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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

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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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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

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,[1] 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 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.