French Memorandum on PRSPs

The French delegation intends to show how much it values the concept of a North-South partnership, developed through the impetus given by the World Bank (WB) and the International Monetary Fund (IMF) in the form of the thoroughly innovative, modern Poverty Reduction Strategy Papers (PRSPs). Without a doubt, our country supports these mechanisms, which are to become reference tri-annual strategic papers, not only for implementing resources from the HIPC initiative, but, more broadly, for all development policies. Moreover, for France, the results produced by the initial design and operational implementation of the PRSPs are more than encouraging for all parties involved (I, below), although certain aspects call for further clarification (II).

I: A development instrument that can benefit all parties

A) An instrument whose aim is the appropriation of development policies

Once developed, the PRSP is used by the developing country concerned to set up a bona fide national medium- to long-term development programme, accounting for all the country’s political, economic and social characteristics. This document should integrate macroeconomic policy, thus giving the country the opportunity to conduct an exhaustive analysis of the poverty in its territory (household survey, census of at-risk population, weaknesses in infrastructures, health, and education); to define the overall needs and strategies that will help to make up for deficiencies, fight poverty effectively and promote growth; and, lastly, to organize the nation’s priorities, taking the country’s administrative capability and available resources into account.

And so, for poor countries, this system has the advantage of promoting the appropriation of development strategies and policies, which means that they can improve their economic programmes themselves. This appropriation is achieved with the actual participation of all of the nation’s dynamic forces: the State, legislative bodies, local authorities and civil society (including Non-Governmental Organizations [NGOs] and the competitive sector), materializing in the field by the setup of preparatory committees or a national PRSP validation seminar, as was the case, for instance, in Senegal in mid-December 2001. In addition, this participatory process, one of the main lines of the system, gives the opportunity to open up a national dialogue among all components of society, conducive to the introduction of good governance (one of the first Objectives of the Millennium brought forward by the OECD’s Development Assistance Committee [DAC] in 2000 and a condition for sustainable development) and the rule of law. This process is undeniably an update of the old Structural Adjustment Programmes imposed on developing countries in the 1980s and 1990s by the WB and the IMF.

Furthermore, even if a PRSP foresees direct discussions with civil society independent of the governmental structures, the role of the government within the beneficiary country is restored and enhanced when the PRSP’s provisions are implemented because the government must strengthen its “steering” and “project management” abilities in the achievement of the objectives imparted in this strategic document. The government, with the support of central and local administrations, must drive the necessary reforms to achieve the objectives set, even if it means strengthening its capabilities by reorganizing itself to adapt its administration to these new needs (especially in budgetary matters). Likewise, this strengthening of the government’s role throughout the process allows it both to regain its status as protector of the country’s interests and to make it more accountable.

B) Better coordination of lenders

When they are designed, PRSPs offer bilateral or multilateral donors a complete overview of the country’s situation, helping them to accurately understand the real needs of the beneficiary government and, as a result, to better target their assistance, in line with the major guidelines of development assistance allocation issued by the OECD’s DAC in particular. Furthermore, this mechanism offers improved
coordination which may reduce the cost of implementation of assistance by donors; it is also more flexible in budget management for the beneficiary countries.

As the PRSP becomes the central instrument of relations between the recipient country and the lender community, it should also allow better coordination between bilateral and multilateral lenders and avoid redundant, inefficient procedures. Indeed, this new North-South partnership instrument provides the donors with greater possibilities for helping the beneficiary governments reach their objectives by instilling greater transparency and legibility in the Official Development Assistance (ODA) operating procedures. In practice, this can be accomplished by the governing dialogue within the OECD’s CAD in terms of global and policy coordination, and, in operations, by each beneficiary government in terms of the cohesion of the various assistance programmes. The Mozambique PRSP which led donors to settle a multidonor trust fund is to be mentioned in that regard.

Therefore, in its implementation, the PRSP facilitates the link between the various bilateral assistance instruments and the objectives that the authorities have undertaken in the fight against poverty. For instance, for 19 of the countries benefiting from the HIPC initiative, France will offer the “debt reduction and development contract” (DRDC) to implement grant refinancing of their ODA debts in compliance with the PRSP objectives. The French government also has country assistance strategy papers (in French, DSPs – *Documents Stratégiques Pays*) to establish this cohesion for all its bilateral contributions.

Finally, one of the advantages of the PRSP (for lenders) is the document’s flexibility, which is adapted over time and regularly updated every three months (the WB’s strategic papers are also adapted in correlation). This means that changes in the international context and outside events, upheavals that may affect the country and any progress made or weakness observed in the implementation of the strategy of the fight against poverty can be taken into account.

II: An innovative concept that deserves attention

At this meeting, France wishes to bring its partners’ attention to bear on several points.

A) An instrument that could be improved in many ways

- Since one of the guiding principles of the PRSP is the principle of “appropriation” of the development project, we invite our partners to attach particular importance to the application of this concept, because it can and should constitute the basis of the introduction of a national dialogue, acting as a starting point for the inception of a democratic society. However, this should not be done to the detriment of national legislative bodies possessing institutional and popular legitimacy. We believe it is crucial that the national legislative bodies approve the PRSPs (as we indicated in the case of Mauritania). It should be noted that most interim documents have been criticized for inadequate consensus-building with all components of the society (for example, the lack of involvement of local governments in Ethiopia). Therefore, it is advisable that these documents not actually be drafted by the WB (as was the case with Bolivia and Nicaragua), a point that is obviously contrary to the appropriation principle, even though these countries do not have sufficient administrative capability.

- The need to quickly implement the HIPC initiative and bring as many countries as possible to the decision point has caused the international community to be less demanding as to the quality of these papers and to accept – at the time the decision point is reached – that a mere interim PRSP be presented by the countries. We want to warn our partners against any rush that would compromise the quality of the PRSPs and, as a result, their credibility. In concrete terms, quality should be improved on two fronts: a more extensive structuring of government priorities, which would be broken down into budgetary priorities, and greater detail (findings, objectives, measures). We encourage countries to focus on their highest priority stakes, much as we encourage the Bretton Woods institutions to attune their programmes and set objectives for the countries that are clear, limited in number, and focused on the foremost sensitive areas. We are therefore attentive, when the countries are being reviewed at the completion point, to the quality of the participatory process used to produce documents of adequate quality. In addition, the papers must more expeditiously integrate those of the countries’ sector priorities that may have existed.
previously (in the case of Mali, the health and education sector priorities were already sufficiently developed).

- We believe it is appropriate to be more demanding as to the quality of the final papers, while remaining aware of the countries’ administrative constraints. It is also appropriate to ensure that this quality requirement not be used to postpone the date of the countries’ HIPC completion points. Almost all the interim PRSPs produced today are of mediocre quality (the NGOs themselves acknowledge it), and more and better efforts must be made to help the countries during the drafting process.

- By their very nature, the PRSPs reflect the difficulties of all institutional mechanisms in developing countries. The number-one priority is to strengthen their institutional capabilities. These weaknesses were emphasized in the cases of Bolivia, Honduras, Mauritania and Mozambique. Therefore, we propose to the other lenders that they join with us in the setting up of appropriate technical assistance and in the training – particularly adapted to the PRSPs – of civil servants, mainly within these countries’ ministries of finance, which are often responsible for this essential work. In view of its institutional capabilities, the internal organization of the country also plays a major role, and it is crucial that the departments responsible for the drafting of these documents be the same as the departments responsible for implementing them (Cote d'Ivoire’s planning organization, which is recognized for its effectiveness, drafted an interim PRSP with little input from the other departments, however). It is important that the countries set up a mechanism for tracking the progress made (in most countries, the initial papers have been drafted without taking into account the inability to measure the impact of the recommended policies).

- We think it is particularly crucial that the PRSPs integrate a diagnosis and a strategy for significantly improving the transparency and efficacy of public expenditures and, more generally, that of the financial system in the country concerned. This will better ensure the impact in terms of additional resource development coming from HIPC debt relief. The WB Development Committee meeting of April 2001 was an opportunity to evaluate the impact of this initiative on social expenditures. It is important to set aside the specific procedures that are used to track only the expenditures coming out of HIPC resources (e.g. the override procedures for HIPC funds in Burkina Faso, reported by all the other lenders to the WB and the IMF). An overall budget analysis is crucial to ascertain the actual impact on poverty reduction. The setting up of ad hoc funds by the WB and the IMF in many countries in fact poses the risk that override procedures (less proven than the budget) be set up, and that duplicate expenditures might appear.

B) An instrument that should be put to better use by lenders

- The hierarchy of procedures in the PRSPs should be better accounted for in the definition of lenders’ “country assistance strategies”: The IMF, multilateral development banks (WB, ADB, IDB, AsDB etc.), the European Union, and bilateral lenders. France has decided to develop country strategy papers which are consistent with the PRSPs. In consideration of the central role played by these documents, the lenders have two requirements: first, they should be a part of the design process (making sure not to act in opposition to the appropriation principle) and, second, the documents should be of adequate quality, which is not completely the case at this point. Because they are integrated in its operating procedures, the WB grants budgetary loans (the PRSC - Poverty Reduction Support Credit) aligned with the priorities identified by the same PRSPs. Likewise, the IMF is integrating its supports under the Poverty Reduction and Growth Facility (PRGF) into the PRSP arrangement. We strongly support such a principle, which causes the Bretton Woods institutions to factor in the social sectors more fully while still attending to growth issues (financing “traditional” infrastructures). Nevertheless, we think that some pre-conditions are necessary to guarantee the quality of the assistance: adequate transparency of financial and budgetary channels in the countries, adequate institutional performance, and so on. France performs an active role with the technical support it provides.

1 Country strategies cannot be entirely subsumed within PRSPs, since the latter remain focused on issues related to development and poverty reduction. Bilateral donors also have links of other kinds with the countries involved: cultural and linguistic links, trade policy, and so on.
- We are in favour of the introduction of indicators for measuring the non-financial dimensions of poverty, as was recommended by the European Commission to the OECD’s CAD at an informal meeting on the subject in December 2001. However, if the assistance is accompanied by additional conditions (such as for the PRSC, of which the first has been awarded to Uganda), it is important that the criteria be developed in concert with all the other lenders (a fault in the WB’s drafting of conditions for its PRSCs, but also in other HIPC procedures).

- The concrete implementation of PRSPs should promote the use of programmatic sector and budget assistance systems, to the extent that this type of assistance seems better adapted to the general philosophy of these strategy papers, to which the beneficiaries have adhered. However, this should not be done to the detriment of investment lending. France would like to support sector based approaches. We indeed consider that such mechanisms (both programmatic and investment oriented) are positive both in terms of visibility and efficiency.

- We consider that PRSPs should take into account, every time it makes sense, the regional dimension of economic development.

- Lastly, France insists on the need to strengthen the monitoring-evaluation systems stipulated in the PRSP processes. To grant their assistance, the lenders should definitely ensure that the countries have the means to implement this monitoring. In this context, they must direct country monitoring system evaluations while refraining from taking over this monitoring (or doing it only temporarily if the country lacks the capabilities). Here, too, it is crucial to set up technical support to supplement the beneficiary governments in this supervisory task, and to do so far enough upstream. At the same time we consider it is central that donors come to an agreement with recipient Governments on common framework to assess the results of the policies implemented under PRSPs. This includes common evaluation mechanisms in order to avoid overlapping evaluation processes and delaying disbursements. It is indeed key that commitments to beneficiary countries are fulfilled.