

PRSP EXERCISE IN BANGLADESH: A CPD REVIEW OF THE PREPARATION PROCESS

I. BACKGROUND

In September 1999, the World Bank Group and the IMF determined that nationally-owned participatory poverty reduction strategies should provide the basis for all their concessional lending and eligibility for debt relief under the enhanced *Heavily Indebted Poor Countries* (HIPC¹) *Initiative*. This approach, building on the principles of the *Comprehensive Development Framework* (CDF²), has led to the development of *Poverty Reduction Strategy Papers* (PRSPs) by country authorities for submission to the World Bank and IMF Boards. The development and implementation of poverty reduction strategies should be “country-driven”, “results-oriented”, “comprehensive”, “prioritized”, “partnership-oriented”, and “based on a long-term perspective” for poverty reduction (World Bank Website). *Poverty Reduction Strategy Papers* (PRSPs) are expected to be prepared by the member countries through a participatory process involving domestic stakeholders as well as external development partners, including the World Bank and IMF. To be updated every three years with annual progress reports, PRSPs describe the country's macroeconomic, structural and social policies and programs over a three year or longer horizon to promote broad-based growth and reduce poverty, and also to identify associated external financing needs and major sources of financing.

The poverty reduction strategy should reflect a country's individual circumstances and characteristics. It is expected to follow three key steps that typically characterize the development of an effective poverty reduction strategy. These include: (i) Developing a comprehensive understanding of poverty and its determinants; (ii) Choosing the mix of public actions that have the highest impact on poverty reduction; and (iii) Selecting and tracking outcome indicators.

¹ Heavily Indebted Poor Countries (HIPC) Initiative is an agreement among official creditors to help the most heavily indebted countries to obtain debt relief.

² Comprehensive Development Framework (CDF) represents a new way of doing business for the World Bank and its members. It is an approach to development whereby countries become the leaders and owners of their own development policies.

The World Bank group feels that many countries are currently not in a position to fully develop a PRSP. In order to prevent delays for countries seeking debt relief under the HIPC Initiative or assistance from the IMF, an *Interim PRSP* (I-PRSP) can be formulated. Interim PRSPs (I-PRSPs) summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy, and lay out the process for producing a fully developed PRSP through a participatory process³. This is meant to outline a country's existing poverty reduction strategy and to provide a road-map for the development of a comprehensive PRSP (a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc). A full PRSP would then follow in due course.

Currently, a PRSP, I-PRSP, or annual progress report, supported by the Boards of the World Bank and IMF within the preceding 12 months, is a condition for: (i) HIPC countries to reach a decision or completion point; (ii) Approval of the IMF's PRGF⁴ arrangements or reviews; (iii) IDA (World Bank) concessional lending. The Country Assistance Strategies (CAS)⁵ and CAS updates should be timed to follow PRSPs and I-PRSPs along with their accompanying Joint Staff Assessments (JSAs)⁶. From July 2002, all CASs in IDA countries will be based on a PRSP.

The Boards of the World Bank and the IMF will consider the overall strategy in the PRSP or I-PRSP as an integrated whole. However, each institution will focus upon and endorse those policies and programs within its area of responsibility.

Until the end of January 2002, ten countries have prepared PRSPs and 42 countries have prepared I-PRSPs (see Box 1, for the list of countries). India has declined to prepare a PRSP and argued that her Ninth Five-year Plan (1997-2002) adequately

³ The country documents, along with the accompanying IMF/World Bank Joint Staff Assessments (JSAs), are being made available on the World Bank and IMF websites by agreement with the member country as a service to users of the World Bank and IMF websites.

⁴ Poverty Reduction Growth Facility (PRGF) is an IMF program for the poorest countries. It replaces Enhanced Structural Adjustment Facility (ESAF) and would be based on a country's PRSP.

⁵ A Country Assessment Strategy (CAS) is a World Bank business plan for development in each member country.

⁶ Joint Staff Assessments (JAS) evaluate the soundness of PRSPs and I-PRSPs and thereby assist the Boards of the World Bank and IMF in judging whether an I-PRSP or PRSP provides a sound basis on which to proceed with assistance and debt relief.

addressed the issue of poverty reduction and it contains everything needed for poverty reduction.

BOX 1: LIST OF COUNTRIES HAVING COMPLETED PRSP/I-PRSP

Type of Document	Countries
PRSP	Albania, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, and Uganda.
I-PRSP	Albania, Armenia, Azerbaijan, Benin, Bolivia, Cambodia, Cameroon, Central African Republic, Chad, Djibuti, Ethiopia, Gambia, Georgia, Ghana, Guinea Bissau, Guinea, Guyana, Honduras, Kenya, Kyrgyz Republic, Lao PDR, Lesotho, Macedonia, Madagascar, Malawi, Mali, Moldova, Mongolia, Mozambique, Nicaragua, Niger, Pakistan, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tajikistan, Tanzania, Vietnam, Yemen, and Zambia

This short note reviews the ongoing PRSP preparation process as well as the status of the PRSP in Bangladesh.

II. PRSP PREPARATION: PROCESS AND STATUS

As required by the donors, the Government of Bangladesh has also started to prepare a *Poverty Reduction Strategy Paper* (PRSP). Development partners expressed their willingness to fund this activity and desired to be involved in the PRSP development process. UNDP was initially assigned the task of coordinating the resource support on the part of the development partners. Unfortunately, there was a mismatch between the development partners and government’s expectations of support which led to a decision on the government’s side to prepare the PRSP documents through its own funding.

The first meeting on the PRSP, drawing upon a paper on the *Comprehensive Development Framework* (CDF) and the *Sector Wide Approach Program* (SWAP), was held on November 16, 2000 and was chaired by the then Finance Minister S.A.M.S. Kibria. An eleven-member Task Force, headed by the Secretary, Economic Relations Division (ERD) and drawing on representatives from key Ministries, was set up in late November 2000 to oversee preparation of the Bangladesh PRSP. The Task Force included the Principal Secretary to the Prime Minister and 10 other

Secretaries from the Finance Division, Statistics Division, Ministry of Social Welfare, Rural Development and Cooperative Division, Local Government Division, Ministry of Youth and Sports, Ministry of Education, Ministry of Health and Family Welfare, Ministry of Women and Children Affairs, and Planning Division. *It may be noted that the Task Force constituted by the GOB for overseeing the PRSP process in Bangladesh is essentially an inter-ministerial committee which did not include any representative from the civil society including from the private sector or from the development NGOs.*

Due to lack of in-house capacity to prepare a PRSP, the government decided that the PRSP document would be prepared through consultants. Considering the limited capacity of the government, it was a pragmatic decision. Until mid-February 2002, six meetings of the Task Force were held to review and guide the progress of the PRSP preparation. In addition, the PRSP Coordinator (Secretary, ERD) organized 15 meetings with different ministries. These initiatives for consultation appear to have been influenced by the IMF/World Bank conditionality that the government will have to prepare the PRSP through a broad-based consultation process, involving discussions and interaction with all stakeholders.

According to the government plan, the consultation process of preparing the PRSP would be supported by selected analytical building blocks comprising of in-depth analyses of policy issues in key areas. The government appointed two senior staff members of the Bangladesh Institute of Development Studies (BIDS), as lead consultants, in their individual rather than institutional capacity, for preparing the PRSP. The consultants are also preparing analytical reports on three areas, namely: (i) Poverty Assessment: Trends, Profiles and Determinants (ii) Macro-economic Overview: Policies, Economic Reforms and Performance and (iii) Poverty Monitoring and Assessment.

Eleven other short-term consultants have been engaged to prepare analytical reports on key sectors/sub sectors of the economy. These reports will include: Growth Performance of Agriculture and Industry; Analysis of Public Expenditure on Education and Health; Physical Infrastructures Development and Poverty (Roads, and Other Related Infrastructures; Electricity, Energy, Ports and Related Sectors;

Telecommunications & New Technologies); Public Expenditure on Targeted and Safety Net Programs; Risks, Vulnerability & Poverty Reduction; NGO Sector Review: Economic and Social Impacts and Issues; and Governance and Poverty Reduction. These analytical reports were to be completed by mid/late December 2001. Until mid-February 2002, some reports are completed and others are in progress. The draft of the *Interim Poverty Reduction Strategy Paper (I-PRSP)* is expected to be completed by the first week of March 2002, and completion of I-PRSP is expected to be around mid -2002.

The PRSP team planned for consultations with various stakeholders at two phases. The first phase of consultations was held prior to the preparation of the draft while the second phase consultations are expected to be held after the completion of the draft of the I-PRSP document. During the month of January 2002, the PRSP team held a total of 22 consultation meetings in collaboration with the BRAC. Out of these 22 consultation meetings two were held at the national level and one was held with the donors. Out of the two national level meetings, one was held with the government officials and the other meeting was with NGOs and civil society.

Five divisional consultations were organised by the BRAC at the Divisional towns of Barisal, Khulna, Rajshahi, Chittagong and Sylhet. Twelve upazila level meetings were held at six upazilas, namely, Savar (Dhaka), Barisal Sadar, Rupsa (Khulna), Rajshahi Sadar North, Mirersarai (Chittagong), and Sylhet Sadar. In each Upazila, two consultation meetings were held on the same day. In the morning, a meeting was held with poor people and in the afternoon meeting with civil society members. One special meeting was held with the urban poor in Dhaka. At the upazila level usually 50-60 people were invited and at the Divisional and National Level consultations 75-80 people were invited. The number of participants at the upzila level was about 40 and at the Divisional and National level was between 40 and 50. Civil society participants included NGO representatives, lawyers, media, religious leaders (*imam*), school teachers, local traders, Union Parishad Chairman/ Members and political activists. No special meeting was held with the Members of the Parliament or with the trade bodies, but some MPs and business leaders participated in some of the consultation meetings. *No written inputs were provided to the participants and as such so the meetings were quite open-ended. More importantly, no documentation of*

the consultations is available to date to judge the value of this exercise. It is also to be seen how and to what extent the outputs of these consultations get incorporated in the I-PRSP.

One international seminar on PRSP was jointly organized by the Government of Bangladesh, International Monetary Fund (IMF) and World Bank at Dhaka on February 12-14, 2002. The seminar focused on the key principles and objectives involved in the PRSP process, and the best “practices” learnt from other country cases. It was geared to Bangladesh’s situation, but shared experiences and lessons learnt in other countries (Pakistan, Cambodia, Thailand, and Vietnam) in the region. The seminar included key participants in the PRSP preparation process from Bangladesh, inside and outside of government, as well as other countries in the region. Representatives from other donor countries, World Bank, ADB, and IMF participated as stakeholders and resources persons. *Once again, no document on Bangladesh PRSP was made available to the participants of the seminar. Accordingly, the seminar essentially dealt with framework issues, not with the substance of the Bangladesh PRSP.*

A Critique of the preparation process

The first issue which may be raised about the PRSP process in Bangladesh relates to suitability of the ERD as the focal point of the exercise. One may maintain that ERD does not possess any comparative advantage amongst the public agencies in preparation of the PRSP. More importantly, designation of the ERD in the lead role in the PRSP preparation process gives out the message that PRSP is a donor-driven document. One would have expected that the *Planning Commission*, the strategic think-agency of the government, would lead the exercise. Now that both Finance and Planning Ministries have been placed under one Minister, it is reckoned that such a prospect has become more viable.

It may be pointed out that representatives of the civil society are not involved in the designing stage of the exercise. Thus, even if civil society gets consulted at the later phase of the exercise, it does not absolve the process for the need to take inputs from

wider cross section of the domestic stakeholders in designing the exercise in Bangladesh.

Concurrently, the number of consultations is not always the best indicator of participation. It is the process through which the consultation is undertaken and mechanisms for inclusion/exclusion of views presented by the participants. The first round of consultations which was completed in January 2002 by the PRSP team focussed on issue based discussions. Usually at the beginning of the meeting a short talk on the economic growth scenario, development bottlenecks, sectoral situation and regional issues (such as river erosion in Barisal) was presented and then the floor was opened for discussion. During the consultative meetings no paper was distributed and these were not structured (i.e, no specific meeting schedule was prepared). The group of poor people at the Upazila level meetings included NGO beneficiaries as well as people without any membership with NGOs. BRAC is to prepare the Consultation Meeting Reports. Until mid February, no report was prepared. Therefore, the specific views on the PRSP as expressed by participants, is yet to be ascertained. It would therefore, be premature to comment on the level and quality of participation and the specific views of those special groups of traditionally less consulted groups.

It is likely that at the outset of the process the government officials did not have a clear idea about what was expected from the PRSP process. According to some sources, the prevailing perception on the government side was that the government needed to prepare a "paper" detailing the government's poverty reduction strategy, in order to meet the precondition for accessing concessional assistance from the *Poverty Reduction and Growth Facility* (PRGF) of IMF or the *Poverty Reduction Support Credit* (PRSC) of the World Bank. After repeated pressure from various development partners including the IMF and the World Bank, the government finally realized that the *Poverty Reduction Strategy Paper* must be prepared by countries through a participatory process involving domestic stakeholders as well as external development partners.

Preparation of the PRSP through the consultants indicates a positive signal that the government is willing to draw upon expertise from outside the government to help it in this task. At the same time this approach raises concerns about the inadequacy of

in-house capacity within the government to discharge its responsibilities as a policy designer. This principal lacuna within the government will inhibit annual reviews and periodic updating of the PRSPs. This is a pressing concern and need to be addressed.

If the government is constrained in building up in-house capacity for the PRSP it can *contract this responsibility to an established research institution such as BIDS rather than to individual consultants*. In fact, most of the background papers are being produced by BIDS researchers in their individual capacity. BIDS, which is a semi-government body, can assume the institutional responsibility for undertaking the necessary professional work for the PRSP and its follow up and can be held accountable, as an institution for the quality of their work. BIDS can be helped to enhance its capacity for this task and can remain as the reference point for the PRSP and serve as its institutional memory.

Over the last 15 years, Bangladesh has been exposed to the policy reform process introduced by the World Bank and IMF through their *Structural Adjustment Policies* (SAP) and *Enhanced Structural Adjustment Policies* (ESAP). This reform process was not deemed to have been a conspicuous success, *interalia*, because of the lack of local ownership over these policy reforms which was perceived to have been inspired by the policy conditionalities of the World Bank and IMF. To this end, the PRSP preparation process was expected to promote local ownership over the policy design process. It is to be seen whether this process will actually establish such a degree of ownership. *There is some danger that the entire process may be seen as a staged show designed to meet the procedural compulsions of the aid donors rather than respond to the felt needs of the government or people of Bangladesh.*

III. EXISTING POLICY DOCUMENTS AND PRSP

Relationship with other official documents

The preparation of a PRSP is an inherently complex and inter-linked process. The government of Bangladesh has, over the years, prepared many perspective plans, five year plans and specific policies for different sectors of the economy. A series of long-term policies for development of different sectors such as agriculture, fisheries,

industry and other sectors have been designed in recent years. The new incumbent government is also in the process of preparing a number of sectors and cross-cutting policies. It is not clear from the process of the PRSP preparation, how far the goals of those sectoral plans will be incorporated into the PRSP or how the PRSP will be integrated with the broad development plans and programmes of the Government. Nor is it clear how the PRSP will relate to the Five Year Plan and other policy documents. As per schedule, the *Sixth Five Year Plan* is expected to be made operational from July, 2002. So, there will hardly be any time left to integrate the Sixth Five Year Plan and the PRSP.

At some point the GOB will need to address the same set of issues raised by the Government of India (GOI) with regard to the PRSP. The GOI has taken the view that the Five Year Plan is their definitive document for defining their national poverty reduction strategy. Thus a PRSP for India becomes redundant. To the extent that the Five Year Plan of Bangladesh is also expected to reflect a holistic national development strategy there is an obvious risk in having two separate documents, the plan and the PRSP spelling out national strategies for poverty. *Thus it is maintained that the GOB should put up the Sixth Five year Plan as the Bangladesh PRSP.*

Moreover, the PRSP may require some unpopular measure. The measure will need to be 'sold' to the public through the consultative process. At the same time popular consultation will lead to development of policy measures, which may be in sharp contradiction to donor perceptions for both policy reform and poverty eradication. For example, taxation of some groups of rich people, with a view to generate resources for more spending on poverty alleviation programs, may be strongly opposed by some influential interest groups. At the same time subsistence farmers may support the restoration of input subsidies which were withdrawn as part of the structural adjustment programme reform process. Whilst consultation meetings may serve a useful purpose in promoting the right kind of public awareness on issues of poverty and helpful in building an effective political consensus behind the PRSP, it is not clear whether the present consultation process has spelt out its political implications with sufficient clarity. So far the Parliament, including both the ruling and opposition parties, has not been involved in the consultative process. Nor is there sufficient perception on the part of other segments of civil society not involved in the

consultative process initiated by the government, about the PRSP objectives or process.

Relationship to civil society's policy documents

The *Task Force Report* (1991) prepared during the first *Non-party Caretaker Government of Bangladesh* contained the germs of many ideas that influenced the policies and programs of poverty reduction undertaken over the last decade. The Report rested on four pillars, namely, (a) pro-poor economic growth, (b) capability raising interventions in education, health and nutrition, (c) social safety net programs, and (d) developing institutional capability of the poor (UPL, 1992). The first component emphasized those elements in the growth process which have maximum potential for reducing poverty such as irrigation, roads, electricity, flood control, microcredit, agricultural diversification and exports. The second component put greater reliance on direct provisioning of education, health, and nutrition. The third component gave emphasis on targeted employment, housing, and income transfer schemes. The fourth component emphasized the idea of building grassroots organizations of the poor and strengthening the “voice” of the local community to foster a demand-driven mechanism from below.

Prior to the National Parliament Election 2001, the *Centre for Policy Dialogue* (CPD) prepared a set of policy briefs which set out an actionable agenda for a newly elected government. The programme was developed to conscientise political parties during the election campaign regarding important issues of public concern, and to focus on possible policy alternatives. Initiated in June 1999, the programme was implemented through a highly interactive process. The policy briefs are envisaged as CPD's contribution to good governance in Bangladesh. Following the organisation of six Regional Consultation Meetings, sixteen Task Forces were set up to address the issues which were identified through a multistakeholder participatory process. These include, amongst others, macroeconomic policies such as budgetary discipline and fiscal programmes, development and governance of the energy sector, agricultural development and the rural economy, industrial and trade policy, poverty eradication and employment generation, gender equality and women's empowerment, education policy, health and population sector policy, governance and land administration.

The draft Policy Briefs prepared by the Task Forces were presented at eight Regional Dialogues and subsequently at a *National Policy Forum* organised by the CPD. Inaugurated by the then President of the People's Republic of Bangladesh Justice Shahabuddin Ahmed, CPD's National Policy Forum was organised in collaboration with two leading dailies of the country, *The Daily Star* and *Prothom Alo*, during August 20-22, 2001. The forum provided a non-partisan platform to bring together representatives of political parties and members of civil society to discuss policies and policy alternatives. CPD's efforts drew over 2000 participants at the 16 sessions of the National Forum.

The Task Force Report on *Poverty Eradication and Employment Generation* advances further the ideas and options laid down in the 1991 Task Force Report of the Caretaker government to address the contemporary concerns relating to poverty. This Report spells out an anti-poverty strategy for the medium-term, reflecting the priorities facing the country in the next five years. It advances the idea of graduating the policy agenda towards a “macro-perspective on poverty” as distinct from the prevalent micro-approach to poverty reduction through individual projects and programs. The central idea of this report is the concept of *democratisation of the market-based economy* where the distributional balance in the allocation of market and non-market resources is tilted in favour of the poor. The CPD Task Force report has successfully elaborated the broad contours of this new approach, based on the principle of empowering the poor, by increasing their access to resource via market and non-market channels.

It will be useful for the PRSP team to draw upon the CPD's Task Force Reports especially from the Report of the *Poverty Eradication and Employment Generation Task Force* since these Task Forces remain one of the best available examples of designing national policy agendas through a broad consultative process.

The PRSP team may also like to take into cognisance the Bangladesh outputs of the *Structural Adjustment Participatory Review Initiative (SAPRI)* – a tripartite multi-country exercise involving the global civil society, national governments and the World Bank.

Participation of stakeholders

Views of different stakeholders may differ on the subject of poverty eradication. These contradictions will need to be resolved in the process of drawing up a PRSP. It is not clear how far the ongoing process of consultation and preparation is designed to resolve such divergent positions over the poverty reduction strategy. A PRSP prepared and endorsed by the government which finds acceptance from the World Bank and IMF may provide a formal national ownership but may not necessarily establish ownership of the citizens of the country over the strategy.

In the absence of detailed documentation about the outcome of the consultative meetings, it is not clear how such a consultation process will be used, in practice, to fine-tune the initial draft of the PRSP to reflect not just the popular will but also the will and commitment of the government to implement the PRSP. *There is some risk that the PRSP process may degenerate into a pro-forma consultative process, as has been the case with the CAS of the World Bank or even the Five-Year plan of the government. The PRSP may thus end up as one more donor driven exercise designed to access fungible aid resources for a government facing severe budgetary and balance of payment problems.*

Role of donors

Reports published in the newspaper suggest that the IMF is trying to incorporate many of its traditional reform programs into the PRSP, which the government is not ready to buy. IMF is not and will not provide assistance unless these measures are also incorporated into the PRSP. On the other hand, the government cannot afford to forgo the donors' funding particularly in the form of fungible resources. Therefore, it is possible that the government may incorporate IMF reform agenda into the PRSP, even if this is not in line with the outcome of the public consultations on the PRSP. *Such an emerging contradiction within the PRSP process may once again mean that the actual PRSP may not command authentic domestic ownership which may compromise the GOB's commitment to fully implement the strategy of the PRSP.*

IV. CONCLUDING REMARKS

The inherited atmosphere of mistrust regarding the intentions of the donors and the common people's understanding about the expectations from a poverty reduction strategy are likely to emerge as the dominant constraint in designing a credible PRSP. *The perception of a large section of people is that the PRSP is the traditional IMF and World Bank recipe for reforms which must be accepted in order to access their resources. The PRSP is seen as the sugar coating for the reforms process and may face the same fate as the earlier generation of unowned reforms.*

To erode mistrust about a genuine commitment to poverty reduction and to ensure a broad-based participation and consensus in the preparation and support of the PRSP, public debates on the PRSP Draft should be encouraged. *Till date there had been no discussion on the draft I-PRSP itself. In fact, beyond the immediate circle of the government, the donors at the Bangladesh Development Forum Meeting will be the first to have the privilege of reading the draft I-PRSP of Bangladesh.*

The Draft should be discussed in the Parliament and in other forums where people of diverse opinions can discuss the document in an informed and objective manner. For this purpose, the PRSP document along with all consultation meeting reports, the views expressed by different interest groups and ministries in connection with the Perspective plans of different sectors, as well as views expressed by donors during the consultation process, should be made public. This would provide scope for informed debate and introduce greater transparency into the PRSP process.

In the final analysis, *a credible PRSP must emerge out of a credible process of public and political consultation.* It must be debated and endorsed by the Parliament which should commit its support not just to the PRSP, but also the commitment to implement the strategy. ■