



សាកលវិទ្យាល័យបញ្ញាសាស្ត្រកម្ពុជា
PAÑÑĀ SĀ STRA UNIVERSITY OF CAMBODIA
Commitment to Excellence

Course: Economic Development

Essay Topic

Compare and contrast pro-poor development strategies with the development strategies supported by the IMF and the World Bank.

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This paper is to explain and discuss, first, the definitions and the key concept of pro-poor development strategy; and second, the development strategy that support by IMF (International Monetary Fund) and the World Bank. The paper is also to examine and analyze the key of strategy that IMF and the World Bank process to the pro-poor country, and finally follow through my conclusion and suggestion.

Introduction

What is pro-poor mean? Simple theory and empirical evidence indicate that poverty reduction can be achieved by accelerating economic growth and/or by changing the distribution of income in favor of the poor. We know that sustained economic growth reduces poverty. This is not to say, however, that average income growth increases the incomes of the poor in every growth episode in every country.¹ Pro-poor growth has been broadly defined by a number of international organizations as growth that leads to significant reductions in poverty (OECD, 2001 and UN, 2000). In attempting to give analytical and operational content to the concept two operational definitions have emerged.

The first draws on the literal meaning of the phrase: growth is pro-poor when the poor benefit disproportionately from it. This criterion is met if the rate of income growth of the poor exceeds the rate of income growth of the non-poor. Thus, in order for growth to be pro-poor, it must be accompanied by a decrease in inequality. The second definition discards the literal interpretation of the concept for a more general, but very much less strict formulation: growth is pro-poor if it reduces poverty. Using this second definition, average income growth will always result in pro-poor growth except when the incomes of the poor are stagnant or decline.²

How the strategy that IMF and World Bank use for developing the pro-poor country?

At the end of 1999, the World Bank and the IMF launched the PRS Initiative to help low-income countries develop and implement better strategies to fight poverty and to make aid more effective in reducing poverty. The PRS Initiative promotes a country-driven, comprehensive, and long-term process that is coordinated with external partners and is

¹ *Definition of Pro-poor strategy:* John Page, Chief Economist Africa Region, World Bank
<http://siteresources.worldbank.org/INTAFROFFCHIECO/Resources/Strategies_for_Pro-Poor_Growth.pdf>

² *Definition of Pro-poor strategy:* John Page, Chief Economist Africa Region, World Bank,
For survey definitional debate see Cord, Lopez and page (2003), and Klasen (2003)
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expected to achieve measurable results. Important changes in poverty-related planning processes and first-generation strategy documents have already been completed in more than 40 low-income countries.³

The role of the World Bank, the IMF, and other donors is changing—but not as rapidly as expected. World Bank staff supported national stake-holders preparing PRSP documents by providing analyses, commenting on drafts, and promoting participatory activities. Clients observed that decentralization of Bank staff and authority to country offices has enhanced the quality and usefulness of the Bank’s support and its relations with partners. The content of Bank assistance strategies formulated subsequent to PRSPs generally overlaps with the content of PRSPs. But since PRSP programs are broad and often not well prioritized, this overlap has not entailed major changes for the Bank. IMF staff often interpreted the principle of country ownership as precluding or at least limiting their involvement in policy debate on the PRS process among domestic stakeholders as well as in ensuring that key macro-relevant issues were aired during the formulation of the PRS. There are signs that the “policy space” in the macroeconomic area has widened in the sense of greater openness on the part of the IMF to considering alternative country-driven policies at least in countries where macroeconomic stabilization is no longer a pressing issue. Program design under the PRGF has in-corporate greater fiscal flexibility to accommodate aid flows. However, there has been no effective operational approach to managing the tensions between “ambition” and “realism” in defining medium-term external resource envelopes. Donors (including the Bank and Fund) increased their support for national budgets and streamlined the monitoring of performance, but there is little evidence that they have aligned aid programs with PRSP priorities and achieved greater interagency coordination. Where government-donor dialogue is weak or donors continue to drive the agenda, PRSPs by themselves have not noticeably promoted donor coordination or increased government management of external assistance. Joint Staff Assessments (JSAs) of PRSPs by the Bank and Fund have not adequately performed the many tasks expected of them. The clarity, candor, and comprehensiveness of the assessments have been uneven, with scope for improvement even in “good practice” cases. Their main contribution has been in giving feedback to the authorities on weaknesses in the PRSP, but JSAs are virtually unknown outside the narrow official circle and consequently have had no impact on the broader policy debate. They have not incorporated

³ http://ieg.assyst-uc.com/Data/reports/prsp_country_case_studies.pdf

systematic inputs from development partners and, in practice, have played a limited role in informing lending decisions.⁴

For instance a case in Cambodia World Bank supports a need for effective local support and for better alignment with the PRSP. ⁵The World Bank's support to Cambodia in formulating the PRSP was substantial. Through Institutional Development Fund grants, the Bank financed a support unit in the MoP that kept the document preparation moving forward. The Bank's close consultation in the final stages of document preparation improved quality—but fostered the negative perception among some in the donor and NGO communities that the draft document had gone to Washington.

Conclusion

It concludes that the approach has focused attention more squarely on poverty reduction including the analysis of the causes and different dimensions of poverty and the need to address country-specific constraints to development. While implementation experience has been diverse and varied, what is common is the need to address a challenging development agenda in an environment with generally weak institutions and capacity. Many countries, the PRS approach has helped catalyze the strengthening of policy process and systems that are central to meeting their development challenges. In particular, there is increased focus on: setting clear goals and targets that are linked to public action; improving budget and monitoring system; opening the space for discussing national priorities and policies for poverty reduction and growth; filling country-specific analytic gaps; and aligning and harmonizing donor assistance with national priorities. It is also clear, however, that the PRS approach is not panacea; it cannot compensate for generalized policy failures, poor governance, or broad institutional lapses.

⁴ http://ieg.assyst-uc.com/Data/reports/prsp_country_case_studies.pdf

⁵ http://ieg.assyst-uc.com/Data/reports/prsp_country_case_studies.pdf

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