

Zimbabwe's Interim Poverty Reduction Strategy Paper (I-PRSP) process and content - recommendations and priority issues towards a full PRSP

Lessons and experiences in the implementation of PRSP processes in Africa
A paper presented at the Poverty Reduction Forum Trust
CSOs Consultation Day
4th August 2016
Holiday Inn, Harare Zimbabwe

The presentation focused on the following:

1. Definition of Poverty Reduction Strategy Papers (PRSPs)
2. Background to Zimbabwe's I-PRSP process
3. Summary of key issues in the I-PRSP document for Zimbabwe
4. Lessons and experiences in the implementation of similar PRSP processes in Africa
5. Recommendations and priority issues for the I- PRSP document and the full PRSP.

What are Poverty Reduction Strategy Papers (PRSPs)?

Poverty Reduction Strategy Papers (PRSPs) were introduced in 1999 by the World Bank and the IMF for the following reasons:

- As a new framework to enhance domestic accountability for poverty reduction reform efforts.
- As a means to enhance the coordination of development assistance between governments and development partners and
- A precondition or access to debt relief and concessional financing from international financial institutions such as World Bank, IMF, and AfDB.

A PRSP sets out a country's macroeconomic, structural, and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. Countries will typically prepare a PRSP every three to five years in a participatory process involving a broad range of stakeholders (World Bank).

The core principles underlying the PRSP

According to the World Bank the core principles underlying the PRSP include:

- **A description of the participatory process that was used** - A PRSP should describe the format, frequency, and location of consultations; a summary of the main issues raised and the views of participants; an account of the impact of the consultations on the design of the strategy; and a discussion of the role of civil society in future monitoring and implementation.
- **Comprehensive poverty diagnostics** - A good understanding of the poor and where they live allows the PRSP to analyze the macroeconomic, social, structural and institutional constraints to faster growth and poverty reduction.

- **Clearly presented and costed priorities for macroeconomic, structural, and social policies** - In light of a deeper understanding of poverty and its causes, the PRSP sets out the macroeconomic, structural, and social policies that together comprise a comprehensive strategy for achieving poverty reducing outcomes. It is important that policies are costed and prioritized as far as possible so that they do not become a "wish list."
- **Appropriate targets, indicators, and systems for monitoring and evaluating progress** - A PRSP will define medium and long-term goals for poverty reduction outcomes (monetary and non-monetary), establish indicators of progress, and set annual and medium-term targets. The indicators and targets should be consistent with the assessment of poverty and the institutional capacity to monitor, and the policy choices in the strategy.

What is Interim Poverty Reduction Strategy Paper (I-PRSP)

The PRSP is also considered in the provision of debt relief under the HIPC Initiative and multilateral debt relief initiatives. To avoid delays in the timing of IFI's concessional assistance, Interim Poverty Reduction Strategy Paper (I-PRSP) can be prepared, a document that sets out a preliminary poverty reduction strategy as a precursor to a full PRSP. The Boards of the IMF and World Bank will have to endorse the paper. An I-PRSP will need to include the following:

- Description of the nature of the poverty problem and existing government strategies to tackle it
- Timeline and process for preparing a full PRSP in a participatory fashion,
- A three-year policy matrix on poverty reduction
- A three-year macroeconomic framework.

Background to Zimbabwe's I-PRSP process

Zimbabwe is classified as an IDA-eligible country but is one of those inactive countries: no active IDA financing due to protracted non-accrual status. However it is creditworthy for some IBRD borrowing. The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. IDA aims to reduce poverty by providing loans and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. The IMF's Poverty Reduction and Growth Trust, also provides loans to low-income countries at subsidized rates. Zimbabwe has in place a draft interim Poverty Reduction Strategy Paper (I- PRSP 2016 -2018). This is a key requirement for re-engagement process with the international financial institutions, the IMF, World Bank and African Development Bank, bilateral creditors especially those under the Paris Club.

The Government I-PRSP draft paper is said to be an outcome of the country wide consultations led by the I-PRSP Coordinator in collaboration with Government departments held between the month of March and June 2016. The document provides a framework for targeted interventions to reduce poverty and promote economic development across key thematic issues which have been categorised into five pillars namely;

Pillar 1: Social Services Policies and Expenditures,

Pillar 2: Agriculture Productivity, Growth and Rural Food Security and Nutrition,

Pillar 3: Private Sector,

Pillar 4: Environment and Climate Change and

Pillar 5: Strengthening Governance and Institutional Capacity.

Zimbabwe is ranked poorly in the Human Development Index Report, with a poor ranking of 155 out of the 188 countries assessed in 2014 (UNDP HDI 2015 Report). The last 20 years have registered stagnant progress in achieving social and economic transformation. The PRSP is also considered in the provision of debt relief under the enhanced HIPC Initiative and multilateral debt relief initiatives. So the urgency in the drafting of Zimbabwe's I-PRSP and process is the resolution of the external debt overhang (est. \$10 Billion) and unlock new financing for medium to long-term development.

In the process of re-engaging with the IFIs, through such conditionality, as the I-PRSP the country is forced to generate country driven solutions to the poverty and debt problems that it is facing as opposed to exclusive driven approaches. An ideal PRSP should tackle poverty through inclusive growth and public policy solutions that are internally driven. The role of civil society and other development partners in the formulation and implementation of PRSP need to be strengthened in order to foster local ownership and credibility of economic management and public policies. World Bank's requires that the i-PRSP process be developed from a broad based consultation and participatory process, there are gaps in terms of quality and level of consultations that went into the process.

Summary of key issues in the I-PRSP document for Zimbabwe

The Process

- The process was fast tracked and government controlled and structured. In other words the I-PRSP draft was not developed through a broad-based participatory process in the country.
- Experienced civil society organisations in labour, agriculture, gender, debt and development, trade, private sector and mining sectors missed out. They were not given enough space to submit their independent contributions to foster transparency and accountability.
- The experience in the formulation and implementation of PRSP process in many other African countries has revealed the lack of representativeness, poor level and quality of Government led consultations are key concerns in the design of the PRSPs and Zimbabwe's PRSP must not be implemented without capitalising on lessons learnt going forward.
- Through the CSO driven consultation process, civil society organisations will be well coordinated and informed to foster accountable, representative and effective PRSP process. Through development of CSOs position papers it will be key to influence the Government led processes.

The content

To avoid delays in the timing of IFI's concessional assistance, government developed Interim **Poverty Reduction Strategy Paper (I-PRSP)** which should sets out a preliminary poverty reduction strategy as a precursor to a full PRSP.

- The preliminary analysis of the draft I-PRSP, reveals some gaps in terms of its prescription to the pertinent social and economic challenges currently being faced such foreign direct investment, declining revenue base, deindustrialisation, capital flight, illicit financial flows, low levels of public confidence, political instability, fall in commodity prices, and informal

economy among many, they constrain sustainable economic recovery and poverty reduction efforts.

- Corruption and lack of transparency and accountability in the public sector has resulted in public resources being misappropriated and this has undermined all economic recovery and poverty reduction efforts. I-PRSP should have strong strategies on corruption.
- Adoption of a home grown macroeconomic strategy - domestic resources mobilisation strategy - reforms in tax systems, economic system, public policy and legislation key for eradication of poverty.
- Poverty strategies contained in the document need to be anchored on a macroeconomic policy framework - challenges still remain - low levels of Foreign Direct Investment (FDI), declining local revenue resource base, deindustrialisation, capital flight, higher, low levels of public confidence and political instability and structural regression characterized by increasing dependence on natural resources (mining sector), de-industrialisation and informalization of the economy which are constraints to sustainable economic growth and poverty reduction.
- ZIMASSET national blue print - 80% budget resources allocated to recurrent expenditure - donor funding of social sectors

Lessons and experiences in the implementation of similar PRSP processes in Africa

Since the launch of PRSPs by the IMF/WB in September 1999, AFRODAD has taken an active role in their discussion, research and documentation, in terms of drafting, implementation and their contribution to poverty reduction. In 2003, AFRODAD commissioned studies in ten African countries that have implemented PRSPs, namely Burkina Faso, Ghana, Kenya, Malawi, Mauritania, Mozambique, Rwanda, Tanzania, Uganda and Zambia. A synthesis report was produced: Africa's Experience with the PRSP – Content and Process 2003. www.afrodad.org/publications.

More than 30 African countries including the above 10, received debt relief from the IMF/WB/AfDB and Paris Club, through HIPC/MDRI. All countries seeking debt relief under HIPC are required to have a PRSP in place at the decision-point or an I-PRSP.

- What is **Decision Point**; To be considered for HIPC Initiative assistance, a country must fulfill the following four conditions:
- Be eligible to borrow from the World Bank's International Development Agency, which provides interest-free loans and grants to the world's poorest countries, and from the IMF's Poverty Reduction and Growth Trust, which provides loans to low-income countries at subsidized rates;
- Face an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms;
- Have established a track record of reform and sound policies through [IMF](#)- and World Bank-supported programs and
- Have developed a [Poverty Reduction Strategy Paper \(PRSP\)](#) through a broad-based participatory process in the country.
- Once a country has met or made sufficient progress in meeting these four criteria, the Executive Boards of the IMF and World Bank formally decide on its eligibility for debt relief,

and the international community commits to reducing debt to a level that is considered sustainable. This first stage under the HIPC Initiative is referred to as the decision point. Once a country reaches its decision point, it may immediately begin receiving interim relief on its debt service falling due (World Bank)

- Civil society must strategically participate in the PRSP process. In order to effectively participate CSOs need to mobilise its constituency and strengthen its capacity in economic literacy, research and advocacy. The strength of civil society derives from its ability to mobilise grass-root participation, so that the poor can have a voice and speak for themselves.

One of the requirement for debt relief is a establishment of a track record of reform and sound economic policies through IMF/World Bank - supported programs. PRSPs were anchored on the Poverty Reduction and Growth Facility (PRGF) was replaced by the Extended Credit Facility. The Extended Credit Facility (ECF) provides financial assistance to countries with protracted balance of payments problems. In the ten country studies undertaken by AFRODAD Civil society participation was on the social dimension of the PRSP, while consultations or discussions on the macroeconomic framework remained outside the domain of the consultations – government/private sector and IMF. Is there policy coherence between macroeconomic policies and PRSPs objectives. Macroeconomic framework and PRSPs were found not to be compatible with the former exacerbating rather than abating poverty.

Linking PRSPs to debt relief compromised the ownership of PRSPs. To governments, the ultimate price of a PRSP was accessing debt relief or getting financial assistance, which became the driving agenda of the process. Ownership was also sacrificed by making the PRGF sacred, implying the macroeconomic framework was taken as given. In the most of the countries PRSPs sought to liberalise markets, promote market based land reforms, privatisation, and cost recovery in the provision of social services e.g. Zambia, Malawi, Uganda – Because of the PRGF framework

However civil society fought for the PRSPs that bring about social development and ring-fencing expenditures in the social sector – e.g. protection of cashew nuts in Mozambique, abolition of primary level school fees in Tanzania and health fees in Uganda. In the ten country studies undertaken by AFRODAD, government played a central role in the development of PRSPs and dominated the processes. The blueprints for doing PRSPs are given by the IFIs and the fact that these papers were linked to get debt relief it resulted in governments rushing the processes.

Implementation capacity of government limited – especially at the local government level e.g. in Mozambique In the ten country studies undertaken by AFRODAD, CSOs in different thematic areas mobilised for participation with assistance from donors – who pushed for spaces to be opened by governments. In Zambia for example – Civil Society for Poverty Reduction (CSPR) was to spearhead civil society participation, and in Malawi, Malawi Economic Justice Network (MEJN). In Zambia, Civil Society for Poverty Reduction (CSPR) developed a comprehensive input, and two thirds of which found its way into the official PRSP. In Rwanda and Mauritania the PRSP process started with a public awareness programme which helps to develop a better understanding of the issues of engagement. In countries such as Malawi, Mozambique, Zambia, Burkina Faso and Mauritania, poverty alleviation programmes developed prior to the start of PRSPs were adjusted and adopted as I-PRSPs

Recommendations and priority issues for the I- PRSP document and the full PRSP.

- It is important that the Zimbabwe government open up spaces for civil society effective participation in the development of a Full PRSP by December 2018. There is need to put in place an enabling environment and legal institutional framework for participation. In Uganda the government formed a Steering Committee for the PRSP process which included Civil Society Task Force.
- Capacity building is key for effective participation – both for government at its different levels, ward, district, province and national – and for CSOs. The PRSP process should not be too technical as it will disadvantage many ordinary people.
- For effective participation all critical documents must be translated into a popular version and into local languages. In Uganda they used print and electronic media to enhance two way flow of information around the PRSP.
- All aspects of PRSPs must be opened up for dialogue, if they are to be country driven and nationally owned especially the macroeconomic framework.
- Civil society should build and strengthen structures for participation through economic literacy, research and advocacy. Establishment of parallel process key for broader input gathering. Civil society has for a long time been involved in poverty eradication initiatives.
- CSOs must not participate in a pre-determined PRSP process. Innovative processes need to be developed such as what happened in Zambia, where CSOs had a parallel process. Do not wait to be invited.
- Despite the fact that Zimbabwe's I-PRSP builds on the country's development blueprint, ZIMASSET 2013 -2018 and SDGs 2016 -2030, the government need to use already existing poverty alleviation programmes and economic blue prints in the country.
- In the Uganda, Zambia and Tanzania the PRSP priority areas were education, health, agriculture, infrastructure, macroeconomic and financial policies and judiciary.
- A final FULL PRSP should demonstrate and contain civil society perspectives and inputs
- Political parties and parliaments (Mozambique) should be involved in the consultations
- Zimbabwean CSOs need to network with organisations in countries that have gone through PRSP processes before.

