Poverty Reduction Strategy Papers at a glance



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Poverty reduction: An emerging consensus

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

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

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



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

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

PRSPs are not competing with but complementary to other instruments:

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

Putting poverty reduction first

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

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

Key elements

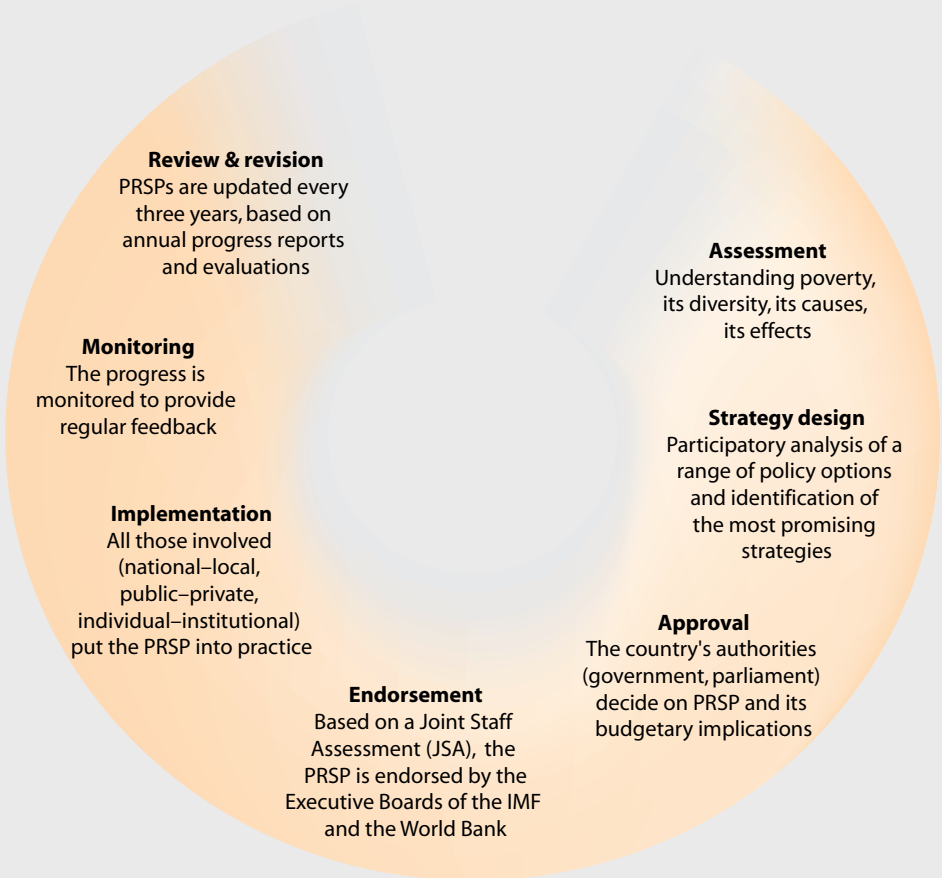
- Poverty assessment
- Medium and long-term goals for poverty reduction
- Structural reforms, sectoral strategies and action plans
- Setting-up of clear budgetary priorities
- Associated domestic and external funding needs
- Performance indicators



The phases of PRSPs

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

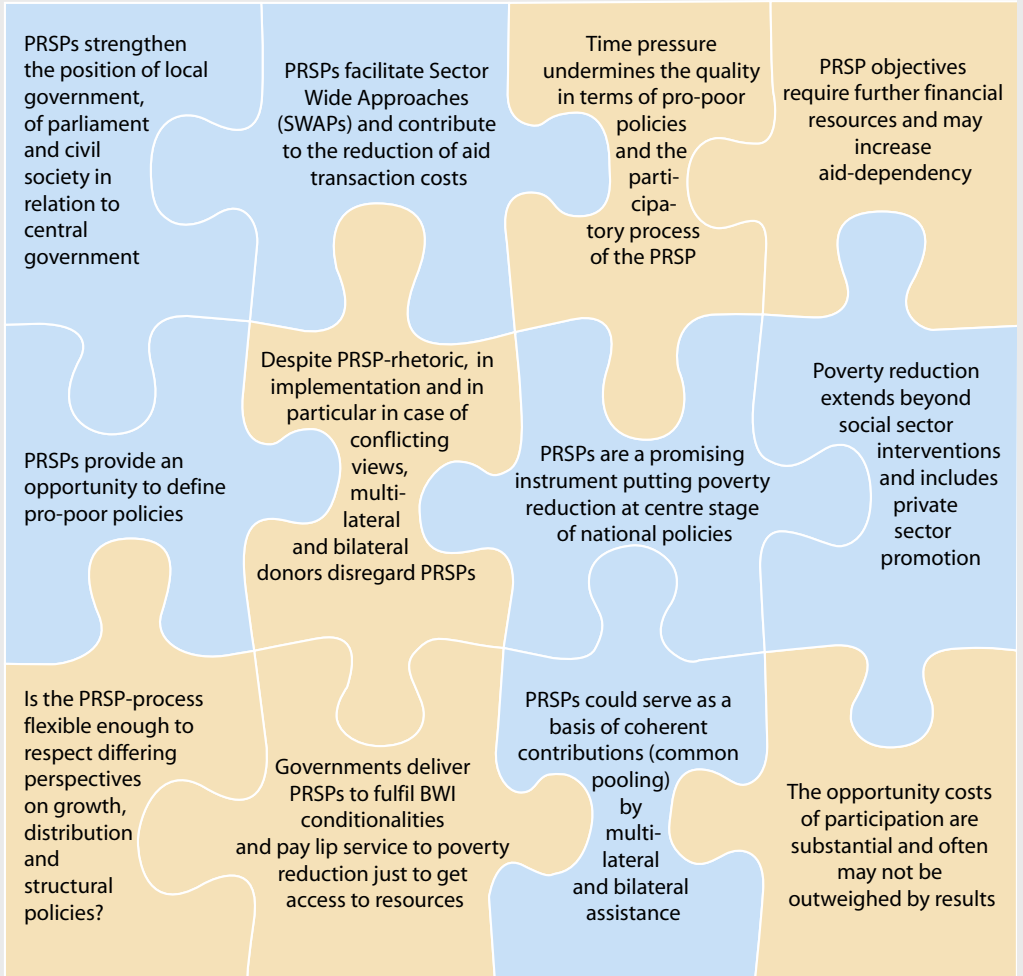
scratch. The countries often have partial or even comprehensive poverty reduction policies already in place. The World Bank and the IMF have produced a PRSP sourcebook as a guide to assist countries in developing and strengthening poverty reduction strategies. This helping hand should not prevent countries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



Opportunities and risks

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

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

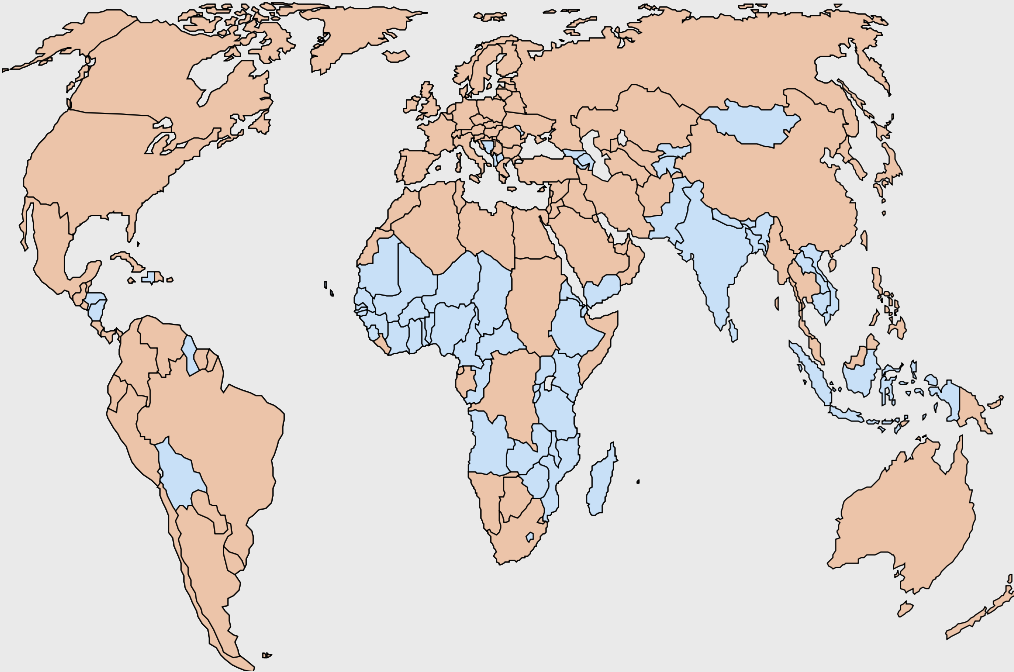


Some key opportunities (blue) and risks (orange)

Overview on PRSP-countries

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

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

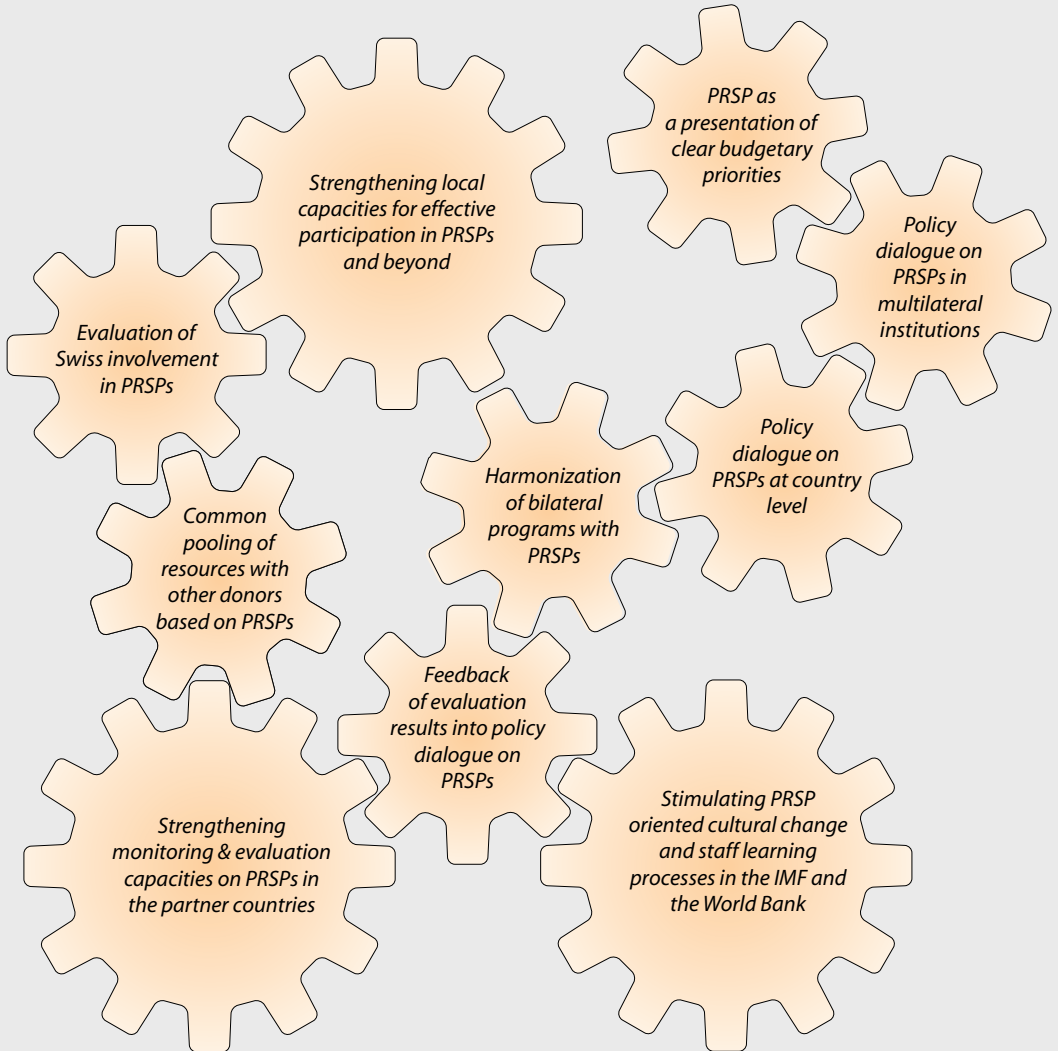


Map indicating the involved countries

Key elements of the Swiss position

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

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



PRSP related links

Multilateral organisations

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

NGOs

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

Further links

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

International Development Goals:

www.developmentgoals.org

Comprehensive Development Framework:

www.worldbank.org/cdf

Further reading

PRSP Document Library:

<http://poverty.worldbank.org/prsp/index.php>

PRSP Sourcebook:

www.worldbank.org/poverty/strategies/sourctoc.htm

IMF/World Bank Comprehensive Review:

www.worldbank.org/poverty/strategies/review/index.htm



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