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**THREE BILLION REASONS TO RETHINK THE
ECONOMIC SYSTEM
AN ANALYSIS OF THE IMF AND WORLD BANK
PRSP-APPROACH**

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SUMMARY

Seeking to contribute to the larger discussion on how the functioning of the global economic system contributes to the continuing existence of poverty, this study analyses the ‘Poverty Reduction Strategy Paper’ (PRSP)-approach of the IMF and the World Bank. This comprehensive and long-term initiative was promoted with the aim of improving the coordination of domestic, bilateral, and international poverty reduction efforts – with a clear reference to the UN Millennium Development Goals (MDGs) – and regulates the IMF and World Bank lending and funding relations to the poorest countries of the world.

The study’s overarching question is whether the PRSP-initiative reflects a change in how the scientific field of economics understands poverty, and whether this leads to changes in the approach to poverty eradication, through the following research questions:

- 1) What are the PRSP-initiative’s perspectives on poverty and poverty eradication?
- 2) Which consequences do these perspectives have on policy approaches to economic growth?
- 3) How do these approaches relate to the global economy?

Seeking to identify the theories that inform the PRSPs and how these theories are linked to the functioning of the global economy, an underlying question connecting the three research questions is whether the PRSP-approach represents a substantial change from the Structural Adjustment Programs (SAPs) promoted by the IMF and World Bank in the 1980s and 1990s.

Based on the analysis of relevant theories; an assessment of IMF and World Bank documents available on their respective PRSP-sites; a case study of the Honduran PRSP; and an additional comparative analysis of the Nicaraguan, Tanzanian, and Ugandan PRSPs, this study concludes that the PRSP-approach represents a change in how economics understands poverty and that this leads to changes in the approach to poverty eradication. However, this does not lead to substantial changes in the policy approaches to economic growth, nor does it reflect any changes in how these policy approaches continue to subordinate themselves to the functioning of the global economy. The policy outcomes of the PRSP-approach do include important additions to those implemented in the SAPs, but these additions do not constitute substantial differences between the two.

The most fundamental change reflected in the PRSP-approach is that poverty is no longer understood only by its economic dimension; as lack of sufficient income, but as expressed, caused, and perpetuated by economic, social, cultural, and political structural inequalities. A

consequence of recognising this multidimensional nature of poverty is that economic growth and development must take place within a larger context of structural changes, thus economic growth is no longer perceived as an aim in itself but as a one of the means to reduce poverty. Another consequence of this understanding of poverty is that the size and scope of the needed structural changes advocate a long-term process led by a central state. The PRSP-approach's strong promotion of a leading role for the national state differs from the non-interventionist state promoted by the policy reforms on which the SAPs were founded. Both differences reflect that the PRSP-approach is in line with contemporary development economic theories, which indicates a change in some of the economic theories that inform the international finance institutions' policy approaches towards the least developed countries.

While economic growth is no longer perceived as an aim in itself, it remains paramount, and macroeconomic stability is still a sine-qua-non policy measure for achieving economic growth. Likewise, the participation of the poor countries in the global economy is still based on non-regulated competition, focusing on maintaining and deepening trade liberalisations policies. Thus, in the areas of macroeconomic framework and trade, the policy outcomes of the PRSPs by and large remain the same of those of the SAPs.

Given the normative dimensions of poverty reduction aiming to improve the lives of the poor and of wide-reaching societal transformation through structural changes, the most striking finding in the analysis of the four PRSPs is the lack of substantial references to justice and fairness; both within the respective countries and in their global economic relations. This study indicate that the reason for this is found in the PRSPs being mainly based on mainstream economic theory, which, as a result of the domination of counterrevolutionary neoclassical thought, demonstrates an inability to address justice and fairness beyond the concept of rational utility.

The theories discussed in this study show an awareness of the need for change; be it by strengthening the ethical foundations of economic thought or by correcting the flaws in economic thought by introducing new rules for the functioning of the economy. In the search for effective solutions on how to fight poverty, this study suggests the need to also look into alternative approaches; be they home-grown initiatives like the solidarity chains between poor rural producers and poor urban consumers promoted in the Honduran PRSP, or theories outside of mainstream economics such as ecological economics or other so-called heterodox economic thought.

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ABBREVIATIONS

FDIs – Foreign direct investments

FTAA – Free Trade Agreement of the Americas (ALCA in Spanish abbreviation)

GDP – Gross Domestic Product

GNI – Gross National Income

HDI – Human Development Index

HIPC – Highly Indebted Poor Countries

IBRD – International Bank for Reconstruction and Development

IFIs – International finance institutions

ILO – International Labour Organization

IMF – International Monetary Fund

INGOs – International non-governmental organisations

MDGs – Millennium Development Goals

MNCs – Multinational corporations

NGOs – Non-governmental organisations

PRS – Poverty reduction strategy

PRSP – Poverty Reduction Strategy Papers

SAPs – Structural Adjustments Programs

UK – United Kingdom

UN – United Nations

UNCTAD – United Nations Conference on Trade and Development

UNDP – United Nations Development Programme

USD – US dollar

US – United States

WTO – World Trade Organization

1. INTRODUCTION

In spite of the knowledge and resources mankind possesses, three billion human beings live on less than USD 2.5 a day¹. This study seeks to contribute to the discussion on how the reasons for this are related to the global economy by analysing the strategies for poverty reduction promoted by the international finance institutions (IFIs).

At the turn of the millennium, the IMF and World Bank launched the joint ‘Poverty Reduction Strategy Papers’ (PRSPs)-approach, where nationally elaborated poverty reduction strategies form a new comprehensive and long-term base for the supranational lending policies towards the poorest countries. This study seeks to analyse if the PRSP-initiative reflects a change in how the scientific field of economics understands poverty and whether this leads to changes in the approach to poverty eradication, through the following research questions:

- 1) What are the PRSP-initiative’s perspectives on poverty and poverty eradication?
- 2) Which consequences do these perspectives have on policy approaches to economic growth?
- 3) How do these approaches relate to the global economy?

1.1. Rationale, Overall Scope and Limitations

The overall aim of this study is to contribute to the larger discussion on whether poverty exists because of flaws in the economic system. This reflects the view that poverty cannot be disconnected from its economic surroundings and therefore cannot be fought without changes in these surroundings. The chosen focus on the IFIs is not only because they represent the global community’s most powerful instruments for poverty eradication, but also based on the assumption that their policies and priorities reflect the dominant thinking and direction of economics, and that these institutions are not merely instrumental in implementing the dominant thinking but also take part in its making.

The PRSP-approach regulates the IMF and World Bank concessional lending policies towards the poorest countries and their possibilities for debt relief within the ‘Highly Indebted Poor Countries’(HIPC)-initiative. It also aims to improve the coherence between domestic poverty reducing activities and the support from international and bilateral donors, and the achievement of the UN ‘Millennium Development Goals’ (MDGs); the global community’s pledge to halve extreme poverty by the end of 2015. Thus, the significance of the PRSP-

¹Statistic Brain Research Institute (Research date 7.8.2014): *World Poverty Statistics*. Downloaded 21 October, 2014 from: <http://www.statisticbrain.com/world-poverty-statistics/>

approach lies partly in it being specifically directed at the poorest and most indebted countries, partly in its reach going beyond the bilateral relations between the respective finance institution and a particular country.

With the three research question, this study analyses the PRSP-initiative from its perspectives on poverty and its approaches to poverty reduction and economic growth in a national and international context. An underlying question that connects the three research questions is whether the PRSP-approach represents a substantial change from the policies previously promoted by the IMF and World Bank – in particular the Structural Adjustment Programs (SAPs) of the 1980s and 1990s – and if so, whether this change is of a fundamental nature. More specifically this relates to whether changed perspectives on poverty leads to changes in the macro-economic policy approaches to poverty eradication as well as in addressing the poor countries' disadvantaged position in the global economy.

Hence, the scope of this study is not to assess the pertinence or effectiveness of the individual national PRSPs or the PRSP-approach as such, but to identify the theories that inform them and how these theories are linked to the functioning of the global economy. This identification draws on the elements given in the theory discussion, which analyses the economic growth theories that have dominated development economics and their effects on economic development policies, as well as the larger economics and academic contexts in which they pertain. The latter implies analysing the impacts of these economic growth theories on the functioning of the global economy, and how this in turn affects economic growth in the poor countries.

A second assumption, on which this study rests, is that the close link between the phenomena of poverty and inequality implies that poverty cannot be reduced to quantifiable economic indicators, nor will it automatically decrease with economic growth and development. The theory discussion therefore also examines how the link between poverty and inequality inevitably leads any in-depth understanding of poverty into the questions of social and global justice, and how these questions are treated within economic thought. While this examination is limited to the pursuit of poverty reduction, the challenges to global justice posed by global governance issues and in particular the dual role of the IMF and the World Bank as both policy implementers and governance bodies are taken into account in this study.

2. THEORY

This theory discussion starts with the economic growth theories upon which development economics has been based for most of its existence. It then moves on to analyse the larger domestic development context in which economic growth takes place. The fact that economic inequality is linked to socio-cultural and political inequalities implies a process of democratisation, which in turn advocates a strong role for the central state.

This is followed by discussing the global economic context in which poverty reduction and the poor countries' economic growth and development take place. Point 2.3 focuses on a few decisive characteristics of the current global economic system, before going deeper into the economic thinking that informs the functioning of the global economy in point 2.4.

The general overall theory discussion concludes with an analysis of how an inclusion of the human dimension of poverty not only challenges the paramount role of economic growth in development theories and policies, but also invites economic thought to revisit its ethical justice aspects, and thus ultimately its nature as a social science.

In addition, point 2.6 briefly analyses the background for the IFIs' shift from the SAPs in the 1980s and 1990s to their joint PRSP-approach introduced in 1999.

2.1. Economic Growth Theories in Development Economics

“If we know what an economic miracle is, we ought to be able to make one”
Robert E. Lucas Jr (2000, p.96)

Emerging as a new field within economic thought in the post-war years, development economics was founded on the very practical agenda of how to promote economic growth in poor countries, with research concentrating on increasing savings and investments and state-driven economic structural changes (Sandmo, 2011, p443), reflecting the period's domination of Keynesianism and the 1946 Harrod-Domar growth model of how the stock of capital depends on savings and investments.

An important early addition to this approach came with historic economist Walt W. Rostow's 'stages-of growth'-theory in 1960. Based on his analysis of the transition from traditional agricultural to modern economies undertaken by industrialised societies, Rostow (1990) connected economic growth to economic structural changes, showing that revolutionary changes in agricultural productivity are essential as the increase-rate of agricultural output *“may set the limit within which the transition to modernization proceeds”* (Ibid, p23).

Structural changes in the agricultural sector are important not only because the process of

urbanisation radically increases domestic demand for agricultural produce or because increased agricultural outputs enlarge the tax and export bases, but also because a substantial part of agricultural surplus income must be converted into investments in the growing industrial sector. However, the needed increase in effective investment and savings in order to enhance industrialisation and improve infrastructure and other 'social overhead', and taking into account the increased pressure due to the population growth that occurs as society goes through this transition phase, cannot be achieved only by the slow domestic process of reinvesting surplus capital, thus foreign capital – obtained through a mix of export revenues, foreign debt and capital imports – play a significant role (Ibid, p49). Rostow concludes that the decisive feature for change is political as the magnitude and nature of the needed investments in social and economic infrastructure require central planning and financing, and because these economic structural changes must be balanced against social values. The take-off into industrialisation to a large extent depends on the existence of an effective central national state: "*Nowhere – not even in Britain and the US – did modern private-enterprise industrial system emerge without substantial government action to facilitate the process*" (Ibid, pp xxiii-xxiv).

In their development economics textbook, Todaro and Smith (2006, p153), point out that this theory – in spite of the somewhat linear recipe-approach to economic growth – still carries validity because of the insights offered on the 'take off' of modern economic growth.

A few years before Rostow published his 'non-communist manifesto', Robert M. Solow's 1956 'neoclassical growth model' heralded the neoclassical counterrevolution in economics. Bringing in productivity by combining the Harrod-Domar model with Cobb-Douglas' constant returns to scale production model, Solow's model expresses steady state growth as a function of only two factors of production; capital and labour, calculable by the population growth rate (as proxy for employment) and the growth of capital per worker (Solow, 2000). This "*drastically simplified...parable*" (Ibid, p1) was designed for analysing the economy's equilibrium paths and soon became the core of modern economic growth theory; an agreed upon framework for applied economics on issues like monetary policies and taxation (Lucas, 2002 p99). However, as it does not seek to explain *how* long-term growth occurs, its relevance to development economics lies more in its evolution into the 'endogenous growth theories' that identify 'human capital' as the motor for sustained economic growth and non-intervention and free trade as the accelerators.

A prominent figure in this evolution was Robert Lucas, the leader of the 'new classical macroeconomics' school which together with Milton Friedman's monetarism formed the core of the 1970's neoclassical counter-offensive against Keynesianism (Beaud and Dostaler, 1997, p127). In the mid 1980's Lucas and Paul Romer both identified ideas and knowledge as the most determining variable of economic growth and made adaptations to Solow's 'neoclassical growth model' to show how excess of social over private returns of investments in knowledge production explains the non-compliance of the long-term consequences of the law of diminishing returns, which implies that capital should flow from the higher-wage rich economies to the poorer (Lucas, 2002, pp3-4). In Romer's analysis the increasing returns of 'knowledge capital' counterbalance the diminishing returns of physical capital, and as the output of knowledge capital is subject to external effects the output of an individual producer depends not only on his own stock of knowledge capital but also on that of the others in the same industry and economy. This offered not only a new understanding of income inequality across nations, but also a new argument for non-monopolisation. (Ibid, pp4-5; Todaro and Smith, 2006, pp143-144).

Lucas's model gives constant returns of 'human capital' which are easier to analyse and which imply that a country's relative income position is dictated by its initial situation; initial inequality persists. The only exogenous parameter is population growth. If trade in capital goods is introduced, but labour assumed immobile, the model shows that there would be no tendency for lending or borrowing between rich and poor countries due to the long-run relationship between physical and human capital in individual countries. If both labour becomes mobile and wage rates increase with the wealth of the country, labour will flow from poorer to richer countries and comparative advantages will determine which goods are produced where, thus dictating the economy's rate of human capital growth (Lucas, 2000, pp60-70). This explains not only why capital does not flow from the rich to the poor countries, but also the wide and sustained differences in growth rates among countries. Based on the argument that a non-monopolised, free trade in capital will allow it to flow according to the law of diminishing returns; from the rich to the poor countries, and convinced of the benefits this would give for economic growth and development in the latter, Lucas insisted on "*policies in which aid of any form is tied to the recipient's openness to foreign investment on competitive terms*" (Ibid, p70).

Lucas continued to refine his model with an analysis of the 'economic miracles' of the East Asian nations, seeking a theoretical link between economic growth mainly being caused by

accumulation of human capital and the observed relation between free trade and growth (Ibid, p96). In summary, his spill-over analysis concludes that a substantial accumulation of human capital occurs not so much by formal schooling and education, but by diffusion of knowledge and technology between practitioners. If this learning-by-doing knowledge transfer is to facilitate a national economy's climbing on the 'quality ladder' and thus fuel its economic growth and development process; gaining new abilities to produce better and new goods, it needs to take place in a context of large volume production. Such large scale production changes are bound to be very slow if depending only on domestic consumption changes, thus rapid and sustained economic growth depends on the accumulation of human capital taking place in a large scale export environment (Ibid, pp93-106). This explains why later entrants have much higher initial growth rates than early entrants. More importantly, however, is that Lucas's analysis provides arguments against import-substitution policies and predicts that free trade – by increasing the interchange of both goods and ideas – sooner or later will result in all countries of the world joining the industrial revolution and “*the restoration of inter-society income equality*” (Ibid, p106).

The sheer scope of this understanding of economic growth was an important addition to the cosmos of neoclassical economics – which by then already dominated economic thought and policies (see point 2.4). However, more importantly for this study is the amalgamation of this understanding of economic growth in the policy reforms promoted by the World Bank and the IMF in the 1980s (Birch and Mykhnenko, 2010, p9), and implemented in developing countries under the label of Structural Adjustment Programs (SAPs).

Even before the 2007-financial crisis – which seriously challenged the domination of neoclassical economics – critics pointed out that the neoclassical view of free trade enabling developing countries to join the industrial revolution, could be contradicted by history. During the economic globalisation that took place in the century before the First World War, international trade induced industrial countries to keep investing and growing economically. However, in many non-industrialised countries this trade did not encourage a similar accumulation of skills, human capital, or technology. Based on the Ricardian theory of comparative advantages, they instead enhanced their specialisation in primary commodities resulting in many cases in the reverse effect of deindustrialisation (Rodrik, 2012, pp138-141). Paul Samuelson's trade theory of symmetrical interdependence leading to convergence can explain the effect on industrialised economies, while the opposite effect is reflected in Gunnar Myrdal's theories as a result of the asymmetric interdependence between industrialised and

non-industrialised economies (Reinert, 2004, pp39-40). In reconciling the two theories, Friedrich List suggests regional free-trade instead of the full-scale globalised version, allowing countries at more or less equal development level to trade and grow among themselves before entering into the global markets (Ibid,pp177-178).

The issue of asymmetric power distribution is not new to development economics. Already in the 1970's theories such as Brazilian Theotonio dos Santos's 'international dependence theory' analysed underdevelopment in terms of unequal power relationships both internationally and domestically (Todaro and Smith, 2006, pp120-124). In many developing countries the concentration of economic, sociocultural and political power not only implies structural change processes whose nature, magnitude, and interconnectivity advocate a level of state intervention that differs substantially from the free market ideology of neoclassical economics, but also causes market imperfections that seriously challenge the applicability of the economic policies deriving from the endogenous growth theories. (Ibid, p.144-145).

Thus, by failing to take into account factors such as land and infrastructure that are decisive for getting modern economic growth started as proclaimed by W.W. Rostow, or asymmetric power distribution that seriously challenges the applicability of non-intervention economic policies as well as the predicted advantages of free trade and liberalised capital flow as pointed out by Todaro and Smith, the relevance of endogenous growth theories should be limited to their identification of the decisive role of human knowledge and ideas.

In recent decades the approach to the economic growth theories in development economics has become more eclectic (Todaro and Smith, 2006, pp125,145); multidimensional understandings of poverty dethrone economic growth from being the aim of development to becoming one of the means (see point 2.5), and increased importance is given to the institutions of the particular developing society (Sandmo, 2011, p443). Modern development economics not only connects economic structural change to socio-cultural and political structural changes but also recognises the importance of society's value-forming institutions (see point 2.2). Furthermore, there is recognition of the relevance of the 'international dependence'-aspects: "*unless there is some major structural, attitudinal, and institutional reforms in the world economy...internal economic and social transformation within the developing world may be insufficient*" (Todaro and Smith, 2006, p82). This is discussed in points 2.3 and 2.4.

2.2. Theories of Economic Development

“Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy”
Amartya Sen (quoted by Todaro and Smith, 2006 p.17)

The economic historians Cameron and Neal (2003) offer a distinction between economic growth and economic development where the former is understood as a sustained increase in a society's total output of produced goods and services, while economic development refers to the structural and organisational changes that take place in the economy as it grows. The interdependence between the two can be expressed by the fact that the commonly used parameters of economic growth are considered to be the major variables in economic development. This also implies that the causal sequencing will vary. (Ibid, pp9-10)

While the structural changes in economy often are conditioned by the interrelations of the decisive parameters of economic growth, they also depend on the social context and fabric. Whether the changes occur on the supply or the demand side, they resonate the dominant values and attitudes in society which are formed by major social institutions such as the social structure; the political system; the dominant religion or ideology, as well as other value-forming institutions like family structures; education system; and voluntary associations (Ibid, pp8-11). The role of such institutions is to provide continuity and stability – without which society would disintegrate – and just as they may form barriers for the structural changes in economic development, they can also enhance them (Ibid). Economic development strategies in the past have often failed *“because economists and other policy advisers neglected to view the economy in an interdependent social system in which economic and noneconomic forces are continually interacting... at times self-reinforcing, at others contradictory.”* (Todaro and Smith, 2006, p25)

The financial institutions and the monetary and legal foundations on which the markets depend to function optimally are either absent or extremely weak in most developing countries, and when coupled with limited market information and other prevailing market failures, small externalities can interact in ways that leads to large distortions, or in a worse case to low-level equilibriums (Ibid, pp166-172). Low-level equilibrium can persist due to lack of information or because of coordination failure among the market agents – the latter being particularly true when production shifts from traditional crafts to diversification and complementarity, specialisations and division of work. The Kremer O-ring model – the production analogue to Gary Becker's famous 'marriage maker' model that shows how

positive assortative matching creates a virtuous circle where the more overall upgrade in skills, technology and wages leads to higher value – offers an explanation to how such low-level equilibrium creates the opposite situation and how the multiplicative effects of local production bottlenecks impact other production in the same economy, leading to the vicious circle of an overall underdevelopment trap (Ibid). This implies, as already stated by Rostow (see point 2.1), a level of state intervention that not only ensures the basic institutions and foundations for the market to function, or that assumes a role to overcome market coordination failures and other market imperfections, but that includes deep market interventions in order to push the economy out of the underdevelopment trap (Ibid). Such deep interventions can be a one-time fix, however, interventions of this magnitude are long in planning and implementation which require levels and qualities of government and governance that often lack in developing countries. One of the reasons for this is that small and powerful elites to a greater extent than in developed countries have directly or indirectly determining powers not only in economy, but also in politics and in society at large. Effective changes therefore require either the support of such elites or the offset of their power. Thus, democratisation and government itself are increasingly perceived as important components of the development process (Ibid, pp146-147).

The inequality in the distribution of resources is at the very heart of the challenge of economic development (Cameron and Neal, 2003, p403). The prevalence of poverty within an economy not only affects the total levels of capital savings and ‘human capital’ investments, but as economic growth is slow, poor people in developing countries continue to make the only investments for the future available to them; children. Most of today’s developing countries are stuck in the middle phase of the demographic transition with a continuously growing gap between birth and death rates; a ‘system trap’ that perpetuates poverty, population growth and slow economic growth (Meadows et al. 2005, pp45-46). Thus, even if economic growth were to be perceived as an end in itself, it cannot be achieved without reducing poverty. As the persistence and deterioration of poverty is deeply rooted in the problems of inequitable initial asset distribution across different sections of society (Rao, 2000, p235), poverty cannot be reduced without reducing social and political inequality.

Many of the extreme inequalities found in developing countries are results of economic, social and political history. A ‘modern’ addition to this traditional inequality in developing countries is related to the activities of multinational corporations (MNCs). Their possession of economic and other resources together with their scopes and extensions not only distort the

conditions of competition in domestic and international markets, it also enables them to influence the application of the existing rules of competition and to exercise political power to change the rules if needed. (Crane and Matten, 2010, pp, 20-30,516-523). For developing countries the challenge is not only to establish appropriate policies to regulate MNCs behaviour, but also in enforcing them as the international status of the MNCs creates juridical loopholes in regards to which country's rules and regulations they are to abide by (Ibid). Few areas in development economics stir up so much controversy as the issue of the benefits and costs of the MNCs and their foreign direct investments (FDIs), and though there exists disagreements about the influence of MNCs in economic aggregates, the essence of the controversy boils down to values: "*fundamental disagreements about the nature, style, and character of a desirable development process.*" (Todaro and Smith, 2006, p710).

Non-governmental organisations (NGOs) and other civil society organisations have rapidly become important players in the development process, not only through their traditional involvement in empowering the marginalised poor themselves, but also because the NGOs have become more specialised in areas such as people's participation and social mobilisation, advocacy and lobbying (Crane and Matten, 2010, pp27,68,481,518), and developing countries with strong NGO sectors can claim better progress in addressing poverty alleviation as well as expanding social inclusion (Todaro and Smith, 2006, p47). Recognising this, the NGOs' roles in the planning and implementation of national development strategies is increasingly significant. An added aspect of the civil society involvement is the strengthening of local-global connections. Networking between local and international NGOs has enabled NGOs, civil society organisations and movements to hold the MNCs and other groups of concentrated power accountable – if not legally, at least morally – for the effects of their dealings in developing countries (Hinojosa and Bebbington, 2010, p227-228).

In summary; economic growth and development are parts of a broader process that also involves a society's culture, politics, and social fabric, and where structural changes in one component depends on and determines those of the others. If this process is to lead to effective changes, and even more so if it seeks to alleviate poverty, it needs to address extreme inequality. In this sense, the process of development can also be understood as a process of economic, social, cultural and political democratisation, in which the government plays a decisive role and where civil society is increasingly assuming more responsibility. Furthermore, the momentum of civil society empowerment in the Global South can be understood as a new approach to the 'international dependency'-theory of the 1970s, which

defined the predicament of the developing countries in light of “... *an international division of labor which allows industrial development to take place in some countries while restricting it in others, whose growth is conditioned by and subjected to the power centers of the world*” (Theotonio dos Santos, quoted by Todaro and Smith, 2006 p.116)

2.3. Economic Growth and Development in a Globalised Economy

“If I were to characterize the past decade, the most remarkable thing was the ... global consensus that market forces and the economic efficiency were the best way to achieve the kind of growth which is the best antidote to poverty”

Barber Conable, World Bank President 1984-1991

(quoted by Douthwaite, 1993, p.57)

The PRSP-approach was launched at a time when the domination of the neoclassical counterrevolution economics was conceptually close to hegemonic (Birch and Mykhnenko, 2010, pp4-5). Though the degree of adherence to the underlying political ideology varied considerably, the view of the ‘free market’ being the most efficient way of allocating resources was universal and set the rules for global economic activity (Ibid). During the 1980s and 1990s, nation after nation implemented reform strategies to reduce the level of political intervention in favour of more reliance on the market mechanisms through varying degrees of privatisation of previously state-run assets; competitive marketisation of the procurement and delivery of social goods; deregulation of labour and product markets; liberalisation of trade in goods and capital investments; and monetarist policies for inflation control based on Milton Friedman’s supply-side dynamics (Ibid; Sandmo, 2011, pp461-462).

While each of these reforms had their individual impacts in different societies, the most striking effect of their combination and universality was the expansion of multinational corporations (MNCs) (Gilpin, 2001, pp8-9). The liberalisation and deregulation of global capital trade together with monetarist inflation control secured the demand side for an exceptional increase in FDIs, while privatisation, marketisation, and deregulation of labour markets provided the supply of investment objects. In the environment of liberalised global trade, the MNC operations accelerated the internationalisation in manufacturing and merchandise trade, as well as the ‘tradeability’ of financial and other services, thus increasing the integration of national economies (Ibid). From 1980 to 2002 the FDIs in the developing countries grew from USD 11 billion to USD 147 billion (Todaro and Smith, 2006, p707). However, in the same period these countries, that mainly export agricultural produce, raw materials and simple manufactures, have experienced a steady decline in their terms of trade and their shares of world trade (Ibid, p77).

The notion of broad-based economic growth facilitated the process of modern globalisation, as it “*helped take the sharp edge off the distributional impacts of trade*” (Rodrik, 2012, p72), but as the international market competition intensified when the East Asian Tigers and later China adopted export-oriented economic growth strategies and entered the global trade arena (Gilpin, 2001, p5), the trend of a global division of labour between advanced and developing economies was cemented and the economic growth in developing countries declined dramatically (Jackson, 2012, p86).

The MNC activities are examples of the long-term structural effects of the functioning of the global economy during the last 30 years. However, the most devastating effect – at least in the short run – is found in the process that led to the financial crisis in 2007-2008. The liberalisation and deregulation of the global capital market that would “*increase investments, growth, and prosperity by enabling global savings to flow to their most productive uses*” (Rodrik, 2012, p91) opened up wider possibilities for ‘rent seeking’ and risky speculations (Stiglitz, 2013, p.xxxi-xxxiii). As the economy became ‘financialised’, rent seeking drove the rise of the global financial market to unprecedented heights while risky speculations led to its fall (Ibid). By its very nature rent seeking leads to increased inequality between the rich and the poor, and at the peak of the financial crisis the rich could afford to wait and regain their losses as the market picked up again – the poor could not (Ibid, p.xi).

In the recessions that followed the financial crisis, most Western governments have implemented rescue packages to save financial institutions and core industries. Their Keynesian nature indicate a distancing from the prescriptions of neoclassical economics (Birch and Mykhnenko, 2010, p15), but as they are introduced under fiscal austerity, they lead to cuts in social spending and further increases in social inequality (Stiglitz, 2013, p.xxv-xxvi). The systemic flaws that allowed the crisis to happen still remain (Ibid) and as the less developed economies do not have the means to fund rescue operations or fiscal stimulus packages, the gap between rich and poor countries continues to increase (Birch and Mykhnenko, 2010, p15).

In his basic economics textbook, Bjørn-Ivar Davidsen (2012, p418), characterises the competing needs for continued economic growth in the affluent world, for economic growth in developing countries, and for a more sustainable economic growth to protect the ecological environment as the global economy’s ‘growth political trilemma’. This not only highlights the larger context in which poverty alleviation and the poor countries’ economic growth and

development take place, but also that the functioning of the global economy – even the continuation ‘as is’ – is a matter of political, thus ultimately ethical, considerations. The economic rescue operations after the financial crisis indicate that there are no changes in the political commitment to continued economic growth in the affluent world. Justified by the threat of economic destabilisation as the systemic logic of the private capitalistic organisation of production requires continuous growth of goods and services that are symbiotically met by a seemingly unsaturated demand for positional consumption goods (Ibid, pp413-418), the rich countries can be perceived as taking their need for continued economic growth out of Davidsen’s trilemma; reducing it to a dilemma of ‘who get the left-overs’.

The MNC economy, the functioning of the global capital market, and the economic actuations of powerful affluent countries all illustrate the challenges of global governance. Some of these challenges exist due to the imbalance in global rule-making as the rules for protecting economic interests have become stronger and more enforceable while the protection of human rights, labour standards, environmental sustainability, and the interests of the poor are lagging behind (Gereffi, 2005, pp175-176). Others are related to the enforcement of the rules and thus the roles of nation states, supranational institutions, transnational organisations and civil society (Ibid).

2.4. The Role of Economic Thought in the Globalised Economic System

“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else.”

John Maynard Keynes
(Quoted by Sandmo, 2011; p.463)

Traditionally the term ‘economic system’ is used to describe the institutions and methods of organising economic activity within national borders (Rutherford, 2007, pp66-67). Today the vast majority of economic activity takes place in a globalised context that is not subjected to the same political processes as national economic systems, and therefore do not have the same structural sophistication, but it is a ‘system’ inasmuch as its components are interconnected and act within structures that form an integrated whole. To a large degree the behaviour within this global economic system, both by its individual actors as well as the system as a whole, still depends on the different national economic systems (Gilpin, 2001, p18). However, economic theory plays a fundamental role in the political decision-making of national economic systems, it defines the behaviour of the IFIs and other international economic institutions, and it is at the core of those organisations, institutions and interest groups that

take interest in the functioning of the global economic system. Understanding this system therefore requires an insight in the economic thinking that informs the system's structures, influences its behaviour, provides the interrelation of the system's components and ensures the interconnectivity between components, structure and behaviour.

The following discussion seeks to show how political ideologies and ethical philosophies are embedded in systemic economic thought and how, in the case of neoclassical economics, the political ideology is liberal and the ethics is utilitarian. While economic theoreticians discuss *to which extent* matters outside of the economy – in particular political ideology and ethical judgments – should be taken into consideration when formulating economic policy recommendations (Sandmo, 2011, p459), outside of economics the discussion tends to be on *which* political ideology and ethical philosophy should inform the objectives, analysis, approaches, methods, and conclusions of economic thought (Etzioni, 1988, pp1-4, 238-242).

Like all sciences, economic thought evolves with new theories referring to previous ones and opening horizons for succeeding ones, and like all social sciences economic thought is a product of its historical context and related to its contemporary scientific, social and political developments. Adam Smith's allegorical 'invisible hand' was conceived in the age of enlightenment and influenced by the work of the French physiocrats, in strong opposition to the mercantilist economic system of the time (Kurrild-Klitgaard, 2013, pp21-27). Likewise, the theories of Smith and his fellow classical economists were the point of reference for the marginalist troika whose analyses in the 1870s represented a scientific revolution (Ibid, p71; Sandmo, 2011, p92). Not only did they bring economics closer to the natural sciences by introducing mathematics into the economists' toolkit, but more importantly Willam Stanley Jevons' theory on marginal utility, Carl Menger's on marginal profit and Leon Walras' general equilibrium theory provided a scientifically unified framework, which became widely accepted by their fellow economists (Sandmo, 2011, pp167-211). Enriched by the so-called second generation, most significantly Alfred Marshall's theories on supply-and-demand and maximum satisfaction; Francis Ysidro Edgeworth's total utility theory; and Vilfredo Pareto's optimal utility, and solidified with the theories of capital, investment and interest rates, particularly those of Knut Wicksell and Irving Fisher, this platform – with its embedded economic world view – has since then dominated the science of economics. Referred to as neoclassical economics, it forms the basis of modern economic theory (Sandmo, 2011, pp213-244, 267-289; Beaud and Dostaler, 1997, pp143-148).

However, during the inter-war years the scientific environment of economic thought was particularly pluralistic, with a variety of thought schools and a multiplicity of concepts, objectives and approaches. Faced with the considerable challenges in contemporary real economy and the volatile political and social realities, the academic confrontations and convergences were dominated by the 'systems debate'. While Pareto concluded that economics alone could not give a decisive answer to which system works best, and Joseph Schumpeter was convinced that the dynamic forces of innovation would eventually lead to more concentration of market power, the most heated scientific debate was between radical liberals Ludwig von Mises and Friedrich Hayek against the socialist economists Oskar Lange and Abba Lerner (Sandmo, 2011, pp318-337; Beaud and Dostaler, 1997, pp143-144).

The 'systems debate' is a recurrent and central discussion in economics: Which economic system works best in serving the common good through the efficient use of scarce resources and a just income distribution? At the core of this debate is the functioning of the market mechanism and the role of the public sector. Choosing between planning and bureaucracy or leaving the market to function without interference represent the most polarised views, though for most economists it is a question of the balance between the two (Sandmo, 2011, pp3,461). John Maynard Keynes' influential contributions to economics emphasise this. He was not an adversary to the market system professed by the neoclassicists, his recommendations to counteract market fluctuations with public expenditure were aimed at gaining stability and securing full employment in the short run; the market simply needed a 'helping hand' during a transition period (Ibid, p354). Nevertheless, the Keynesian theories represented a change, often referred to as a revolution, in the cosmos of neoclassical economics.

The 'systems debate' flared up again when the advanced economies experienced the so-called 'stagflation'; the co-existence of inflation and rising unemployment at the end of the 1960s. Keynesian theories came under attack and the most influential on the opposite side of this controversy was Milton Friedman and his colleagues of the Chicago School. Friedman had reformed monetarism into a theory of demand for money. The core of monetarism, which dates back to Jean Bodin in the sixteenth century, is that the stability of the market depends on the quantity of money. Friedman claimed that the money supply, which is determined by the authorities, is much more volatile than a consumer defined demand, thus the best way to determine the quantity of money is to refrain from political intervention and leave the market mechanism to function freely (Beaud and Dostaler, 1997, pp113-117). As Friedman's monetarism gained scientific territory, his ideological advocacy for using the market

mechanism even if the market deviates considerably from the ideal of perfect competition, became equally influential on the political arena during the last quarter of the past century. (Sandmo, 2011, pp416-420)

The ‘new classical macroeconomics’ represented another current in the counter-offensive against Keynesianism. Sharing the monetarists’ political vision, this school sought to give neoclassical macroeconomics the microeconomic foundations it lacked. By combining George Stigler’s research on market equilibrium under incomplete information with John F. Muth’s hypothesis of rational expectations, the assumption of perfect information in Walras’ general equilibrium model could be met by the hypothesis of rational anticipation; the optimal treatment of imperfect information (Beaud and Dostaler, 1993; 1997, pp128-129). The leader and principal theoretician among the new classical macroeconomists was Robert Lucas, who later was to revive the neoclassical growth theory and dedicate a good part of his career to the research of economic growth (see point 2.1).

The founding fathers used the term ‘political economy’ about what was later to be commonly referred to as economics (Kurrild-Klitgaard, 2004; 2013, p14). Changing the name or introducing mathematical formalisation does, obviously, not remove the political dimension of this science. Fragments of it might be treated apolitically, but the more integration between the fragments, the more systemic the approach, the stronger the political ramifications. The ‘systems debate’ reflects how academic discourse responds to its contemporary political landscape and how the scientists of economics exercise great – though mostly indirect – political power through their policy recommendations. The particular debate between von Mises/Hayek and Lange/Lerner exposed how political convictions play a decisive role in economic thought.

In the case of Friedman this connection between scientific work and political ideology was not only obvious, but also very effective. Not only did he introduce his economic theories to the general public in his own TV-show, but as they coincided in time and ideology with the political era of UK Prime Minister Margaret Thatcher and US President Ronald Reagan, Friedman’s economic policy recommendations on how economic growth is best achieved through the stability and predictability of liberalised and deregulated markets, formed part of the backbone of the neoclassical counterrevolutionary regime shifts in economic policies that started in these two countries and subsequently spread throughout the rest of the world. (Beaud and Dostaler, 1997, pp121-123; Birch and Mykhnenko 2010, pp4-5).

Throughout the entire history of economics, the scientific conviction that the common good is best served with a free market is closely linked to liberalism. However there is a distinct difference between the liberalism of the classical economists and the liberalism of von Mises, Hayek, Friedman, and Lucas. In the liberalism of John Locke and Jeremy Bentham that was integrated in the holistic approach of the classical economists, economic liberty was an aspect of the political liberty that would eventually lead to political emancipation (Kurrild-Klitgaard 2004, pp112, 167). In the liberalism promoted by the Mont Pelerin Society, the network of liberal academics and intellectuals founded by Hayek in 1947, (Astrup and Nilsen, 2011, p108), economic freedom is an indispensable condition for the more general concept of freedom and democracy; any restriction on economic freedom implies a loss of political freedom (Sandmo 2011, p329), thus market freedom comes before democratic freedom because only capitalism makes democracy possible (Birch and Mykhnenko, 2010, p3).

Ethics was an integrated part of the holistic approach that characterises the work of the founders of classical economics. Though the so-called Adam Smith problem, the apparent contradictions between his moral philosophy and his economic theories, is still subject to academic debate, it does not diminish the fact that he analysed the functioning of the market both in relation to human behaviour and to the common good, based on the perception that human beings are capable of acting both rationally and morally. (Kurrild-Klitgaard, 2004, pp24,49,162-163; Sandmo, 2004, pp145-154). However, it is the contributions of John Stuart Mill that - once and for all - merged classical economics with Jeremy Bentham's moral philosophy of utilitarianism (Sandmo, 2011, pp89-111).

With the marginalist revolution the utilitarian notion of rational utility maximising consumers became a constitutive element of neoclassical microeconomics; consumer demands create the optimum – both for the individuals and the common good – in its equilibrium with the supply of the equally rational firms pursuing maximum profit in a free market with perfect competition (Sandmo, 2011, p294; Beaud and Dostaler, 1997, pp143-146). The same notion of rational utility maximising consumers became explicit also in the neoclassical macroeconomics with Friedman's reformulation of the theory of the quantity of money to depend on the demand of money and the new macroeconomists' rational anticipation theory.

In the mid-1960s the microeconomic theories of rational consumer behaviour was coupled with the new theories on 'human capital'. This utilitarian perception of human behaviour and motivations was used in analyses of education and health, politics and law, and, as discussed

in point 2.1, also later in neoclassical growth theory; reflecting a more general theory of human behaviour (Beaud and Dostaler, 1997, pp118-120). According to sociologist Amitai Etzioni (1988) this application of economic theories to the full array of social relations, has penetrated all other social sciences. As the neoclassical economic theories dominate the analysis, formulation, and implementation of public policy, they deeply influence not only academic and intellectual life, but also our political and ethical views and judgements (Ibid, pp1-4,250).

The fragmentation of economics by the division of micro- and macroeconomics and a long list of specific scientific areas, represents a challenge to any attempt of a holistic approach like the one that infused classical economic thinking and characterised the work of later economists such Hayek and Keynes. This partly explains why alternatives to the neoclassical platform – commonly put together under the label of heterodox economics – remain on the rand zone of mainstream economic thought (Beaud and Dostaler, 1997, pp150-153). However, it is still to be seen if economic thought will continue to face the challenges unearthed by the global financial crisis that started in 2007, without changes in the neoclassical paradigm.

2.5. Understanding Poverty, Inequality and Justice

“The world has the material and natural resources, the know-how and the people to make a poverty-free world a reality in less than a generation”
James Speth, UNDP Administrator, in the UNDP Human Development Report 1997,
(quoted by Todaro and Smith; 2006, p.240).

In their development economics textbook, Todaro and Smith (2006, pp17-20), states that no one has identified the human dimension of economic development as well as Amartya Sen. Since ‘*On Economic Inequality*’ was published in 1973 his thinking has enlightened development economics, and his contribution to the establishment of the UNDP’s Human Development Index (HDI) for measuring poverty has influenced development theories universally (Ibid). The following analyses how Sen’s multidimensional understanding of poverty challenges the paramount role of economic growth and how a concern for human well-being beyond mere survival requires the analysis of poverty to relate to inequality and social and global justice.

In brief, Sen’s definition of poverty as ‘capability deprivation’ reflects how a person’s ability to control her own life depends on how she uses the resources she has influence over. Identifying freedom of choice as a central aspect of most understandings of well-being, Sen

labels these resources as ‘functionings’ and the freedom in the choices of the functionings as ‘capability’ (Ibid), thus poverty deprives a person’s ‘capability to function’ because it limits not only her functionings but also her freedom of choice. Sen’s understanding of capability to function encompasses Adam Smith’s consideration of being able to ‘appear in public without shame’ to include the ability of “*taking part in the life of the community*” (Sen, 1997, p199).

This understanding of poverty breaks the limitations of poverty understood merely as lowness of income. It implies that poverty cannot be adequately measured by mono-indicators such as poverty lines (Ibid, pp165-170). Nor can economic growth be perceived as an end in itself, but as a mean to alleviate human misery and advance human well-being (Sen, 1999, p14). As the pursuit of social welfare goes beyond economic growth “*attention must be paid to the extensive evidence that democracy and political and civil rights tend to enhance freedoms of other kinds (such as human security) through giving a voice... to the deprived and the vulnerable*” (Sen, 2010, p348).

The underlying rationale for Sen’s definition of poverty as ‘capability deprivation’ is freedom of choice. Though the question of whether liberty and equality are opposite or identical values has been part of political philosophy discussions for centuries, with liberalists insisting that equality kills liberty (Kolm, 1998, p476), Sen’s prominence among contemporary liberalists does not prevent him from emphasising the close connection between poverty and inequality. In fact, his definition of poverty as capability deprivation derives from his scrutinising critique of welfare economics, which is directed both at its basis on Pareto optimality: “*If the lot of the poor cannot be made any better without cutting into the affluence of the rich, the situation would be Pareto optimal despite the disparity between the rich and the poor*” (Sen, 1997, pp6-7), and at its utilitarian ethos which he identifies as “*profoundly unconcerned with inequalities*” and “*capable of producing strongly anti-egalitarian results*” (Ibid, p110). In other words; not only does welfare economics – the area of economic thought to which social concerns at that time were confined – not deal adequately with inequality, it even produces it. Sen shares this critique with several contemporary economist thinkers, among them Joseph Stiglitz (2013) who proposes a new macroeconomic policy framework to correct an economic system that is failing because it is based on economic theories that fail to address inequality (Ibid, pp336-355). While Stiglitz focuses on improving the rules, Sen seeks to rectify the ideological foundations of economics by insisting on bringing economics closer to ethics (Sen, 1995, p89).

Tracing the roots back to Aristotle, Sen points out that economics relates ultimately to ethics and politics (Ibid, p3). However, in its evolution, economics has taken on an ‘engineering’ aspect whose growing domination has reduced the importance of ethical considerations (Ibid, pp49-50). It is difficult to interpret Sen’s use of the ‘general equilibrium theory’ to elaborate on this engineering aspect, as coincidental. As discussed in point 2.4, it is the constituting element of neoclassical economics and the point of reference for many critics of modern economics (Etzioni, 1988 pp1-50, pp160-163; Reinert, 2004, pp168-171). So when Sen argues that “*the nature of modern economics has been substantially impoverished by the distance that has grown between economics and ethics*” (Sen, 1995, p7) he joins those who invite economics to revisit its foundations as a social science.

More recently Sen’s contributions to reconnect economics and ethics have led him to propose a practical approach to justice theory (Sen, 2010). Already in his arguments for understanding poverty as capability deprivation there is a critique of Rawls’s justice theory. Rawls’s ‘difference principle’ which means giving priority to the least advantaged even at the cost of the most advantaged is also based on individual liberty and a critique of Pareto optimality and utilitarianism (Østerberg, 2011, pp225-236). Sen’s problem is that Rawls identify the least advantaged by their access to ‘primary goods’, and though primary goods form part of Sen’s ‘functionings’, they do not cover more complex functionings like ‘the ability to take part in the life of the community’; thus not taking into account all aspects of what makes a life worth living (Sen,1997, pp197-199). Also, by using primary goods as an indicator of quality of life there is a risk of perceiving these primary goods as ends in themselves instead the means they are (Sen, 2010, pp65, 253).

When addressing poverty as a matter of global justice, Sen points out the limitations of Rawls’s and other modern justice theories as their ‘transcendental institutionalism’-basis means seeking global justice through perfectly just institutions in a world where no one has the sovereignty to control or correct these institutions (Ibid, pp24-25). Instead Sen proposes to concentrate on advancing global justice by removing the “*manifest injustices that so severely plague the world*” (Ibid, p263). Inspired both by Rawls’s foundational idea of ‘justice as fairness’ and by Habermas’s ‘interactive public reasoning’ Sen insists the process of removing injustice be based on democratic participation and attention given to include the voices of the poor and neglected (Ibid, pp53, 325-336). Furthermore, he suggests the so-called second-generation human rights – the economic, social and cultural rights – as a point of

departure to advance human capabilities as they integrate democratic freedom and ethical consideration (Ibid, pp366-387).

In other words; as a matter of fairness poverty reduction understood as reducing human misery and enhancing human well-being requires addressing the underlying inequalities that produce human misery. In the absence of adequate global governance structures, the best way of doing this is to promote economic, social, cultural and political rights through participatory democratic processes as they both advance social and global justice and in themselves contribute to the construction of justice.

2.6. The Shift from the SAPs to the PRSP-Approach

“‘Stabilize, privatize, and liberalize’ became the new mantra of a generation of technocrats who cut their teeth in the developing world and of the political leaders they counselled”

Dani Rodrik, about the SAPs

(quoted by Birch and Mykhnenko, 2010, p9).

The SAPs were implemented in a period when neoclassicists had controlling votes on the boards of both the World Bank and the IMF (Todaro and Smith, 2006, p120), and the policies behind the SAPs are often referred to as a ten point-list labelled as the ‘Washington Consensus’ – a term coined by John Williamson to illustrate the coherence between the IMF, World Bank, and key US government agencies – which reflect the period’s free-market approach to development based on a conviction that governments were more likely to make things worse than better (Ibid, p538).

In addition to the policies introduced globally to reduce the level of political intervention in favour of more reliance on the market mechanism discussed in point 2.3, such as:

- privatisation of previously state-run assets;
- competitive marketisation of the procurement and delivery of social goods;
- deregulation of labour and product markets;
- liberalisation of the trade in goods and capital investments;
- and monetarist policies for inflation control

the Washington Consensus implied additional specific policies in developing countries based on (Ibid, Table 11.1):

- fiscal discipline;
- redirection of public expenditure priorities toward health, education, and infrastructure;

- tax reforms;
- securing property rights;
- and the elimination of barriers to FDIs.

In contrast to development economics' growing awareness of the importance of shared growth, reduced inequality, and elimination of extreme poverty in order to achieve economic growth, the policies of the Washington Consensus were based on the fundamental assumption that *“poverty would be taken care of by growth and was not a major obstacle in itself to growth and development”* (Ibid, p538).

The implementation of these policies through the SAPs, expanded the scope and geographic reach of the World Bank in particular, and the institution obtained the position as one of the most powerful actors in international development (van Waeyenberge, 2010, p94) at a time when the influence of other supranational organisations, such as the ILO, UNDP and UNCTAD, eroded (Todaro and Smith, 2006, p120).

The change to the PRSPs came after a period of growing critique of the SAP-approach expressed by civil society, academia, UN agencies and increasingly the World Bank's second largest shareholder, Japan (van Waeyenberge, 2010, p95). While there were already indications of a broader perspective on poverty and development in the World Bank 1991 World Development Report (Todaro and Smith, 2006, p17), and an acknowledgement of the SAPs not resulting in satisfactory levels of economic growth or poverty reduction in the World Bank 1994 report on Africa (van Waeyenberge, 2010, p96), the main push for an increased focus on poverty reduction came during an Americas States summit in Santiago in 1998. By then, 28 of the continent's 32 developing countries had implemented some versions of the SAPs, in most cases without achieving the expected results (Todaro and Smith, 2006, p681). A new consensus – referred to by the then World Bank President, James Wolfensohn, as the 'Santiago Consensus' (Ibid, p540) – emerged to substitute the 'Washington Consensus'.

This new consensus maintained the position of limited government interference in market-based economy, but where governments have to assume the responsibilities for correcting large market failures, providing a stable macro environment for economic growth, and ensuring that economic growth leads to sustainable development and poverty reduction (Ibid).

A year later the World Bank published the report 'Voices of the Poor' based on the interviews of thousands of poor persons in 47 countries – which enriched the new focus on poverty and

poverty reduction with an in-depth understanding of the poor, the lives they live, and how they themselves perceive poverty. The same year the PRSP-approach was officially launched jointly by the IMF and the World Bank.

In the mid-1990s, the Paris Club (the informal forum of some of the world's largest official creditors) introduced a new clause making their loans to developing countries eligible for debt-for-nature or debt-for-aid and debt-equity swaps. By 1996, about USD 4.5 billion of Paris Club debt has been retired or forgiven (Rao, 2000, pp284-289). At the initiative of the Interim and Development Committees of the World Bank and IMF, also the IFIs sought to provide some relief to the most indebted poor countries, and in November 1996 the World Bank established the 'Highly Indebted Poor Countries' (HIPC)-Trust Fund by transferring USD 750 million from its IBRD (International Bank for Reconstruction and Development) surplus, followed by the IMF establishing a similar trust for the HIPC debt initiative (Ibid). When the PRSP-approach was launched in 1999, the approval of a national PRSP became a precondition to obtain this HIPC-debt relief.

3. METHODOLOGY

This study is based on documents that are available to the general public through the IMF and World Bank PRSP-sites. Seeking to respond to the three research questions as well as contributing to the overarching discussion whether poverty exists due to flaws in the global economic system, the study was conducted in light of the previously discussed theories.

The first stage of this study consists of a general assessment of the IMF/World Bank PRSP-approach and a case study of one national PRSP. The second stage is a small-n-study of three additional PRSPs, seeking to validate the observations and findings of the case study.

3.1. Selection of the National PRSPs

67 countries have entered the PRSP-process to date (see Table 3.1 below). For eight of these countries there are no updates on the IMF PRSP Country Paper-site after the first five years of the PRSP-launch in 1999. Not knowing the reasons for this lack of updated information in the last ten years, but assuming that one explanation might be that a country has abandoned the initiative, these countries are not included in this study.

Among the remaining 59, four were selected for the small-n-study based on the following:

- *Entry into the PRSP-process prior to 2002*: in order to identify differences between the PRSP initiative and the IMF/World Bank SAP-policies towards the poor countries in the early and mid-1990s.
- *Nature or size of economic system*: Aiming to analyse the PRSPs in light of the global economic system, former communist or non-globalised economies/extremely small economies were excluded.
- *In pairs of similar cultures and societies*: To enable corrections for national specificities.

By default these criteria left the Honduran and Nicaraguan² as the only pair of non-African PRSPs. Of the latter Uganda was chosen because it was the first country to obtain debt relief under the HIPC-mechanism (Rao, 2000, p285), where the PRSP³ is a precondition, while the choice of Tanzania, rather than Kenya, was made randomly. Among the four, the Honduran PRSP was selected for the case study because it includes an explicit assessment of the previously implemented SAP.

² The transformation of the partly command economy introduced under the Sandinista government (1979-1990) to a market-driven economy started already in the early 1990s, thus the immediate background for the PRSP is a mainstream neoclassical economy.

³ The Ugandan PRSP is based on a participatory large-scope and long-term development planning initiative started by the Ugandan government independently of the IMF/World Bank in 1997 and later expanded and adapted into the PRSP scheme.

TABLE 3.1 – SELECTION OF PRSPS FOR CASE- AND SMALL-N-STUDIES

Country	PRSP¹ Entry year	Last¹ report	Not part of selection pool due to
Afghanistan	2006	2008	Entered after 2002
Albania	2000	2008	Nature/size of economic system
Armenia	2001	2011	Nature/size of economic system
Azerbaijan	2001	2004	No up-dated information after 2004
Bangladesh	2003	2013	Entered after 2002
Benin	2000	2011	
Bhutan	2004	2004	Entered after 2002
Burkina Faso	2000	2008	
Burundi	2004	2012	Entered after 2002
Bolivia	2000	2001	No up-dated information after 2004
Bosnia Herzegovina	2004	2004	No up-dated information after 2004
Cabo Verde	2002	2006	
Cambodia	2000	2006	Nature/size of economic system
Cameroon	2000	2008	
Central African Rep.	2000	2009	
Chad	2000	2007	
Comoros	2006	2013	Entered after 2002
Congo, DR	2002	2013	
Congo, Rep	2005	2012	Entered after 2002
Cote d'Ivoire	2002	2012	
Djibouti	2001	2012	
Dominica	2004	2006	Entered after 2002
Ethiopia	2000	2011	
Gambia	2000	2011	
Georgia	2000	2006	Nature/size of economic system
Ghana	2000	2012	
Grenada	2006	2008	Entered after 2002
Guinea	2000	2013	
Guinea-Bissau	2000	2006	
Guyana	2000	2006	
Haiti	2006	2014	Entered after 2002
Honduras	2000	2005	
Kenya	2000	2012	
Kyrgyz Republic	2001	2012	Nature/size of economic system
Lao P.R.	2001	2008	Nature/size of economic system
Lesotho	2000	2012	
Liberia	2007	2011	Entered after 2002
Macedonia	2000	2000	No up-dated information after 2004
Madagascar	2000	2009	
Malawi	2000	2012	
Maldives	2008	2008	Entered after 2002
Mali	2000	2013	
Mauretania	2000	2013	
Moldova	2000	2013	Nature/size of economic system
Mongolia	2001	2005	Nature/size of economic system
Mozambique	2000	2014	
Nepal	2003	2007	Entered after 2002
Nicaragua	2000	2011	
Niger	2000	2013	
Nigeria	2005	2007	Entered after 2002
Pakistan	2001	2004	No up-dated information after 2004

Country	PRSP¹ Entry year	Last¹ report	Not part of selection pool due to
Rwanda	2000	2013	
Sao Tome & Principe	2000	2014	
Senegal	2000	2013	
Serbia	2004	2006	Entered after 2002
Sierra Leone	2001	2011	
Sri Lanka	2002	2002	No up-dated information after 2004
Sudan	2013	2013	Entered after 2002
Tajikistan	2000	2012	Nature/size of economic system
Tanzania	2000	2011	
Timor Leste	2005	2005	Entered after 2002
Togo	2008	2011	Entered after 2002
Viet Nam	2001	2006	Nature/size of economic system
Uganda	2000	2010	
Uzbekistan	2005	2008	Entered after 2002
Yemen	2000	2002	No up-dated information after 2004
Zambia	2000	2007	

1) IMF: PRSP - Country Papers. Downloaded 19.06.2014 from:
<http://www.imf.org/external/np/prsp/prsp.aspx>

3.2. Methodology of the Assessment of the PRSP-Approach

The assessment of the documents on the IMF's and World Bank's respective PRSP-websites, was done in two steps. The first consisted of analysing those documents that externally communicates the rationale behind, and the processes and aims of the PRSP-approach. The second stage looked into more specific policies and recommendations and was done after the case- and small-n-studies, focusing on specific areas based on the main findings and observations of these studies. This analysis is divided into the following main categories:

- A) The rationale and core principles of the PRSP-Approach
- B) Macroeconomic stability
- C) Trade policies
- D) The IMF and World Bank involvement in the PRSP

3.3. Methodology of the Case Study

The aim of the case study of one national PRSP was not to analyse its pertinence or relevance as a poverty reduction tool, but to find answers to how poverty is perceived and understood in the PRSP-initiative and how this influences the approaches and policies of poverty reduction and economic growth.

In order to analyse this 130 page comprehensive multi-layer document, its contents were decomposed into four groups following the scheme of classical strategic planning (Roos et al, 2013, pp28-31):

- A. Strategic Intention; vision, mission and overall objective
- B. Strategic Analysis; problem diagnosis, external and internal factors; as well as the assessment of the effects of the previously implemented SAP
- C. Strategic Components; the strategic decisions and choices
- D. Implementation and Monitoring Plan

3.4. Methodology of the Small-N-Study

The purpose of the small-n-study was to compare the case-study-PRSP with three other national PRSPs in order to validate the findings and observations of the case-study. Based on the latter, the comparative analysis was less comprehensive and more open-ended, focusing on:

- 1) *Diagnosis of poverty:*
 - Identification of economic, social, cultural and political aspects
 - Measuring poverty
 - Specific references to inequality
 - Specific references to social justice theories
- 2) *Overall approach of the PRSP:* Summarises general aspects of the strategies:
 - The planning processes and implementation plans
 - The specific poverty reduction components
 - And other structural changes and reforms.
- 3) *Economic growth:* Analyses the strategic components related to
 - General aspects
 - Macroeconomic stability
 - Factors of production
 - Productivity
 - Competitiveness
 - Trade and export
- 4) *External Factors:* Identifies the strategic measures related to:
 - Aid and debt relief
 - Global economy
 - Disaster vulnerability

3.5. Methodology Design and Sources of Fallacy

The nature of the research questions advocated a case study in order to analyse as many nuances and details of the PRSP-initiative as possible (Jacobsen, 2011, pp90-101). The choice of combining a case study with a small-n-study reflects the desire to describe the PRSP-initiative as a phenomenon, rather than limiting it to a specific national context. As mentioned the case study facilitated the small-n-study, while the latter made it possible to reveal some of the specificities of the former, enabling a more general understanding of the issues at hand. Ideally, this intensive design could have been expanded with an extensive study of all the PRSPs to support more generalised conclusions, but within the limits of a master thesis this was not found feasible. Thus, while some of the findings of this intensive study coincide with other studies, the conclusions presented here are limited to describing the PRSP-initiative rather than explaining it.

The methodological design and limited scope of the conclusions seek to reduce the sources of fallacy due to aggregate correlation and interpretations of causality, respectively (Ibid, pp380-388). However, the biggest source of fallacy in this study is assumed to be found in the risks of its biased point of departure translating into research biases (Ibid, pp213-231). In order to limit these, the study's biased point of departure is explicitly expressed in the introduction, given by the research questions, and discussed in the conclusions.

A high risk of bias transfer in this study is found in the selection of the PRSPs as the selection criteria were defined on the basis of the research questions. These criteria limited the selection pool considerably, leaving the Ugandan PRSP as the only actively chosen since the Tanzanian PRSP was given as a consequence of this choice while the Honduran and Nicaraguan PRSPs were given by default.

The validity of choosing Uganda because it was the first to obtain debt relief based on its PRSP is open for discussion, however, the consequences are limited as this PRSP was not chosen for the case study on which the analyses undertaken in this study are based. The final argument for choosing the Honduran PRSP for the case study was the expressed intent to view the PRSP-approach in light of its predecessor, the SAPs.

As it turned out, the Honduran PRSP was by far the most detailed and multi-layered of the four PRSPs analysed. While this allowed the building of a solid foundation for the following small-n-study, it complicated the data collection and the interpretation process, contributing to the risks of fallacy. The extensive cross referencing between the original sources and the

collected and analysed data given in the annexes aim to reduce some of the fallacy risks, but cannot eliminate them entirely.

Another importance source of fallacy risk is related to the choice of references to theories and other studies. To the extent possible, this is sought countered by mainly referring to text books and well-known researchers and/or publishers. However, it must be recognised that the paradigmatic domination addressed in this study also limits the space of the critical voices, forcing lesser known researchers to use less prestigious publishing houses. Obviously, references within this category has been scrutinised to avoid theoretical fallacy.

4. OVERALL CHARACTERISTICS OF THE PRSP-APPROCH

In order to contextualise the findings and observations related to the research questions presented in chapter 5, this chapter starts with a brief presentation of the PRSP-countries. It then uses some of the observations and findings of case-study and the small-n-study not directly related to the research questions to describe two of the main overall characteristics of the PRSP-approach; the national ownership of the strategy and the involvement of development partners and other external donors.

4.1. The PRSP-Countries

Table 4.1 shows that the 59 countries included in this study represent 1.2 billion of the world's population. In 2012 their total GDP was close to USD 1.5 trillion; not far from the joint GDP of the five Nordic countries⁴, with a total population of 25,865 million, of around USD 1.600 trillion. In the same period, the GDP of the world's largest national economy, the US, was USD 16.240 trillion⁴ in 2012, distributed among a population of 314 million.

TABLE 4.1 – COUNTRIES INVOLVED IN THE PRSP-APPROACH

Country by continent	PRSP ¹ Entry year	HDI- ² ranking 2012	GNI p.c. ³ in USD 2012	Population ³ in millions 2012	GDP ³ in billion USD 2012
Asia and Oceania (9)					
Afghanistan	2006	175	680	29.820	20.500
Bangladesh	2003	146	840	154.700	116.400
Cambodia	2000	138	880	14.860	14.040
Lao P.R.	2001	138	1.270	6.640	9.418
Maldives	2008	104	5.750	0.338	2.222
Mongolia	2001	108	3.160	2.796	10.270
Nepal	2003	157	700	27.470	18.960
Timor-Leste	2005	134	3.620	1.210	1.293
Viet Nam	2001	127	1.550	88.770	155.800
Europe and former Soviet-Republics (8)					
Albania	2000	70	4.030	3.162	12.650
Armenia	2001	87	3.720	2.969	9.951
Georgia	2000	72	3.290	4.491	15.750
Kyrgyz Republic	2001	125	990	5.607	6.475
Moldova	2000	113	2.070	3.560	7.253
Serbia	2004	64	5.280	7.224	37.490
Tajikistan	2000	125	880	8.009	7.633
Uzbekistan	2005	114	1.720	29.770	51.110
Latin-America and the Caribbean (6)					
Dominica	2004	72	NA		
Grenada	2006	63	NA		
Guyana	2000	118	3.410	0.795	2.851
Haiti	2006	161	760	10.170	7.843
Honduras	2000	120	2.120	7.936	18.430
Nicaragua	2000	129	1.650	5.992	10.510

⁴ World Bank: *Browse by Country*. Downloaded 21.06.2014 from: <http://www.worldbank.org/en/country>

Country by continent	PRSP ¹ Entry year	HDI- ² ranking 2012	GNI p.c. ³ in USD 2012	Population ³ in millions 2012	GDP ³ in billion USD 2012
Africa (36)					
Benin	2000	166	750	10.050	7.577
Burkina Faso	2000	183	670	16.460	10.730
Burundi	2004	178	240	9.850	2.472
Cabo Verde	2002	132	3.830	0.494	1.827
Cameroon	2000	150	1.170	21.700	25.320
Central African Rep.	2000	180	510	4.525	2.184
Chad	2000	184	970	12.450	12.890
Comoros	2006	169	840	0.718	0.596
Congo, DR	2002	186	230	65.710	17.200
Congo, Rep	2005	142	2.550	4.337	13.680
Cote d'Ivoire	2002	168	1.200	19.840	24.680
Djibouti	2001	164	1.030	0.860	0.848
Ethiopia	2000	173	380	91.730	41.720
Gambia	2000	165	510	1.791	0.907
Ghana	2000	135	1.550	25.370	40.710
Guinea	2000	178	440	11.450	5.632
Guinea-Bissau	2000	176	510	1.664	0.882
Kenya	2000	145	860	43.180	40.700
Lesotho	2000	158	1.380	2.052	2.448
Liberia	2007	174	370	4.190	1.734
Madagascar	2000	151	430	22.290	9.975
Malawi	2000	170	320	15.910	4.264
Mali	2000	182	660	14.850	10.390
Mauretania	2000	155	1.110	3.796	4.199
Mozambique	2000	185	510	25.200	14.240
Niger	2000	186	390	17.160	6.773
Nigeria	2005	153	2.490	168.800	459.600
Rwanda	2000	167	600	11.460	7.103
Sao Tome & Principe	2000	144	1.310	0.168	0,263
Senegal	2000	154	1.030	13.730	14.050
Sierra Leone	2001	177	580	5.979	3.796
Sudan	2013	171	1.500	31.200	58.770
Tanzania	2000	152	570	47.780	28.240
Togo	2008	159	500	6.643	3.814
Uganda	2000	161	480	36.350	20.030
Zambia	2000	163	1.350	14.080	20.590
Total of 59 countries				1.200.106	1.457.623

1) IMF: *PRSP - Country Papers*. Downloaded 19.06.2014 from:

<http://www.imf.org/external/np/prsp/prsp.aspx>

2) UNDP: *Human Development Report 2013*. Downloaded 19.06.2014 from:

<https://data.undp.org/dataset/Table-1-Human-Development-Index-and-its-components/wxub-qc5k>

In total 187 countries are ranked in this report.

3) World Bank: *Browse by Country*. Downloaded 21.06.2014 from:

<http://www.worldbank.org/en/country>

Though both the HDI and the GNI per capita are national average figures and therefore do not reflect the exact poverty level of the poorest population segments in a country, they are indicators of the national poverty level and how this national level relates to that of other nations. Of the 59 PRSP-countries, six are placed above 100 on the UNDP HDI-ranking (Grenada, Serbia, Albania, Georgia, Dominica, and Armenia), hence the remaining 90% are ranked among the poorest countries in the world; including the six lowest ranked countries (Mali, Burkina Faso, Chad, Mozambique, Congo DR, and Niger), and while the PRSP-approach has been implemented in countries on all continents, 60% (36) are African. This implies that in the 15 years since the PRSP-approach was launched, it has obtained and maintained a strong poverty profile and involved a substantial number of the world’s poorest countries.

4.2. National Ownership and Civil Society Participation

The IMF and the World Bank define a PRSP as a platform for the national policies to promote growth and reduce poverty that a country will pursue over several years (see Annex 1 for more details). An essential feature of a PRSP is the national ownership of the planning process leading to the establishment of this national strategy, as well as its implementation and future evaluations. This national ownership refers not only to the central government and its institutions, but also lower levels of governance as well as other national stakeholders. Among the latter there is a particular emphasis on civil society and the poor themselves.

As shown in Table 4.2 below there is a strong coherency between the four studied PRSPs in regards to the approach to national ownership and civil society participation.

TABLE 4.2 - THE NATIONAL OWNERSHIP OF THE PRSPS¹

	Honduras	Nicaragua	Tanzania	Uganda
Country Specific	x	x	x	x
Comprehensive	x	x	x	x
Participatory planning process	x	x	x	x
Direct participation of the poor	x	x	x	x
Reorganisation of public structures	x	x	x	x
Decentralisation	x	x	x	x
Civil society in implementation plan	x	x	x	x

1) Selected data from Table A3.4 (Annex 3)

The overall vision of the Honduran PRSP explicitly refers to it being a long-term state policy (see Annex 2 for more details), expressing a national ownership by all political parties and within the nation’s governing and administrative structures. An even wider base of national ownership to the PRSP as such is affirmed by the extensive civil society participation in the

making of the strategy and its planned active role in the strategy's implementation and future evaluations. This emphasis on participatory processes must be understood in light of an already on-going national social transformation process that started with hurricane Mitch devastating most of the country in 1998, rather than compliance with external requirements.

In the early 1990s Honduras introduced a decentralisation law to facilitate the resource transfers from central to local government levels, which was still not fully implemented at the time the PRSP was made. The PRSP seeks to give new momentum to this law and to further expand the scope of devolved authority both at subnational regional and municipal levels. Already in the existing law a certain degree of people's participation in municipal governance was contemplated, and by defining empowerment and community participation together with administrative reforms and decentralisation as strategic priorities the PRSP seeks to enhance such civil society participation in its implementation and future evaluations.

In general there are few differences between the Honduran and Nicaraguan PRSPs (see Annex 3.1 for more details), but among these are the even broader civil society participation process and deeper administrative decentralisation process in the Nicaraguan PRSP. These differences are related to the extensive social and political transformation that started in the country after the armed internal conflict of the late 1980s. The fact that most primary schools were already autonomous at the time of the making of the Nicaraguan PRSP, is an example of the depth of the administrative decentralisation sought in the PRSPs.

The main difference between the Tanzanian and the two Latin-American PRSPs in regards to national ownership, civil society participation, and public decentralisation, is that the civil society participation is focused on community participation rather than civil society organisations (see Annex 3.2 for more details). Reflecting national reality the strategy refers specifically to the important role of 'social capital'; trust, unity and spirit of participation at village level.

In Uganda's already devolved governance structure of districts and lower local council authorities, the latter has the responsibility for implementing public policies based on local priorities and local community involvement. Seeking to maintain national coherency within this deeply decentralised structure, the Ugandan government already in 1997 initiated a national participatory process to establish an overall national political framework for the more specific sector and local plans. This process was later converted into the PRSP. Among the four PRSPs studied, the Ugandan transmits the most advanced measures to ensure a bottom-

up approach in the implementation of the PRSP, not only by giving priority to empower the disempowered and bringing the ‘voice of the poor’ into the political arenas, or by establishing public information systems that will enable and ensure the participation of the poor, but also by focusing on a strong community involvement in the implementation of the PRSP, seeking community-based low-cost solutions in the delivery of public services. (See Annex 3.3 for more details).

4.3. The Relations to Development Partners and External Donors

The core principles of the PRSP-approach established by the IMF and the World Bank imply that in addition to identifying comprehensive and long-term national priorities, a PRSP must clearly identify financing possibilities and the need for external funding in order for it to be a link between national public actions and donor support which will improve the coordination of development assistance and the possibilities for reaching the national targets related to the MDGs (see Annex 1 for more details). This means that the coordination with development partners and donors is not limited to the funding of a PRSP but also include the strategy’s contents and processes, which in turn requires involving external donors in the planning, implementation, and evaluation of a PRSP.

This indicates a role of the IFIs vis-à-vis the developing countries that goes beyond their bilateral relations. The implications of this expanded role, as well as the IFIs involvement in the domestic participatory processes described in point 4.2, are discussed more specifically in chapter 5. The following is limited to describing how the four studied PRSPs seek to involve external partners and donors not only in the planning and evaluations of the PRSP but also in its implementation.

Table 4.3 shows how the PRSPs relate to the parameters used in the small-n-study to identify these relations and their nature. (See also Annexes 2 and 3 for more details). They have all involved international NGOs and donors in the planning process, and the aid community is given an active role in the implementation of all the PRSPs. However, the Honduran PRSP is the most specific on how this latter will be achieved.

In the Honduran PRSP, the importance of the participation and support from the international aid community is taken into account in ways that affirm the national ownership of the strategy and the development process as such. Inter-institutional coordination which includes the international aid community is a cross-cutting priority in the strategy, and representatives of the international aid community are appointed as observing members in the PRSP-

implementation and monitoring structures and mechanisms. More specifically the PRSP seeks to target the use and/or monetisation of international food aid on supporting productive activities in rural areas, and international NGOs (INGOs) are included in the decentralised coordination structures and mechanisms that seek to consolidate and strengthen community participation in the same way national NGOs are. Also, the PRSP will establish standards to supervise the work of national and international NGOs, which introduces a new aspect of accountability where also the INGOs are held responsible vis-à-vis the government.

Reflecting a greater dependency on foreign aid, the two African PRSPs are less proactive in their approach to their international partners and donors. While the Tanzanian PRSP also seeks to use international food-aid more strategically than previously, the external risk factor given most emphasis is the country's dependency on international aid. The vulnerability to donor behaviour relates both to the financing of the PRSP and donor-driven activities needing to be subordinated to the national strategic priorities defined by the PRSP, where the latter requires substantial inter-institutional coordination at all administrative levels.

	Honduras	Nicaragua	Tanzania	Uganda
INGOs and donors active in planning	x	x	x	x
Major donors involved in PRSP	x	x	x	x
Aid community in implementation	x	x	x	x
IFIs in implementation		x	x	
Defined funding plan and structure	x	x	x	x
Specified need/dependency of aid	x	x	x	x
Plan for managing foreign debt	x	x		x
Specific reference to HIPC	x	x	x	x
Poverty reduction linked to MDGs	x	x	(x)	(x)

1) Selected data from Table A3.4 (Annex 3)

Both the Latin-American PRSPs explicitly refer to how the PRSP-measures relates to the national MGD-targets, while for the African these relations are implicit by the poverty reduction targets defined in the PRSPs. The direct involvement of the IFIs in the future implementation process is described in the Nicaraguan and Tanzanian PRSP, while the two others make no specific references to the IMF or the World Bank in this regard.

5. FINDINGS AND OBSERVATIONS

The following presents the main findings and observations of the assessment of the IMF/World Bank PRSP-documents, the case-study, and the small-n-study in relations to the three research questions. Comparisons between the PRSPs in regards to the indicators used in the study for each of research questions are given in Tables 5.1-5.3 respectively. Point 5.4 presents findings and observations related to the PRSP-approach's theoretical foundations.

The full assessment of the documents on the IMF's and World Bank's respective PRSP-websites, is given in Annex 1. The documents assessed and secondary sources used are specified in Table A1. The case-study of the Honduran PRSP is fully described in Annex 2 which also presents detailed findings and observations, while the analysis process is documented in Tables A2.1 and A2.2. The small-n-study confirms the mayor findings and observations of the case study. The detailed findings and observations of each of the Nicaraguan, Tanzanian, and Ugandan PRSPs are given in Annex 3 and Tables A3.1-A3.3.

5.1. The PRSP Perspectives on Poverty and Poverty Reduction

The IMF/World Bank-documents present the PRSP-approach as based on a multidimensional understanding of what poverty entails; its causes, effects and connections; and its political and social surroundings. This basis characterises all four PSRPs analysed.

The Honduran PRSP defines poverty as the lack of sufficient opportunities which are not only expressed, but also caused and perpetuated by structural inequalities. This multidimensional understanding of poverty depending on economic, social, cultural, and political factors is shared in all four PRSPs. So is also the recognition of poverty being gender-biased, linked to environmental degradation, and predominantly rural. While basing their national poverty data on quantitative measurements of basic need satisfaction/consumption, the communalities in structural inequality are found in: the distribution of income and wealth; the access to property, land, capital, and other factors of production; the benefits of social services and utilities; and ultimately, the usufruct of legal and democratic rights.

This multidimensional understanding of poverty results in poverty reduction strategies that give special attention to the immediate needs of the poor and vulnerable, and address the inequalities that cause and perpetuate poverty. In spite of this and the fact that ethical and moral values are given certain importance in all four PRSPs, the term 'social justice' appears only once in all the documents studied.

The IMF/World Bank-documents accentuate the PRSP-initiative as a long-term approach to poverty reduction that is linked to social development and economic growth, and that depends on national political ownership. The latter, in turn, requires broad-based stakeholder participation; accountability; and support from the international community. In all the PRSPs studied national ownership, civil society and community involvement, and the relationships with international aid donors are central in the planning, implementation, and future evaluations of the strategies, with increased transparency and accountability as fundamental objectives.

This is sought through structural reforms of public services, which is a major component in all four strategies. The reforms seek both to benefit the poor directly and increase social equality in general, and to improve the effectiveness of fiscal spending. Priority is given to education, health and social services; public infrastructure and utility delivery; and environmental protection and rehabilitation. Extending to the legal systems, these reforms include various measures to promote good governance and combat widespread corruption that today impose barriers to the equal access of legal and democratic rights. Decentralisation and privatisation are key elements in these structural reforms, which in addition to traditional outsourcing to private companies also targets community-based enterprises, community volunteer- and NGO-activities.

To facilitate these reforms, all PRSPs entail large components of organisational strengthening and institutional capability and capacity building; civil society empowerment; and inter-institutional coordination which include international donors and their direct activities in the countries. According to secondary sources the extent of the IFI-staff involvement in these components – which go far beyond strictly economic policy matters – threaten the country-ownerships of the PRS-processes (van Waeyenberge, 2010, p.99-104).

**TABLE 5.1 - DIAGNOSIS OF POVERTY AND
POVERTY REDUCTION COMPONENTS IN THE PRSPS¹**

	Honduras	Nicaragua	Tanzania	Uganda
Multidimensional				
Economic and social dimensions	x	x	x	x
Unsatisfied basic needs	x	x	x	x
Lack of opportunities	x	x	x	x
External factors influence	x	x	x	x
Defined funding plan and structure	x	x	x	x
Economic Dimension				
Low income and consumption	x	x	x	x
Few economic opportunities	x	x	x	x
Un/under-employment	x	x	x	x

	Honduras	Nicaragua	Tanzania	Uganda
Socio-Cultural Dimension				
Urban-rural differences	x	x	x	x
Regional differences	x	x	x	x
Gender differences	x	x	x	x
Educational level	x	x	x	x
Health and nutrition status	x	x	x	x
Starvation			x	
HIV/AIDS	x		x	x
Specified vulnerable groups	x	x	x	x
Population growth	x	x	(x)	(x)
Environmental degradation	x	x	x	x
Disaster vulnerability	x	x	x	x
Deterioration of cultural values	x	x	x	x
Corruption as cultural phenomenon	x	x		x
Political Dimension				
Personal security	x	x	x	x
Low trust in legal/official systems	x	x	x	x
Corruption	x	x	x	x
Low democratic participation	x		x	x
Failed economic policies		x		
Measuring Poverty				
Poverty line and GDP	x	x	x	x
Gini-coeff. and HDI	x	x		
Basic needs-measuring	x	x	x	x
Inequality in				
In income and wealth distribution	x	x	x	x
Unequal distribution within families			x	x
Land and property rights	x	x	(x)	x
Access to factors of production	x	x	(x)	
Access to public services	x	x	x	x
Legal and democratic rights	x	x	x	
Justice/Ethical perspectives				
Equity as means and end	x	x		x
Reference to social justice		x		
Poverty Reduction Components				
Priority to vulnerable groups	x	x	x	x
Equity oriented	x	x	(x)	x
Education				
Basic education	x	x	x	x
Technical secondary education	x	x		x
Higher education	x			x
Health, sanitation, nutrition				
Basic health services	x	x	x	x
Reproductive health services		x	x	x
Specific HIV/AIDS-measures	x		x	x
Health and nutrition	x	x	x	
Water and sanitation	x	x	x	x
Social Services				
Sector reforms	x	x	x	x
Decentralised structures	x	x	x	x
Privatisation	x	x	x	(x)
Inter-institutional coordination	x	x	x	x
Community/volunteer structures	x	x	x	x

	Honduras	Nicaragua	Tanzania	Uganda
Infrastructure, Land, Housing				
Electricity and energy	x	x	x	x
Transport and communication	x	x	x	x
Privatisation of utility services	x	x	x	x
Land ownership/titling	x	x	x	x
Irrigation	x	x	x	
Potable water, sewage	x	x	x	x
Housing	x	x		x
Urban planning	x	x		
Environmental measures				
Preventive/protective measures	x	x	x	x
Rehabilitation	x	x	x	
Mitigate disaster vulnerability	x	x	x	x
Cultural Measures				
Demographic transition measures		x		x
Civic education, Human Rights	x	x	x	x
Anti-corruption, rule of law	x	x	x	x
Other Structural Changes/Reforms				
Anti-corruption measures	x	x	x	x
Anti-violence measures	x	x	x	x
Judicial reforms	x	x	x	x
Political reforms	x			x
Reorganisation of publ/adm sector	x	x	x	x
Decentralisation	x	x	x	x
Good governance and transparency	x	x	x	x
Participation and accountability	x	x		x

1) Selected data from Table A3.4 (Annex 3)

5.2. The PRSP Approach to Economic Growth

Though the increased efficiency and transparency expected by the public reforms will also have positive fiscal effects, all the analysed PRSPs reflect that the coverage and quality of public service delivery consistent with the poverty reduction targets can only be obtained by substantial increases of fiscal revenues, in which economic growth is paramount. The benefits of economic growth are perceived to affect poverty reduction directly by improving the income and employment opportunities of the poor, and indirectly by increasing national revenues which allow larger allocations to public social services and poverty reduction without producing fiscal gaps.

The IMF/World Bank PRSP-documents state clearly that while the solutions to the multidimensional problem of poverty go beyond economics to include social, political, and cultural issues, economic growth remains the most important factor influencing poverty. In the World Bank PRSP Sourcebook, offered as a background document to support the governments in their making of the PRSPs, macroeconomic stability is upheld as a key component of any poverty reduction strategy; essential for high and sustained rates of

economic growth. Such macroeconomic stability is best safeguarded by noninflationary fiscal policies and adequate monetary and exchange rate policies. The governments are advised to include policy measures to protect the poorest against the effects of external shocks.

Macroeconomic stability continues to be perceived as part and parcel of larger reform programs, where privatisation; trade liberalisations; and structural reforms in regulatory frameworks, civil service and governance structures, and the bank sector, will provide the impetus for sustained economic growth. These policy recommendations are taken seriously in the PRSPs analysed, which all define the predictability of a stable macroeconomic framework as a sine qua non for economic growth. Adhering to mainstream neoclassical economics, they all promote fiscal, monetary and exchange policies that decrease and control inflation rates, and seek to improve the fiscal balances through expenditure control; privatisation; improved trade balances; and increased tax revenues. The expected outcomes of the structural reforms of public services and institutions and the legal systems are essential to accompany such macroeconomic stability. Transparency and efficiency contribute to both economic predictability and the fiscal balance, where improved property rights and land titling systems are particularly important for the former, while various forms and degrees of privatising public service delivery contribute to the latter. Furthermore, all four PRSPs aim to strengthen the macroeconomic frameworks by reforming national tax systems, and with one exception, also the domestic finance sectors.

In addition to the reduced transactions costs implied by these measures, increased economic growth from improved productivity and competitiveness is promoted in all four PRSPs through well-known components such as better qualified 'human capital'; modernising sustainable agricultural production; improving infrastructure; correcting market imperfections; facilitating creation of small and medium size enterprises/cooperatives; promoting export orientation; and maintaining and/or deepening trade liberalisations.

There is a strong interconnectedness between the measures promoting economic growth and those seeking to reduce poverty directly, and in all four PRSPs the 'human capital'-link between better education and health services and increased productivity is emphasised, and economic growth from enhanced agricultural production yield and market-access is particularly dependent on better infrastructure and utility delivery. On the other hand, the expected income-increase among rural and urban poor will enable them to make better use of

the available public services, not only in regards to health and education but also in the diversification of their income sources.

Such diversification measures are more elaborated in the Honduran PRSP than the others; revealing that the country has come further in its transition from a traditional agrarian society and therefore experience more pressing needs related to semi-urban and urban poverty, and to a more diversified economy. It is among these measures the few non-mainstream economics approaches are found, such as promoting solidarity chains among rural poor producers and urban poor consumers; opening markets for informal urban vendors; introducing alternative saving methods among urban poor; and establishing locally based rural micro-enterprises for service provision and for environmental protection.

TABLE 5.2 – ECONOMIC GROWTH MEASURES IN THE PRSPS¹

	Honduras	Nicaragua	Tanzania	Uganda
Economic growth paramount	x	x	x	x
Macroeconomic framework a priori and supported by legal and administrative reforms/changes	x	x	x	x
Macroeconomic Stability				
Continuation of SAP/previous progr	x	x	x	x
Fiscal policies	x	x	x	x
External debt	(x)	x		x
Monetary, exchange rate policies	x	x	x	x
Privatisation	x	x	x	(x)
Tax reforms	x	x	x	x
Financial sector reforms	x	x		x
Factors of production/capital				
Increase domestic savings		x		x
Increase domestic investments		x	x	x
FDIs	x		(x)	(x)
and administrative reforms/changes	x	x	x	x
Improve property rights in general	x	x		x
Land ownership (agr)	x	x	x	x
Rural Credit Funds	x	x	x	x
Improve employment opportunities	x	x	x	x
Productivity				
Human capital	x	x	x	x
Modernisation of agr.production	(x)	x	x	x
Informal economy improvements	x		x	
Competitiveness				
Small and med.size enterprises	x	x	x	x
Promote strategic clusters	x	x		
Infrastructure and transaction costs	x	x	x	x
Correct market imperfections	x	x	x	x
Promote export orientation	x	x	x	x

1) Selected data from Table A3.4 (Annex 3)

5.3. The PRSP Relations to the Global Economy

While the World Bank recommendations on Macro and Structural Issues (chapter 12 in the PRSP Sourcebook) encompasses the larger context of macroeconomic stability and economic growth, the recommendations on Trade Policy (chapter 13 in the PRSP Sourcebook) focus on reducing trade barriers and deepening global trade liberalisation. Except for listing arguments in favour of opening national economies to the global markets and the FDIs, there are no inputs on how the least developed economies can improve their terms of trade in the asymmetric global economy.

The emphasis on the need to reduce the foreign trade gap through improved participation in the global market and expanded export bases is shared by all four PRSPs. Beyond this, the Tanzanian PRSP makes no other references to trade policies. The others seek to address the existing insufficient openness to the international market by facilitating and supporting the entrance of export producers into foreign markets. The Latin-American PRSPs then elaborate further on their comparative advantages, leading to the strategic choices to focus economic development on a few specific sectors with assumed high export-potential (agricultural and light manufacture products, and tourism/eco-tourism). They are also specific on how international trade is approached, giving priority to interregional trade policies that strengthen the Central American economic integration and bilateral trade agreements that will facilitate the establishment of the Free Trade Agreement of the Americas (FTAA). The Honduran PRSP is the only one referring specifically to the issue of FDIs, which are sought increased through bilateral agreements and guarantees.

The significant difference between the two regions in the level of analysis of trade policies and the chosen strategic measures reflects the differences in stages of national economic development as well as regional/continental economic integration. However, the lack of actual options in trade policies characterise all the PRSPs analysed. They all share a passive approach to the conditions of global trade. The Tanzanian PRSP barely makes any reference to it, and while the other three identify the global economy as a mayor external risk factor for the success of the PRS – as changes in the international markets and the global economy in general will influence the possibilities for achieving the set goals and objectives – the strategic choices are limited to adapting as best as possible to such external changes.

None of the PRSPs include an analysis of their global economy relations; neither the current terms of trade or how these could be altered. The only mention of the WTO is found in the

Honduran PRSP; and then only with the aim to comply with its regulations. Except from two statements that could be interpreted as references to global justice, the term as such is not used in any of the documents studied. Nor are there references to global economic governance structures. The same lacklustre attitude toward global issues is also found in the area of climate change and environment; all four PRSPs address the populations’ and economies’ vulnerability to external changes without references to its global aspects, global governance or global civil society initiatives.

TABLE 5.3 – THE GLOBAL ECONOMY IN THE PRSPS¹

	Honduras	Nicaragua	Tanzania	Uganda
Trade and Export Measures				
Trade liberalisation	x	x		x
Comparative advantages identified	x	x		(x)
Regional/symmetric trade	x	x		
Global Trade/WTO	x			
Trade agreements	x	x		
Global Economy				
Identified as risk factor	x	x	x	x
References to asymmetric system		x		
References to global justice			(x)	
Actions to influence global economy				

1) Selected data from Table A3.4 (Annex 3)

5.4. The Dominance of Economic Thought and Neoclassical Economics

All documents analysed share a domination of economic thought and mainstream neoclassical economics. While adhering to contemporary development policies based on multi-faculty theories and emphasising bottom-up participatory approaches, the internal order and priority of the strategic components and the recurrent use of economics terms and phrasing, strongly transmit that economics theories and perspectives overrule other social science theories. Also, the striking absence of any substantial references to social justice or global economic justice falls well in line with the ‘value-free’-approach that characterises modern economic thought.

Furthermore, the nature of the main chosen strategic measures to promote economic growth; the fact that these choices to a large extent are the same in all four PRSPs; and the lack of discussions on other strategic alternatives, reflect the domination of neoclassical economic theories within contemporary mainstream economics. In spite of the importance given to shared growth, reduced inequality, and elimination of extreme poverty, the focus on macroeconomic stability and the recommended and chosen macroeconomic and trade policies reflect mainstream neoclassical economics in line with the SAP-policies particularly in regards to open market operations in monetary and exchange rate policies; deepened trade

liberalisation; fiscal viability; and capitalisation through privatisation. The communality between the four PRSPs studied in their choices of these main strategic measures and the coherence with the recommendations from the IMF and World Bank indicate no break with the SAP-policies. In fact, the evaluation of the effects of the SAP-measures on poverty included in the Honduran PRSP admits that some of these measures have had short-term negative effects for the poor, however, it is emphasised that they are more than countered by the expected long-term positive effects. The same argument is also used in the World Bank PRSP Sourcebook.

Secondary sources refer to substantial critique of the PRSP-initiative because of the lack of diversity and alternative approaches in the policies chosen in the various national PRSPs (van Waeyenberge, 2010, pp99-104). This confirms this study's observation of the recurrence of SAP-policies in the PRSPs, particularly in trade liberalization, privatization, investment deregulation, and fiscal stringency. It also falls in line with the more general critique of IFI-policies (Ibid; Todaro and Smith, 2006 p538), be it related to their practices and support mechanisms (Rodrik, 2012, pp138-183) or to their underlying ideology of mainstream economics (Stiglitz, 2012:2013, pp177-179).

The absence of substantial analyses of the external factors, and the global economy in particular, in the analysed PRSPs strongly transmits the poor countries' powerlessness to affect their surroundings, and contributes to an interpretation of the strategic choices of the PRSPs as limited to the confines of neoclassical economics.

6. CONCLUSIONS

The underlying question connecting the three research questions is whether the PRSP-approach represents a substantial change from its predecessor, the SAPs of the 1980s and 1990s, and if so, whether this change is of a fundamental nature. The findings presented in chapter 5 show that though there are some significant differences, the end product in the form of national PRSPs neither represents nor indicates any paradigmatic changes in the underlying thinking. In line with the recommendations offered by the IMF and World Bank economic growth remains paramount, macroeconomic stability is still a prerequisite and the strong neoclassical nature of the main policies to promote economic growth and trade resonance well with those implemented during the SAPs.

That being said, the differences that exist between the PRSPs and the SAPs indicate that the former is based on a considerably moderated version of the counterrevolutionary neoclassical economics of the 1980s, discussed in points 2.3 and 2.6, on which the SAPs were founded. Where the SAPs implemented strictly economic top-down policy measures to promote economic growth, the PRSP-initiative is a broader and participatory approach with a the deeper scope to address the structural inequalities that causes poverty, and the main differences between the two approaches can be traced as consequences of the latter's basis in a multidimensional understanding of poverty.

As contemplated in point 2.5, the implications of a multidimensional understanding of poverty is that when poverty is viewed as more than mere lowness in income, economic growth can no longer be defined as an aim in itself, nor can the connection between poverty and inequality be ignored. When poverty is understood as caused not by economic factors alone, it furthermore implies that economic structural changes need to interact with socio-cultural and political structural changes if they are to result in sustained poverty reduction, which highlights the importance of national social institutions and an 'interventionist' role of the national state as advocated in the theories presented in point 2.2. Also, when poverty is diagnosed within its particular economic, social, cultural, and political context, the strategies chosen to reduce poverty are more likely to address actual problems rather than adhering to particular theories or ideologies, and the analysed PRSPs reflect the eclectic approach to economic growth theories mentioned in point 2.1. They all combine components of Rowstow's 'stages of growth'-theory; the neoclassical 'endogenous growth'-theory; the 'dependence'-theory; and in the case of Honduras, adding alternative approaches such as promoting solidarity chains between poor rural producers and poor urban consumers (referred

to as *economía solidaria* in Spanish), which still have no adequate foundation in mainstream orthodox economics.

Thus, in line with the mainstream contemporary development economics discussed in point 2.1 and 2.2, the theoretical approach of the PRSP-initiative differs from the SAPs by economic growth no longer perceived as an aim in itself but as an instrument to reduce poverty; by relating economic structural change to its socio-cultural and political surroundings, which implies not only strong political involvement supported by societal participation and ownership, but also connecting distributional changes to structural inequalities; by taking into consideration the actual bottlenecks for economic development in the poorest countries which in the studied cases means giving priority to sustainable modernisation of the agricultural sector; and – though to a limited extent – by not adhering solely to neoclassical economic growth theories.

The theory discussion of this study offers two possible explanations to why the differences in the theoretical approach do not result in more distinct policy measures. One is that the influences drawn from the ‘dependence’-theory are limited to its domestic side. While connecting economic inequality to socio-cultural and political inequalities is an important feature of the PRSP-approach, the absence of the link between poverty and ‘global inequality’ discussed in point 2.3, reflects that the theory’s international aspects are not taken into consideration. On this central issue, the PRSP-approach deviates from the mainstream contemporary development economics presented in point 2.1 and 2.2, and the most obvious result of this lack of dealing with the asymmetry in today’s global economy is that the PRSPs trade policies contains nothing new compared to those promoted by the SAPs. Thus, as long as global inequality remains outside of the reach of economic theories, so does the concern of global economic justice.

The other plausible explanation to why the PRSP policy measures differ so little from those of the SAPs is related to the multidimensional understanding of poverty. Being an important step forward, the deeper understanding of poverty reflected in the PRSP-approach does, however, not include the human dimension to the extent the predicament of the poor is considered in Sen’s understanding of poverty as ‘capability deprivation’. As discussed in point 2.5, this ‘all-dimensional’ understanding of poverty challenges the lack of ethical considerations in modern economics. This lack, in turn, impedes any profound discussion of poverty in relations to

justice, and as long as social justice within a country cannot be meaningfully treated within mainstream economics, nor can global justice between countries.

Thus, by disregarding the international aspects of the ‘dependence’-theory the PRSP-initiative loses a possible macro-perspective of poverty in relations to global power distribution. By not fully appreciating the human dimension of for instance the ‘capability deprivation’-theory it becomes wanting in its micro-perspective of poverty as human misery. In both cases the result is that the PRSP-approach is characterised by the striking absence of relating poverty to justice and fairness.

The flaws in the economic system that permit the existence of widespread abject poverty are comprehensively discussed in this study’s theory section. These theories show the awareness of the need for change; be it by strengthening the ethical foundations of economic thought or by correcting the flaws in economic thought by introducing new rules for the functioning of the economy. The findings of this study concur with the view that these flaws derive from the underlying theoretical foundations of the economic system, and in particular the inability of mainstream economic thought to address poverty from a justice perspective. As indicated in points 2.4 and 2.5, part of this inability stems from the insistence of the common good being best served by the most efficient organisation of the economy; the optimum where rational utility and maximising profit create the equilibrium on which neoclassical economics is founded. Given that ethical considerations in neoclassical economics is limited to rational utility and maximising profit, and given the extension of neoclassical domination within mainstream economics, policy makers on poverty reduction are compelled to look outside of mainstream economics to expand the basis for the normative reflections on poverty and poverty reduction in relation to social and global justice.

The important factor of environmental degradation and its impact on poverty – not only in regards to how it exacerbates the living conditions of the poor but also to which extent the current global environmental situation imposes limits to growth – has been left out of this study in order to obtain a feasible workload. While the environmental factor would only enhance the view that poverty reduction policies need to be based also on ethical considerations, as illustrated by the ‘growth trilemma’ discussed in point 2.3, the search for effective solutions on how to fight poverty cannot disregard such an important element of global reality.

Thus, a continuation or extension of this study would therefore benefit from analysing whether heterodox economics – and within this ecological economics in particular – offers a more adequate basis for discussing the justice aspects of poverty and poverty reduction.

Along the same line of looking into alternative approaches, would also be to analyse the results and impacts of those approaches promoted in the PRSPs that fall outside of mainstream economics; in particular grass-roots promoted initiatives such as the solidarity-based intra-poor production and consumption chains presented in the Honduran PRSP.

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THREE BILLION REASONS TO RETHINK THE ECONOMIC SYSTEM

AN ANALYSIS OF THE IMF/WORLD BANK PRSP-APPROCH

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ANNEX 1: ASSESSMENT OF THE PRSP-APPROACH

The main purpose of this assessment is to understand the framework within which the national PRSPs are elaborated; the requirements set by the IMF and the World Bank and to which extent these institutions are involved in the elaboration process. The assessment is based on the following documents and referred to in accordance with the following numbering (see Table A1 for more details):

- 1) *IMF: Factsheet PRSP*: which gives a brief overview of the rationale behind the PRSP-initiative; its relation to the MDGs and the ‘Fund and Bank’ concessional lending and debt relief (HIPC); its core principles; and role of the IMF and World Bank in supporting the design and implementation of the national PRSPs
- 2) *World Bank: ‘What are the PRSPs?’*: the World Bank equivalent to the IMF Factsheet
- 3) *IMF: PRSP-site*: where all policy and other documents relevant to the PRSP are available; as well as the PRSP-Country Papers with all national PRSPs and their respective revisions, assessments and evaluations.
- 4) *World Bank PRSP Source Book*: which is a technical manual covering all topics relevant for a PSRP, based on the Bank’s ‘Comprehensive Development Framework’

A) The Rationale and Core Principles of the PRSP-Approach

These documents define a PRSP as the platform for a “*country’s macroeconomic, structural, and social policies and programs to promote growth and reduce poverty*” (Doc.1 and 2) that a country will pursue over several years, defining:

- the country’s priorities for poverty reduction (Doc.1) and thus makes a new framework to enhance domestic accountability for poverty reduction reforms (Doc.2)
- the external financing needs and sources of financing (Doc.1 and 2) and thus becomes a means to enhance the coordination of development assistance (Doc.2), providing the crucial link between national public actions, donor support, and the development outcomes needed to meet the MDGs (Doc.1)

The PRSP-initiative was introduced in recognition of the “*importance of country ownership of reform programs as well as the need for a greater focus on poverty reduction*” (Doc.1), and is based on the following five core principles:

- National ownership of strategies through broad-based participation of civil society
- Result-oriented and focused on outcomes that will benefit the poor
- Comprehensive in recognising the multidimensional nature of poverty

- Partnership-oriented, involving coordinated participation of development partners (government, domestic stakeholders, and external donors)
- Based on a long-term perspective for poverty reduction

As a “*precondition to debt relief and concessional financing*” (Doc.2), a PRSP should also include:

- Clearly presented and costed priorities for macroeconomic, structural, and social policies
- Appropriate targets, indicators, and systems for monitoring and evaluating progress

As a tool in the elaboration of a PRSP, the PRSP Sourcebook (Doc.4) offers additional insight into to the rationale of the PRSP-approach and the expected scope of a national PRSP.

Divided into six sections, the first two relate to overarching issues:

- Core Techniques: poverty monitoring and analysis; inequality and social welfare; monitoring and evaluation; development targets and costs; statistical systems; public spending
- Cross-Cutting Issues: participation; governance; community-driven development; gender; environment; strategic communication

The last four deal specifically to the following main areas of intervention:

- Macro and Structural Issues: Macroeconomic issues; and Trade (see points B and C below)
- Rural and Urban Development
- Human Development: social protection; health, nutrition and population; education
- Private Sector and Infrastructure: energy; transport; water and sanitation; information and communication technologies; and mining

This summary shows how the IMF and World Bank accentuate the relation between economic growth, poverty reduction and social development, and promote a long-term approach to the multidimensional problem of poverty, both in regards to the view of what poverty entails; its causes, effects and connections; and the political and social surroundings that an effective strategy of poverty reduction needs to relate to. It underlines the importance of national political ownership and that such ownership requires broad-based stake-holder participation; accountability; and the support from the international community.

This bottom-up approach focusing on poverty reduction distinguishes itself considerably from the SAPs that made the core of IMF and World Bank policies towards poor countries during the 1980's and 1990's, that were limited to top-down implementations of strictly economic measures.

B) Macroeconomic Stability

When stating that a comprehensive understanding of poverty “*allows the PRSP to analyze the macroeconomic, social, structural and institutional constraints to faster growth and poverty reduction*” (Doc.2), the IMF and World Bank indicate their core expectation of a PRSP in the areas of economic growth and macroeconomic policies. This is also communicated in chapter 12 of the PRSP Sourcebook (referred to hereafter as Doc.5). Reiterating that the solutions to the multidimensional problem of poverty go beyond economics to include social, political, and cultural issues “*Economic growth, however, remains the single most important factor influencing poverty, and macroeconomic stability is essential for high and sustainable rates of growth. Macroeconomic stability must therefore be a key component of any poverty reduction strategy.*” (Doc.5, p4)

Carefully noting that the contents in the Sourcebook does not reflect the official policies of the two institutions, and admitting the difficulty in proving the direction of causation, the document refers to cross-country regressions using a large sample of countries to suggest a sine-qua-non correlation between macroeconomic stability and economic growth, investment, and productivity. And while it is duly noted that poverty reduction is better served when economic growth is linked to progressive distributional changes and that macroeconomic stability on its own does not ensure economic growth, “*the objective of macroeconomic stability should not be compromised*” (Doc5, p4).

Reflecting mainstream macroeconomics, the document then elaborates in details how macroeconomic stability is safeguarded by noninflationary fiscal policies and adequate monetary and exchange rate policies, and concludes by looking into policy measures that can protect the poorest against the effects of external shocks.

Furthermore, by defining macroeconomic stability as part of a parcel together with structural reforms in regulatory frameworks; civil service and governance structures; and the bank sector, in addition to privatisation and trade liberalisations (Doc.5, p4), the technical advice offered to the governments are by and large the same as the policies promoted under the SAPs.

C) Trade Policies

Chapter 13 of the Sourcebook (hereafter referred to as Doc.6) discusses the issues related to trade. Departing with the following statement: *“There is a preponderance of cross-country evidence that trade liberalization and openness to trade increase the growth rate of income and output”* (Doc.6, p30), the East Asian and Southeast Asian countries are used as success models for poverty reduction based on trade liberalisation. Again ‘international evidence’ is used as argument to support a view that the costs on the poor when the economy is adjusted to an open trade policy *“are small in relation to the benefits”* (Doc.6, p32).

To advise the governments in their elaboration of the trade policies of PRSPs, this chapter includes suggestions of how principal trade policies and institutions might be evaluated. Covering nontariff barriers, tariff regimes, and measures to facilitate adjustments to nontariff policies; customs regimes for export, export subsidies and taxes, and other trade-related institutions such as export finance, product standards and marketing measures, the focal message is related to the benefits for the poorest countries of lowered external trade barriers, both in regards regional trade integration and global trade (Doc.6, p38).

The benefits of liberalised trade policies are not limited to the manufacture and service sectors but also the agricultural sector. The importance of food commodity prices in poor countries has been clearly illustrated during the current volatility in world’s food production and supply; the three price crises experienced since 2007¹ has led to social unrest in 25 countries². The risks of these price shocks on basic food commodities due to world market price fluctuations on agricultural produce is taken into account, as an argument for liberalised trade: *“all countries have a common interest in reducing the instability of world prices by opening their domestic markets and removing policies that keep domestic markets separate from world markets”* (Doc.6, p40).

The praise of the benefits of trade liberalisation also includes the FDIs, which are perceived as an important channel of technology transfer across nations. Following the same pattern of argumentation, the benefits for the poor countries are illustrated by: *“Econometric evidence tends to support the view that developing countries receiving FDI perform better in terms of productivity than their counterparts that are not FDI recipients”* (Doc.6, p46)

¹FAO/Trade and Markets: *Price volatility in agricultural markets*. Downloaded 28 March, 2014 from: <http://www.fao.org/economic/est/issues/volatility/en/#.UzVYnvl5O-Y>

²John Vidal/ The Observer (13 October, 2012): *UN warns of looming worldwide food crisis in 2013*. Downloaded 28 March, 2014 from <http://www.theguardian.com/global-development/2012/oct/14/un-global-food-crisis-warning>

However, the need for safety nets to counter negative effects of reduced trade barriers and an economy open to the global market fluctuations is clearly highlighted. *“Trade policy reform and institutional strengthening must be implemented in the context of a variety of complementary policies. Some of these are general, and some are focused on making the trade policy reform more likely to benefit the poor”* (Doc.6, p49). Of these complementary policies, macroeconomic stability and a competitive exchange rate represent a minimum (Doc.6, p51).

In spite of this, the trade policies promoted in the PRSP Sourcebook do not differ much from those implemented during the SAPs. This observation is supported within the substantial critique of the PRSP-initiative, where the lack of diversity in the policies chosen in the various national PRSPs is characterised as a *“striking recurrence of policy imperatives such as trade liberalization, privatization, investment deregulation and fiscal stringency”* (van Waeyenberge, 2010, p99). According to Dani Rodrik, the precepts of trade fundamentalism remain ingrained in the practices of the international finance institutions (2012, p183). In the pursuit of spreading the benefits of globalisation, these practices and the recommendations of Western policy advisers have had the collective effect of shrinking the space for homegrown policies and sequential approaches to global trade (Rodrik, 2012, p179), not taking into account that the debate on globalised free trade and development ultimately comes back to the following: *“If we want to increase our growth, should we throw ourselves open to the forces emanating from the world economy, or protect ourselves from them?”* (Ibid, p138). Joseph Stiglitz (2013, pp177-179) goes even further when he characterises this mainstream approach to globalisation as ‘fatalism’; it obscures the fact that what Rodrik above has presented as a conundrum is a matter of political choice, and that the consequence of choosing the former implies narrowing the possibilities in other political choices such as the tax and fiscal expenditure policies that are necessary to reduce inequality.

Elisa van Waeyenberge (2010, pp100-104), insists that the imperatives of the Washington Consensus persist in the finance institutions’ support tools and structures. Some of these instruments and mechanisms at best describe the reality of certain advanced economies, but are technocratic and a-historical when seeking to deal with the complex underlying domestic and international political-economic processes of the developing economies (Ibid). As a result, social and institutional concerns and measures are added onto the economic, addressed ex-post or separately *“in line with orthodox understandings of economics discipline”* (Ibid, p100).

D) The IMF and World Bank Involvement in the PRSPs

As stated initially, the PRSP-approach regulates the IMF and World Bank lending policies towards the poorest countries and their possibilities for debt relief within the ‘Highly Indebted Poor Countries’ (HIPC)-initiative. It also aims to improve the coherence between the domestic poverty reducing activities and the support from international and bilateral donors, and the achievement of the UN ‘Millennium Development Goals’ (MDGs), thus the participatory planning process also involve “*external development partners, including the IMF and the World Bank*” (Doc.1).

Once approved, a national PRSP is subject to annual progress reports and periodic assessment by IMF and World Bank staff; thus highlighting the importance of appropriate indicators and structures for monitoring and evaluations (Doc.2). As this initiative is by now well established in most low-income countries (Doc.3), the focus in recent years has been on effective implementation (Doc.1). In these years the key messages arising from the staff assessment include: ownership; realism, flexibility and better prioritisation of goals; external aid effectiveness, harmonisation and support to the PRSPs; balancing of domestic versus external accountability; and “*more open discussion of alternative policy choices*” (Ibid). In later years the role of the IMF, in addition to contribute to the coordination among external donors, is emphasised on policy advice and technical support related to macroeconomic frameworks and macroeconomically critical structural reforms (Ibid).

A concern raised by Elisa van Waeyenberge (2010, p99) is that the PRSP-approach appears more as a streamlined mechanism than a country-owned framework. Furthermore, it “*provided an opportune conduit for the donor’s and, in particular, the World Bank’s knowledge agenda... and permits the IFIs to assume an important role*” (Ibid), through their involvement in the capacity building efforts implied by the PRSPs, which not only targets public service bodies but also all levels of government as well as civil society. The scale of the World Bank’s research and knowledge activities surpass those of any university department or research institution working in development by all measures. And, though they cover a range of topics, it is dominated by economics (Ibid, p104).

E) Findings and Observations

The following is a summary of the findings and observations embedded in the above, and serve as basis for the response to the research questions given in chapter 5 in the main document:

- 1) With the PRSP-approach the IMF and the World Bank accentuate the close relation between economic growth, poverty reduction and social development.
- 2) It is based on a multidimensional understanding of what poverty entails; its causes, effects and connections, as well as its political and social surroundings.
- 3) It promotes a long-term approach to poverty reduction and underlines the importance of national political ownership and that such ownership requires broad-based stake-holder participation; accountability; and the support from the international community.
- 4) This bottom-up approach to economic growth and poverty reduction distinguishes itself considerably from the SAPs that made the core of IMF and World Bank policies towards poor countries during the 1980s and 1990s, which were limited to top-down implementations of strictly economic measures.
- 5) While recognising that the solutions to the multidimensional problem of poverty go beyond economics to include social, political, and cultural issues, economic growth remains the most important factor influencing poverty, and poverty reduction is better served when economic growth is linked to progressive distributional changes.
- 6) Essential for high and sustained rates of economic growth, macroeconomic stability is a key component of any poverty reduction strategy. Such macroeconomic stability is best safeguarded by noninflationary fiscal policies and adequate monetary and exchange rate policies, supported by structural reforms in regulatory frameworks; civil service and governance structures; and the bank sector, in addition to privatisation and trade liberalisations, as well as specific policy measures to protect the poorest against the effects of external shocks.
- 7) In spite of the importance given in the PRSP-initiative to shared growth, reduced inequality, and elimination of extreme poverty, the focus on macroeconomic stability and the policies recommended reflect mainstream neoclassical economics in line with the policies promoted under the SAPs.
- 8) This is also the case on trade policies and the related FDIs, where the recommendations are focused on reducing trade barriers and opening the economy to the global markets.
- 9) Elisa van Waeyenberge (2010, pp99-104) refers to substantial critique of the PRSP-initiative because of the lack of diversity and alternative approaches in the policies chosen in the various national PRSPs. While this lack of actual policy choices on one hand raises the concern of the PRSP-approach being more a streamline mechanism than a country-owned framework (Ibid), it also confirms the recurrence of the SAP policies particularly in regards to trade liberalization, privatization, investment deregulation and fiscal

stringency. This critique of the PRSP-approach falls in line with the more general critique of IFI-policies (Ibid, Todaro and Smith, 2006 p538), be it related to their practices and support mechanisms (Rodrik, 2012, pp138-183) or to their underlying ideology of mainstream economics (Stiglitz, 2013, pp177-179).

10) The extent of the involvement of IMF and World Bank staff in the PRS-process – in particular the World Bank's active contributions to the various capacity building activities of the PRSPs (van Waeyenberg, pp100-104). The scale of their research activities surpass those of any other institutions working in development, which in turn contributes to further increase the already important and powerful roles of the finance institutions. and their basis of information is dominated by economic thought

TABLE A1 – RESOURCES USED IN ASSESSING THE PRSP-APPROACH

Source	Title	References	Downloaded
IMF	Factsheet PRSP Updated as of March 2014	http://www.imf.org/external/np/exr/facts/prsp.htm	21 July, 2014
IMF	PRSP site Updated as of March 2014	http://www.imf.org/external/np/prsp/prsp.aspx	21 July, 2014
World Bank	What are PRSPs? Undated	http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:22283891~menuPK:384209~pagePK:210058~piPK:210062~theSitePK:384201,0 .	21 July, 2014
World Bank	PRSP Sourcebook Undated	http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:22283891~menuPK:384209~pagePK:210058~piPK:210062~theSitePK:384201,00.html .	21 July, 2014
World Bank	PRSP Sourcebook Ch.12: Macro- economic Issues	http://siteresources.worldbank.org/INTPRS1/Resources/383606-1205334112622/3360_chap12.pdf .	21 July, 2014
World Bank	PRSP Sourcebook Ch.13: Trade Policy	http://siteresources.worldbank.org/INTPRS1/Resources/383606-1205334112622/13876_chap13.pdf .	21 July, 2014
World Bank	Voices of the poor. Volume 1.	http://www.ids-uva.nl/wordpress/wp-content/uploads/2011/09/1-Voices-of-the-Poor.pdf	25 October, 2014
Rodrik, Dani (2012): <i>The Globalization Paradox</i> . Paperback Ed. W.W. Norton & Company, Inc. New York			
Stiglitz, Joseph E. (2013): <i>The Price of Inequality</i> . Paperback Ed. W.W. Norton & Company, New York and London			
Todaro, Michael P. and Stephen C. Smith (2006): <i>Economic Development</i> . 9th Ed. Pearson Education Ltd, Harlow			
van Waeyenberge, Elisa (2010): <i>Tightening the web: the World Bank and Enforced Policy Reform</i> . Chapter 5 in <i>The rise and fall of neoliberalism. The collapse of an economic order?</i> Edited by Kean Birch Kean and Vlad Mykhnenko, Zed Books, London and New York			

ANNEX 2: CASE-STUDY OF THE HONDURAN PRSP

The content of the Honduran PRSP reflects the complexity of what it aims to achieve, both in terms of the problems it intends to address as well with whom it seeks to communicate. Its emphasis on financial, organisational and institutional viability and sustainability, and on laying the foundations for future progress and impact evaluations, places it closer to modern development programming than to classical strategic planning. While this is appreciated, it is, however, found pertinent for the purpose of analysing such a comprehensive and multi-layered strategy to use a classical approach to strategic planning by decomposing it into the following:

- Analysis of the Strategic Intention; the strategy's vision, mission and overall objective
- Assessment of the Strategic Analysis of the problem that the strategy seek to address and its external and internal factors
- Analysis of the Strategic Components, which refers to the strategic decisions and choices
- Assessment of the Implementation and Monitoring Plan

A) Analysis of the Strategic Intension

The vision, mission, values, and overall objective are found in:

- **Overall Vision** (Section IV.A, p.51), which explicitly states the strategy's vision "*to become a State policy, with long-term perspective, whose implementation will not be altered by changes in government*" (p.51) - thus also implying its mission - and its fundamental objective: "*to reduce poverty significantly and sustainably, based on accelerated and sustained economic growth, whose benefits are distributed with equity, through greater access by poor people to the factors of production, including the development of human capital, and through the provision of social safety nets in favor of groups living in extreme poverty*" (p.51), which in turn "*will make feasible the establishment of a society that guarantees to its population an appropriate and equitable access to essential goods and services, within a context of broad participation and personal security, and with moral and cultural values as the essential foundation that leads to the effective development of democracy, the full exercise of rights and the responsible exercise of duties*" (p.51).

- **Overall Targets** (Section IV.A, p.51-54) which lists the 11 targets defined in relation to the MDGs, whose achievement “*will firmly establish... the vision of a transformed Honduras... that will result in greater opportunities for the most vulnerable groups*” (p.51)
- **Strategic Guidelines** (Section IV.B, p.55-58) which defines five cross-cutting concerns of priority: Sustainable poverty reduction; The least developed geographic areas and groups of the population; Civil society participation and decentralisation; Governance and participatory democracy; Environmental vulnerability
- **The PRSP: The Concrete Results of a broad Participatory Process** (Section I, p.3-8): This introductory section describes the process of developing the strategy and thus relevant in the analysis of the strategic intention.

Findings and Observations:

The strategic intention highlights the following of importance for a successful reduction of poverty:

- National ownership by all political parties and within the nation’s governing and administrative structures; as expressed in its vision and indicated by the strategic guidelines.
- The paramount of economic growth; explicitly formulated in the fundamental objective and further elaborated in the strategic guidelines.
- Equity, both distributional and in regard to access of production factors and human resource development, and thus in opportunities; as stated in the fundamental objective and in relation to the overall targets.
- Priority to the poorest; defined in the fundamental objective and by the overall targets, and further described in the strategic guidelines.
- Societal transformation and structural change in order to give priority to the most marginalised and to obtain the desired equity; indicated in relation to the overall targets and described in the strategic guidelines.
- The contribution of civil society both in the making of the strategy and in its implementation; explicitly expressed in the strategic guidelines and described in the introductory section I.A. (Specifically commented below)
- The support of the international aid community, whose role in the participatory planning process and in the planned PRS Advisory Council are described in introductory section I.A.

- viii. While the strategic intention mainly reflects a “value-free” approach of economic theory, the overall vision specifically refers to the importance of moral and cultural values in establishing a rights-and-duty-based democracy.
- ix. The fundamental objective refers to human capabilities by the economics term ‘human capital’, thus somewhat contradicting the content of the strategic intention which reflects a multi-faculty theoretical approach. The term is persistently used throughout the document, indicating a perspective dominated by economic theory.
- x. Ecological concerns stated in the strategic guidelines reflect a focus on society’s vulnerability to environmental changes, not necessarily including the long-term sustainability of the ecological environment as such. When used, the term ‘sustainability’ is not defined and mainly used in relation to economic/financial and organisational/institutional viability and sustainability, differing from modern development theory where the term normally also includes social and environmental sustainability.
- xi. Likewise, using the term ‘participation’ in relation to privatisation in phrasings such as “*greater participation of private capital in the provision of public services*” (p. iv and 65), contrasts its use in reference to the exercise of democratic rights of the poor that – in coherence with modern development theory – is the predominant understanding reflected in the rest of the document.

Comments the civil society participation: One of the most striking characteristics of the Honduran PRSP is the prominence given to civil society participation, which is stated already in the strategy’s introduction: *The PRSP: The Concrete Results of a Broad Participatory Process* (Section I, p. 3-20). While the Honduran decentralisation law, introduced in the early 1990s to facilitate the resource transfers from central to local government levels contemplates a certain degree of people’s participation in municipal governance (p.49-50), the explanation for the prominence given to civil society in the PRSP it is found in the aftermath of hurricane Mitch that devastated Central America in October 1998 (p.18-20). The hurricane’s vast and indiscriminate destructions in the entire national territory, led to an unprecedented level of social cohesion (p. 48) and an array of emergency response activities, which under the tutelage of the social branch of the country’s dominant religious institution developed into more formal coordination spaces for NGOs and other civil society actors at municipal and national levels and a formal national structure named *Espacios Interforos*. Meanwhile, the international media coverage due to the “protracted” nature of the hurricane fuelled an

availability of international aid that demanded extensive coordination, not only between donors and receptors but also among the donors and among the receptors as well as between and among governmental or non-governmental actors. The existence of a cohesive and structured national civil society with international relations of their own influenced this multilayer coordination of international aid and resulted in the inclusion of civil society activities, actors and structures in the national post-disaster reconstruction and rehabilitation plan, as well as in the formation of *Foro Nacional de Convergencia* (FONAC – National Convergence Forum) to ensure coordination between governmental and non-governmental actors in the implementation of the plan. Thus, the participatory process in the making of the Honduras PRS – were both Espacio Interforos and FONAC played decisive roles (p. i) - must be understood in light of an already on-going social transformation process, rather than compliance with external donor requirements. This explains the impact that the participatory process has had on the contents of the PRS, and affirms a wide base of national ownership to the PRS as such.

B) Assessment of the Strategic Analysis

The problem this strategy seeks to address and its external and internal factors are found in:

- ***Characteristics of Poverty*** (Section II, p.9-20) which extensively describes the poverty situation
- ***Determinants and Effects of Poverty*** (Section III, p.21-49) which analyses the internal factors and describes related external factors
- ***Risks of the Strategy*** (Section VII.D-F, p.117-119) which discussed the external factors in regards to the strategy's viability (thus similar to 'threats' in a traditional SWOT-analysis).
- ***Annex D – Statistics Tables*** which contains 15 tables of poverty related statistics.

The joint contents are summarised in Table A2.1, which together with related points from other sections of the strategy are divided into the following:

- 1) Definitions of poverty and methods of measurement
- 2) The expressions of poverty
- 3) Structural inequality that causes poverty
- 4) The causes of slow economic growth
- 5) External factors that influence poverty and economic growth

The PRSP Section III.C (p.30-32) examines the effects on poverty of the World Bank- and IMF-promoted Structural Adjustment Program introduced in 1994. It is assumed that this is included as a result of the civil society participation in the preparation of the PRSP.

The structural adjustment program was undertaken after two years of serious fiscal imbalances aggravating inflationary pressures (p. 12). While recognising that inflation continued to be high throughout 1997 (p. 30), the PRSP insists on the expected positive long-term effects on poverty due to improvements in the macroeconomic framework - such as the elimination of the financial risk that national investors once perceived so that they now invest more and more domestically instead of sending their resources abroad and unleashing a strong currency flight (p. 22) - and the expansion of export (p.32).

It furthermore states that reduced fiscal income as a result of the structural adjustments did not directly affect the poor population beyond the already existing demand for a considerably higher level of social spending (p.32). However, it is admitted that the program had the following *negative short-term effects on vulnerable groups* (p.30-32):

- Lower prices on imported grains compared to domestically produced grains had a negative effect on rural poor grain producers
- Price liberalisation of domestic trade led to increased prices on basic commodities, inflicting a negative effect on the urban poor
- Liberalisation of the financial sector resulted in extremely high interest rates on loans

The modernization of the state and decentralization in conjunction with the macroeconomic adjustments included privatisation of public services, administrative reforms and rationalisations, which between 1994 and 1999 resulted in an 18% reduction of public administration jobs and 15% decentralisation of public institutions. It is assumed that this has had some short-term negative effects on poverty, but it is expected that these “*will be more than offset in the long term by the positive effects on efficiency and productivity in the public sector*” (p.49). Also, the fiscal earnings of future privatisations will form part of the Poverty Reduction Fund that finances the PRS-activities.

Findings and Observations³:

- i. The understanding of poverty is comprehensive and multidimensional ranging from being “*lack of sufficient income to reach a certain minimum standard of living*” (p.9) to “*anchored on a structure of insufficient opportunities*” (p.87). Hence, the methods for measuring poverty are equally multidimensional including per capita GDP and the

³ If not specified otherwise, numerical references in parenthesis refers to Table A2.1. Page references remain in relation to the Honduran PRSP-document

- Poverty Line, the Gini coefficient and the UN HDI, as well as different methods for measuring access to education, health, water and sanitation, and housing. (1.a-d)
- ii. The diagnosis of poverty does not extend to any discussion on ethical dimensions of poverty and references to justice are limited to legal justice, thus remaining within the “value-free” tradition of economics. However, deterioration in moral and cultural values forms part of the analysis of what causes and perpetuates poverty, and the analysis of the effects of corruption offers the gradual loss of credibility and respect in political leadership as a link between deteriorated values and democratic participation (2.g-i).
 - iii. Poverty as an economic and social condition is both expressed by and perpetuated by low income and employment patterns; health condition and level of education; demographic pressures due to migration and environmental degradation; as well as deterioration of cultural values, corruption and low democratic participation; while there is no mention of prevalence, causes and effects of emigration and/or brain-drain (2.a-i)
 - iv. Likewise, the structural economic, political, social and cultural inequality causing marginalisation of vulnerable groups, rural areas and geographic regions, perpetuates unequal distribution of, access to and control over: income and wealth; factors of production and property rights; benefits of the social security system; and legal and democratic rights (3.a-f)
 - v. While “*society looks for growth to be generated from a larger number of sources and at the same time for its benefits to overflow and be shared widely with more strata of society*” (p. 21), economic growth is slow, characterised by a low productivity which renders low efficiency of otherwise satisfactory levels of investments; and low competitiveness both domestically and in accessing the international market, while demographic dependency is not perceived as decisively affecting economic growth (4.a-e)
 - vi. Low productivity is mainly due to: inappropriate technology and limited human skills; and an economic structure with many small production entities and a large informal trade sector (4.a)
 - vii. Low domestic competitiveness is mainly due to: market inefficiencies; vulnerability to macroeconomic stability; and inefficient public institutions unable to sufficiently address problems caused by inadequate legal framework, restrictive administrative and political frameworks, and corruption (4.b)
 - viii. Low international competitiveness is caused by: insufficient openness to the international market; and lack of strategic positioning of comparative advantages (4.c)

- ix. While explicitly identifying “*international economic relations that limit the development of small economies*” (p.21) as an external factor that causes poverty in Honduras and stating that “*Full participation in the world economy is an essential element for achieving the PRS targets*” (p.118), the strategy does not analyse these relations any further, nor whether – let alone how – they could be influenced or changed to facilitate this full participation. Instead the strategic approach to this important external factor is mainly treated within the framework of the strategy’s risk analysis and limited to listing specific vulnerabilities related to future changes in the world economy. Since “*the domestic economy must be open to several risks*” and Honduras “*has no control over events of this nature*” its range of action is reduced to “*minimize their effects*” (p.118-119). (5.a-c)
- x. This strategic choice leaves an impression of external factors being passively accepted; defined by others and taken as given. This impression is affirmed by the examination of the effects of the Structural Adjustment Program promoted by the World Bank and IMF prior to the PRSP-initiative; some short-term negative effects on poverty are admitted, but strongly emphasised to be more than counterbalanced by the perceived and expected long-term positive effects on economic growth and therefore on poverty reduction at large (SAP summary above)

C) Analysis of the Strategic Components

The summary of the strategic decisions and choices given in Table A2.2 are based on:

- **Program Areas** (Section IV.C, p. 60-100), where the fundamental objective defined in the strategic intention, is developed into an objectives hierarchy of strategic components divided in six program areas, each with a main objective and followed by specific objectives, twenty in total, with a respective set of policy measures and programs-projects for more detailed descriptions
- **Annex A – PRS Policy Measure and Result Indicator Matrix** and **Annex A.1 – Priority Legal and Institutional Measures Matrix**, which list result indicators for future monitoring and evaluations.
- **Annex B – Poverty Reduction Strategy Programs and Projects** and **Annex C – Current or in advanced Pipeline, Programs and Projects related to the Poverty Reduction Strategy**, which present and describe the programs and projects that together form the PRS.

For the purpose of this study, Table A2.2 consists of a regrouping of the objectives as follows:

- 1) Economic growth: Program Area 1-Accellerating equitable and sustainable economic growth

- 2) Poverty reduction and mitigation, and environmental protection: Program Area 2- Poverty reduction in rural areas; Program Area 3-Reducing urban poverty; Program Area 5-Strengthening social protection for specific groups; and Program area 6.4- Improving environmental protection and risk management
- 3) Development of human, organisational and institutional resources: Program Area 4- Investing in human capital; and Program Area 6-Guaranteeing the sustainability of the strategy (with the exception of afore mentioned 6.4)

Findings and observations⁴:

- i. The Honduran PRSP does not include an explicit discussion of strategic alternatives when facing the extensively described problem at hand. This opens for an interpretation that the main strategic choices of the PRSPs are pre-defined. In spite of national specificity and strong influences of modern development theories and modern development economics theories, the proposed solutions related to economy mainly adhere to mainstream macroeconomic theory.
- ii. Assuming a non-arbitrary order of the factors, the objectives hierarchy affirms the paramount position of economic growth and a stable macroeconomic framework as a priori to achieving it.
- iii. To achieve the a priori stable macroeconomic framework the PRS continues to promote the measures introduced in the Structural Adjustment Program in order to control inflation and interest rates and to improve competitiveness and the external balance through: fiscal viability; monetary and exchange rate policies and open market operations; deepened trade liberalisation; capitalisation/privatisation; and other structural reforms to strengthen the financial system, improve legal framework and fight corruption, rationalise public expenditure, and promote transparency and thus predictability. (1.a)
- iv. As fiscal viability aims to allow greater social expenditure it not only refers to: fiscal expenditure control; strengthening fiscal revenues; but also includes efficient and transparent administration of debt relief and other external funds in a Poverty Reduction Fund; which will also include revenues from privatisation. (1.a)
- v. Adhering to the strategic analysis (Finding B.iv), the increase of economic growth to levels consistent with the poverty reduction targets, is further sought through improved

⁴ If not specified otherwise, numerical references in parenthesis refers to Table A2.2. Page references remain in relation to the Honduran PRSP-document

- levels and efficiency of investments; competitive access to international markets; and development of economic sectors of high potentials for growth and employment (1.b-d)
- vi. The improved levels and efficiency of investments are mainly sought by: reduced transaction costs and addressing legal insecurity through legal reforms (laws, legal procedures, codes) and bilateral agreements “to guarantee the protection of foreign investments” (p.65); market regulations; and privatisation of the provision of public services (1.b)
 - vii. Competitive access to international markets focuses on: the establishment of the Central American economic integration scheme - which includes the creation of a regional capital market - and the Free Trade Area of the Americas (FTAA); compliance with WTO-regulations; and technical facilitation for entrance into new foreign markets; which all requires institutional strengthening of foreign trade policies (1.c)
 - viii. The development of high potential sectors refers specifically to agro-industry, forestry, light assembly (maquilas), and tourism, and consists of: building institutions (national council, clusters, export niches) and offering technical and financial support. (1.d)
 - ix. Twelve of the strategy’s twenty specific objectives relates directly to reducing poverty and vulnerability. They share a strong emphasis on equity and participation both as means and ends where the most important instruments are: structural reforms; legal reforms; institution building; and organisational strengthening (2.1 – 2.4)
 - x. Among the most significant – and long overdue – structural changes is the improved access to agricultural land for the rural poor (2.1.a). The provision of housing-lots for the urban poor and the regulation of their settlements, can be seen as an addition to this (2.2.c)
 - xi. Other components of significance/interest are: to promote local production chains and solidarity markets as well as markets for street vendors (2.1.c, 2.2.a and 2.2.b), to create alternative models for saving and credit among urban poor (2.2.a); community-based micro-enterprises to provide public services, other social services, and local environmental management and protection (2.2.d, 2.3.a, 2.4.a); to empower poor women and ethnic minority groups – including their income/employment generating opportunities (2.3.b and 2.3.c); to develop remote border towns/communities into centres for trade service provision and intermediate cities into centres of commerce, entrepreneurship and external trade (2.1.b and 2.2.b), to link national and local strategies for environmental protection and emergency prevention (2.4.a); to improve coordination of international food aid/monetisation to support productive activities (2.1.d).

- xii. The six specific objectives related to developing human, organisational and institutional resources refer to: basic and technical-productive education; health services; cultural wealth and national identity; transparency and participatory democracy; legal justice and personal security; and modernisation and decentralisation of public administration. These objectives are the foundations of the structural change process of this strategy, and reflect adherence and coherence with the now standard approach of contemporary development policies (3.1 -3.2).
- xiii. Adding to this standard approach is the inclusion of higher education in the specific objective related to education - which explicitly is stated as a result of the civil society participation in the making of the strategy - as well as the inclusion of ethics and civic responsibility in the policy measures for improving the quality of higher education. (3.1.a)
- xiv. However, the most significant addition to the standard approach is the specific objective to: *“Assign a strategic value to socio-cultural management, as a fundamental factor for the development of the country, to strengthen civic, ethical, moral and democratic values...”* (p. 81); a somewhat surprising element in an otherwise mainly value-free document. It is assumed that the inclusion of this complimentary element in the strategy’s objective hierarchy is a result of the civil society participation (3.1.c)
- xv. Other significant and/or interesting elements in this group of objectives are: the reforms of political structures and Congress in particular as part of achieving greater transparency and participatory democracy (3.2.a); and the establishment of standards to supervise the work of national and international NGOs (3.2.a); the mention of free legal counselling as part of strengthening the legal system (3.2.b); as well as the promotion of alternative medicine as part of improving primary and preventive health services (3.1.b)

D) Assessment of the Strategy’s Implementation and Monitoring Plan

The components of the strategy’s implementation plan are found in:

- ***Cost and Financing*** (Section V, p.101-106) and ***Annexes B and C***, which describes the financing plan and the main funding sources, and distinguishes between programs and projects already approved and financed, and those that need new approval and funding
- ***Operational Framework*** (Section VI, p.107-116) and ***Annex AI***, which describes both the strategy’s institutional framework and the framework and methodology for follow-up and evaluating achievements and impacts

- **Annex A – PRS Policy Measure and Result Indicator Matrix**, which also include result indicators for monitoring and assessing progress and achievements of every policy measure, as well as defining responsible entities and timeframes.
- **Risks of the Strategy** (Section VII, p. 117-119), which summarily assess the internal and external risk factors. The external factors, Section VII.D-F, are assessed in point B above.

Findings and Observations:

- To improve efficiency and transparency the entire funding of the PRS will be done through a special Poverty Reduction Fund (p.105, 107).
- The total budget of the Honduran PRS (1999-2015) is “*in line with the country’s financial viability and with its institutional implementation capacity*” (p. 101). Almost half of it is already financed, mainly externally, by ongoing or close to approved programs and projects. The remaining is sought through the HIPC-initiative; new funds from the international community; and increased fiscal revenues (p.101-105).
- The increase of fiscal revenues – from expected economic growth, earmarking revenues from privatisations, and improved tax administration – reflects a goal of social-sector allocations reaching 50% of total public expenditures (p. 101-105)
- The PRS’s organisational structure is described in details, defining the top responsibility and leadership at the Presidency and the government’s Social Cabinet (which consists of the six most involved Ministries and two governmental agencies). By an Executive Decree a Consultative Council for Poverty Reduction will be created as a “*collegial, participatory and advisory body to the Social Cabinet*” composed by the Ministry of Finance and the Ministry of Governance and Justice; three representatives of civil society; one representative of the national association of mayors; as well as two observers from the international aid community. (p.108-109)
- In addition decentralised structures and mechanisms will be established for the coordination between local public entities; target/beneficiary groups; private institutions; and national and international NGOs, thus consolidating and strengthening community participation (p. 111-113)
- The Implementing Unit of the Efficiency and Transparency Program will perform audit and offer institutional management support to involved entities (p.111), while follow-up and impact evaluations pertain to these respective entities in close participation with civil society (p.113)

vii. In addition to the external risks discussed in point B, the following are identified as the main internal factors that “*can put the success of the strategy at risk*” (p.117): national consensus; implementing capacity; fiscal pressures (which tend to increase particularly in presidential election years). (p. 117-118)

E) Summary of Findings and Observations:

The findings and observations in the previous sections of this Annex can be summarised in relation to the research questions as follows:

1: What are the Honduran PRSP’s perspectives on poverty and poverty reduction

The Honduran Poverty Reduction Strategy is a comprehensive, multi-layer plan that aims to become the long-term state policy for transforming economic, social, cultural and political structures to improve the opportunities of the poor through increased equity and transparency in the distribution, access and control of society’s resources and benefits. (Ai, Aiii, Biv, Cix, Cxii)

The understanding of poverty is comprehensive and multidimensional ranging from being “*lack of sufficient income to reach a certain minimum standard of living*” (p.9) to “*anchored on a structure of insufficient opportunities*” (p.87). This understanding is reflected in (Bi, Biii, Biv):

- The diagnosis of poverty as an economic and social condition expressed and perpetuated by: low income and employment patterns; health condition and level of education; demographic pressures due to rural migration and environmental degradation; as well as deterioration of cultural values, leading to corruption and low democratic participation.
- The methods used for measuring poverty: per capita GDP and the Poverty Line; the Gini coefficient and the UN HDI; and different methods for measuring basic needs satisfaction.
- The strategies for poverty reduction; which seek to address structural economic, political, social and cultural inequality that causes marginalisation and perpetuates unequal distribution of, access to and control over: income and wealth; factors of production and property rights; benefits of the social security system; and legal and democratic rights.

The strategic components related to reducing the vulnerability of the poorest and improving their opportunities adhere to the MDGs, modern development policies and contemporary economic development theories. Based on the strategic priorities of empowerment and community participation; institution building, organisational strengthening and inter-

institutional coordination; and administrative reforms, reorganisation and decentralisation, they seek to (Aiv, Av, Biv, Bv, Cix, Cx, Cxi, Cxii, Cxv, Diii, Dv):

- Improve the quality and access of education, health and basic sanitation, and housing
- Increase the range, scope and efficiency of income and employment generating activities (including micro-enterprises for local service provision and for environmental protection)
- Ensure the access of the poor and marginalised to legal and democratic rights (where the proposed reforms aim as far up as the national Congress)

Among these, the most significant proposed structural change is to improve the rural poor's access to agricultural land. Though not using the politically loaded term 'land reform', nor indicating its size, the significance of the strategic choice to address this particular poverty perpetuating structure – and using expropriation to achieve it – lies not as much in the perceived economic gains or the potential environmental consequences as in the social and political implications of changing the historically and profoundly culturally rooted structure of land ownership. (Cx)

The most surprising element of this strategy is the importance given to moral and cultural values; defined as “*the essential foundation that leads to the effective development of democracy*” (p.51), whereas the deterioration of these values is identified as part of what causes and perpetuates poverty. Thus, one of the specific objectives is to “*Assign a strategic value to socio-cultural management, as a fundamental factor for the development of the country, to strengthen civic, ethical, moral and democratic values*” (p.81), while ethics and civic responsibility are included in the measures to improve the quality of higher education. It is assumed that the importance assigned to moral and cultural values is due to the civil society participation, partly because of what is explicitly stated in the document and partly because it resonances with other elements that differ from international development practices (such as the inclusion of higher education as part of the strategy; the promotion of solidarity chains of poor producers and consumers; the reference to alternative/natural medicine as a measure to improve health services; and statements such as “*it is expected that private enterprises will acquire greater awareness of poverty issues, and will make efforts to contribute directly and indirectly to poverty reduction*” (p.57)). (Aviii, Bii, Cxi, Cxiii, Cxiv, Cxv)

The emphasis on civil society participation is further affirmed in the strategy's plans and structures for financing, implementation, monitoring and evaluation; reflecting the recognition that this national reconstruction process of structural changes and reforms to address the

causes of marginalisation and perpetuation of poverty involves not only the government and the state apparatus but also requires the participation and support the entire society. (Av, Avi, Avii, Biv, Dii, Div, Dv, Dvi, Dvii)

The importance of the participation and support from the international aid community is likewise taken into account in ways that affirm the national ownership of the strategy and the development process as such. The inter-institutional coordination mentioned above includes the international aid community; by targeting international food aid/monetisation to support productive activities in rural areas; establishing standards to supervise the work of national and international NGOs; and including national and international NGOs in the decentralised coordination structures and mechanisms that seek to consolidate and strengthen community participation. Also, representatives of the international aid community are appointed as observing members in the PRSP implementation and monitoring structures and mechanisms. (Cv, Cxi, Dv)

To improve the efficiency and transparency – both domestically and internationally – the entire funding of the Honduran PRSP will be done through a special Poverty Reduction Fund. Almost half of the budget is already financed, mainly externally, by ongoing or close to approved programs and projects. The remaining is sought through the HIPC-initiative, new funds from the international community, and increased fiscal revenues. This increase of fiscal revenues is expected as a result of the strategy's economic growth, earmarking of revenues from privatisation, and improved tax administration. (Di, Dii, Diii).

2: Which consequences do these perspectives on poverty and poverty reduction have on the economic-political approaches to economic growth

While there is a strong holistic approach to sustainable development and improved structural equality through educational transformation, the paramount strategic component for achieving the desired economic, social, cultural and political transformation is an accelerated, sustained and equitable economic growth “*generated from a larger number of sources*” and whose benefits will “*overflow and be shared widely with more strata of society*” (p.21). (Aii, Bv)

Economic growth will enable a level of social spending consistent with the poverty reduction targets, which aims to reach 50% of total fiscal expenditures. This economic growth is sought by increasing the efficiency of investments (whose domestic level is otherwise satisfactory) and improving the economy's competitiveness, which both requires the predictability of a

stable macroeconomic framework. This framework furthermore needs the support of transparent and efficient legal and administrative frameworks, which in turn will contribute to reduce corruption as well as transactions costs, thus further stimulate and increase economic activity. In addition bi-lateral agreements are sought to guarantee the protection of FDIs. (Bv, Bvii, Ciii, Cv)

To achieve the a priori stable macroeconomic framework the strategy promotes the continuation of measures introduced in the SAP of the early 1990's: fiscal viability; monetary and exchange rate policies and open market operations; deepened trade liberalisation; and capitalisation and privatisation; as well as structural reforms of the financial system. While admitting that some SAP-measures of liberalisation and fiscal expenditure control have caused short-term negative effects on poverty, the strategy emphasises that these are more than counterbalanced by the expected long-term positive effects. (Bv, Bvii, Bx, Cii, Ciii, Civ)

Low efficiency of investments due to low productivity is sought addressed in general by improving basic education; production-oriented secondary education; and rural area infrastructure, and more specifically by market regulations; privatising public service provision; improving the structures and mechanisms for production, trade, and service provision in rural, semi-urban and urban poor areas; and concentrating economic development efforts and cluster building on four specified high-potential sectors. (Bvi, Cv, Cvi, Cviii, Cxi, Cxii)

These measures also will have effects on the economy's competitiveness. Low international competitiveness caused by insufficient openness to the international market and lack of strategic positioning of comparative advantages, will be as addressed by foreign trade policies that contributes to the Central American economic integration scheme (which includes the creation of a regional capital market); the establishment of the Free Trade Agreement of the Americas (FTAA); the compliance with WTO-regulations, and by facilitating and supporting export producers' entrances into foreign markets. (Bviii, Cv, Cvii, Cviii)

With the exception of solidarity chains among poor producers and poor consumers (in Latin America referred to as *Economia Solidaria*) and alternative methods of saving and capital access among urban poor (assumed to be variations of Revolving Loan Funds), the strategic choices related to economic activity adhere to mainstream macroeconomic theory. The dominance of economic theory perspectives and of mainstream macroeconomics solutions – which include the continuation of measures introduced during the SAP-era – coherently

reflect that the PRSP-initiative as such is the World Bank-IMF contribution to the achievement of the internationally established MDGs. However, the fact that the strategy does not include a discussion of strategic alternatives and choices opens for an interpretation that the main strategic choices of the PRSPs are pre-defined. (Ci, Cvii, Cix, Cx)

3: How do these approaches to economic growth relate to the global economic conditions?

As mentioned above the measures to improve foreign trade relations consist of policies that contribute to the Central American economic integration scheme, the establishment of the Free Trade Agreement of the Americas (FTAA), and the compliance with WTO-regulations. This can be interpreted as a strategic choice to give priority to economic interaction among equals before seeking to compete in the global markets. (Bviii, Cv, Cvi, Cviii).

Beyond that, there are few significant references to the global economy. While it is identified as one of the main external factors that cause poverty in Honduras, there are no references to the asymmetric power distribution that impedes perfect competition, or to any aspects of global economic justice. The analysis of the global economy is mainly done in the strategy's risk analysis with the strategic choices limited to passive adaptation to external changes and mitigation of their negative effects. (Bix, Bx).

The fact that the strategy presents no analysis of whether this important external factor could be changed or influenced forms part of the overall observation that the main strategic choices of the PRSP are limited within the confines of mainstream economics. Though adhering to contemporary international development policies and approaches that are based on multi-faculty theories, the strategy is dominated by economics theories and perspectives. This is indicated by the order and priority of the strategic components where economic growth is paramount and a stable macroeconomic framework a priori, and strongly reflected in the choice of lingo and phrasing; exemplified by persistently referring to human capabilities with the economics term 'human capital' and the ambiguous use the terms 'sustainability' and 'participation' – which are particularly central in development theory. Furthermore, though assigning strategic importance to moral and cultural values, the diagnosis of poverty and the strategic choices make no reference to ethical justice theories or global economic justice, transmitting the 'value-free' approach of economics that dominates the strategy. (Bii, Aviii, Aix, Ax, Axi, Bii, Ci, Cii, Ciii, Cvii, Cix, Cx, Cxii)

ANNEX 3: SMALL-N-STUDY OF FOUR NATIONAL PRSPS

This comparative analysis of four national PRSPs, is based on the case study of the Honduran PRSP, and include in addition to this one the PRSPs of Nicaragua, Tanzania, and Uganda.

TableA3.4 shows the summary of this comparison, while the findings and observations related to this comparison are presented in point 3.4 below. The latter forms the basis for the responses to the research questions given I the main report.

3.1. The Nicaraguan PRSP

Table A3.1 shows the summary of the analysis the “Strengthened Growth and Poverty Reduction Strategy” presented by the Nicaraguan government in July 2001.

There are few differences between the two Latin-American PRSPs, but among these the three most significant are found in the breadth and depth of the SAP preceding the PRSP; the participatory PRSP-process; and the administrative decentralisation. All three are linked to Nicaragua’s recent political history. Though the centrally planned economic policies during the Sandinista rule (1979-1990) never reached levels close to other socialist countries, the economic structural changes supported by the IMF and the World Bank after the election of the Chamorro’s non-socialist government in 1990, implied interventions beyond ‘adjustments’. So while a stable macroeconomic framework is a priori in both the Honduran and Nicaraguan PRPSs, the measures of the latter mainly consist of maintaining the framework established during this “*strong structural reform program*” (paragraph 57) which started in 1991.

The same program explains the differences in the level of decentralisation sought in the two PRSPs; while the Honduran administrative decentralisation process is still in its launching stage, the Nicaraguan PRSP seeks to further an already existing decentralisation where for instance most primary schools already are autonomous.

Also, the seemingly deeper and broader participatory process in the elaboration of the Nicaraguan PRSP can be explained by the social and political transformation that took place in the country after the armed internal conflict of the late 1980s ended with the election of the Chamorro government. This can also explain why differences in democratic participation are not mentioned as part of the poverty diagnosis, and why there are no major political reforms included in the structural changes.

The most significant difference between the approaches to economic growth is that the Nicaraguan strategy mainly focuses on developing the rural economy. This might explain lack of specific measures related to FDIs, which in Central-America are mostly related to the industrial sector, or improvements in the informal sector, which is mainly an urban phenomenon.

Among the minor differences is the fact that the Nicaraguan PRSP includes population growth, and emigration and brain-drain as part of the poverty diagnosis, and as a result of the former there is a stronger emphasis on demographic transition measures by including reproductive health as part of primary health services.

Finally, the Nicaraguan PRSP transmits a slightly less ‘value-free’ perspective both by specifically using the term “*social justice*” (paragraph 153), and by referring the current terms of international trade as “*adverse*” (p. vi, xii) and “*unfavourable*” (paragraph 180).

3.2. The Tanzanian PRSP

Table A3.2 shows the summary of the analysis of the “Poverty Reduction Strategy Paper” presented by the Tanzanian Authorities on October 1, 2000.

Tanzanian PRSP-document transmits an approach to strategic planning along the lines of Mintzberg’s ‘emerging strategies’; being a work-in-progress with room for including other strategic elements during implementation. Though, considerably shorter than the Honduran and Nicaraguan documents, it, however, confirms the main findings: a multidimensional understanding of poverty that results in comprehensive poverty reduction strategies that are coherent with contemporary development policies and practices; where a “*key objective*” is “*to promote accelerated and equitable growth*” (page 14); and which “*to a large extent is an integral part of ongoing macroeconomic and structural reforms that are being supported by Tanzania’s multilateral and bilateral partners*” (Ibid).

The Tanzanian PRSP responds to a reality that is poorer and considerably more agrarian than the Latin-American, which is reflected in the diagnosis of poverty by the use of terms like ‘food poverty’ and ‘survival’; the vulnerability to environmental/climatic changes that affect both food security and the entire crop dependent economy; the level of vulnerability related to HIV/AIDS; and the degree of external aid-dependency. Attendance to rural poverty dominates not only the strategic components of human development and poverty mitigation, but also the

economic structural changes where agricultural modernisation is the main strategic choice after sound macroeconomic policies and administrative reforms.

While recognising that projections indicate more future growth in the industry and service sectors than in agriculture, it is within the latter that the potential for immediate poverty reduction and accelerated growth is found. The reduction of the trade gap, which is identified together with fiscal and monetary policies as the main elements of a stable macroeconomic framework (p.46), is sought through export expansion and diversification mainly by improved quality and quantity in agricultural and agro-processes commodities. In spite of this, there are no further elaborations in the document related to trade, trade partners or the conditions of trade.

The external risk factor given extensive emphasis is the country's dependency on international aid. The vulnerability to donor behaviour relates both to the financing of the PRSP and the subordination of donor-driven activities to the strategic priorities defined by the PRSP, where the latter requires substantial inter-institutional coordination at all administrative levels. An example of the latter is the strategic use of food-aid (p.21).

Like the other PRSPs in this small-n-study, civil participation is given priority both in the strategy's elaboration and implementation. Reflecting national reality the focus is on community participation rather than civil society organisations. The strategy refers specifically to the important role of 'social capital'; trust, unity and spirit of participation at village level (p.11) and deterioration in traditional, cultural values like these forms part of the poverty diagnosis.

Other hints of perspectives that deviate from the 'value-free' approach of mainstream economics are found in terms like "*abject poverty*" (p.3); and 'human capability' instead of 'human capital'; as well as the highlighting of "*enabling the poor to share increasingly in the benefits of globalization*" (p.15) as the aim of increased export.

3.3. The Ugandan PRSP

Matrix 3.3. shows the summary of the analysis of "Uganda's Poverty Eradication Action Plan – Summary and Main Objectives", presented by the Ministry of Finance, Planning and Economic Development, March 24, 2000. As this document is unpaginated and most headlines are unnumbered the references in Matrix 2.3 refer either to the numbers annexes or the Content-list below.

The Ugandan PRSP is the product of a national process that started in 1997 to transform the country “*into a modern economy in which people in all sectors can participate in economic growth*” (1st paragraph of Introduction). The document contains the policy statements and national priorities and constraints which form the framework for more specific sector and local plans, defining poverty eradication as the fundamental goal. In Uganda’s already decentralised governance structure of districts and lower local council authorities, the latter has the responsibility for implementation plans, based on local priorities and local community involvement. The need for coherency between these multilayer plans is highlighted, and the Ugandan PRSP is more explicit than the Tanzanian in its strategic approach to leave room for emerging strategies where “*public resources can be redeployed in accordance with changing strategic priorities*”. (11th paragraph of Introduction);

Among the four PRSPs studied, the Ugandan seems the most advanced in its bottom-up approach and the emphasis on non-material dimensions poverty such as the demoralising powerlessness to affect things around one. Seeking to empower the disempowered – by bringing “*the voice of the poor into national, district, and lower level planning*” (14th paragraph of Introduction); modernising agriculture to “*increase the ability of the poor to raise their incomes*” (the third strategic pillar); improving social services to “*increase the quality of the life of the poor*” (the fourth strategic pillar); focusing on community involvement and community-based low-cost solutions in the delivery of these services – public information is included to enable and ensure the participation of the poor.

Similar to Tanzania, the strategic choices for economic growth reflect that most Ugandans are self-employed smallholder farmers. While recognising the need to shift labour from agriculture to more productive manufacturing, the focus is – following Rostow’s (see main document point 2.1) stages of growth – on agricultural modernisation as a prerequisite for the transformation of the entire economy. Increased incomes from agriculture not only directly affect economic growth and income poverty, it also assumed to contribute to improved market competition, thus shaping the framework for increased export and private sector expansion, whose development in turn will contribute indirectly to poverty-reduction.

However, the most essential element for this economic structural transformation is macroeconomic stability. Like Nicaragua, Uganda has already implemented mainstream macroeconomic policies and achieved better than average macroeconomic stability and trade

openness, thus besides committing to maintain macroeconomic discipline, the focus is turned to reforms of the finance sector, the commercial legal framework, and the tax system.

Besides the mentioned trade openness the only reference to this decisive external factor is related to the economy's vulnerability to trade changes, and while assuming no deterioration of the external terms of trade, conservative estimates are used for trade balance projections.

Nor are there any direct references to FDI. Net inflows of external financing are mentioned in relation to the macroeconomic framework, but any further elaboration only refers to international aid. Like in the Tanzanian PRSP, this aid dependency is the most analysed external factor, but where the Tanzanian authorities transmit concerns on the donor community's willingness to shift its aid from projects to budgetary support, the Ugandan focus on how this shift "*allows a more transparent understanding of the additionality of donor resources*" (2nd paragraph under the subtitle Additionality of section 4).

Good governance and security is defined as the second pillar of the Ugandan strategy. The importance given to security issues - which includes specific mention of defence expenditures - reflects that Uganda is the only of the four studied countries with an ongoing armed conflict. Nevertheless, the focus is - like in the three other PRSPS - on transparency, accountability, participation and democracy. Among the measures to combat corruption is the establishment of the Ministry of Ethics and Integrity, whose name strongly indicates a cultural value-approach.

Though focusing on equitable outcomes, and like the Tanzanian PRSP refraining from using the term 'human capital' in reference to human development, the Ugandan strategy is dominantly 'value-free'. The adherence to mainstream economic theory is emphasised by specific references to the management of the market being a private sector role (3rd last paragraph under subtitle Actions which directly increase the ability of the poor to raise their incomes) and that the public sector's role is to intervene in areas where markets function poorly (first bullet-point of section 3).

Numerated Content-list of the Ugandan PRSP

1. Introduction
 - 1.A. Uganda's planning framework
 - 1.B. The revision of the PEAP
2. National vision and overall goals
 - 2.A. Reducing absolute income poverty
 - 2.B. Raising educational achievement of Ugandans
 - 2.C. Improving the health of the people
 - 2.D. Giving voice to poor communities
3. The Poverty Eradication Strategy
 - 3.A. Creating a framework for economic growth and transformation
 - 3.B. Good governance and security
 - 3.C. Actions which directly increase the ability of the poor to raise their incomes
 - 3.D. Actions which directly improve the quality of life of the poor
4. Macroeconomic stability, medium- and long-term expenditure implications of the PEAP
 - 4.A. Macroeconomic stability and the macroeconomic framework
 - 4.B. The Medium-Term Expenditure Framework
 - 4.C. Using the PAF to prioritise public expenditure
 - 4.D. Poverty priorities and the PAF
 - 4.E. Additionality
 - 4.F. Accountability of PAF resources
 - 4.G. The overall allocation of expenditures within the MTEF
 - 4.H. Intermediate output targets in the medium-term
 - 4.I. Long-run targets and costings
 - 4.J. Long-run resource availability
5. The Monitoring Strategy

3.4. The Combined Findings and Observations of the Small-N-Study

Table A3.4 shows the four studied PRSPs together in the same format as used in the analyses discussed above. In spite of variations in strategic approach and in the internal structure, and in spite of all being country specific and the results of highly participatory processes that also included the poor themselves, they nevertheless coincide on all major issues.

They all build upon a multidimensional understanding of poverty. Poverty is expressed, caused and perpetuated by economic, social, cultural, and political factors; and while giving different emphasis to other measurements of poverty they all base their national poverty data on measurements of basic need access/consumption. Though the level of poverty differs among national regions, it is first and foremost a rural phenomenon in all four countries. Furthermore, all four strategies recognise the gender-bias aspect of poverty and the connection between poverty and environmental degradation.

In all four cases this multidimensional understanding of poverty leads to poverty reduction strategies that not only give special attention to the poor and to vulnerable groups, but that aim to address structural inequality; in the distribution of income and wealth; in the access to property in general and land in particular, as well as to capital and other factors of production; in the benefits of social services; and ultimately in the usufruct of legal and democratic rights. However, in spite of equity being both a mean and an end for poverty reduction, the term ‘social justice’ appears only once in all the document-pages studied.

Economic growth is paramount in all four PRSPs. The benefit of economic growth is perceived to affect poverty reduction both directly; through the improvements of the productive activities of the poor themselves, and indirectly by increasing the national revenues that will permit larger allocations to public poverty reduction measures.

In addition to this economic growth-effect, all four PRSPs entail structural improvements of public services and utilities. Directly benefitting the poor, they focus on components in line with the MDGs such as education; health; water and sanitation; nutrition; HIV/AIDS (less in the case of Nicaragua where the prevalence is low); and environmental measures, as well as infrastructure and public utilities such as electricity and energy; transport and communication; potable water and irrigation systems; land-titling; and housing. These structural improvements are sought through sector reforms and reorganisations - where the key element is decentralisation – as well as various forms of privatisation, ranging from private enterprises and community-based enterprises to community volunteer-structures and NGO-activities.

This in turn implies efforts of institution building, organisational strengthening, and inter-institutional coordination and cohesion.

Reforms of the legal system and good governance are other priorities shared by all the strategies. Measures to combat corruption and increase transparency form part of the reforms of public structures and institutions. An increased and formalised participation of civil society and the poor is expected to also have an accountability effect on these structures and institutions, while the civic education measures that will enable this participation process also address the cultural dimension of widespread corruption and the lack of rule of law.

Furthermore, good governance and transparency measures are integrated in the plans for financing and implementation-evaluation. All four PRSPs include detailed description of these plans, down to the level of defining future evaluations indicators.

The predictability of a stable macroeconomic framework is defined as a sine qua non for economic growth in all four PRSPs. Adhering to mainstream economics, they all seek a predictable and stable macroeconomic framework through monetary and exchange policies that decrease and control inflation rates, and fiscal balance policies based on expenditure discipline; privatisation; improved trade balances; and increased tax revenues, and where the transparency and efficiency sought through the structural reforms of public services and institutions are essential to accompany both the macroeconomic predictability and the fiscal balance. In the cases of Nicaragua and Uganda, many of these measures have already been achieved by macroeconomic adjustment/transformation programs implemented prior to the PRSP, thus the strategic foci are on maintaining them. With the exception of Tanzania, the strengthening of the macroeconomic frameworks also includes structural reforms of the finance sector.

Further measures to promote private sector economic growth include increasing the levels and efficiency of investments; productivity; and competitiveness. In regards to the former, the Nicaraguan PRSP is the most advanced by strategically connecting increased investments levels to the reforms of the finance and insurance sectors and reforms of the pension system, while the Honduran is the only strategy that deals specifically with FDIs.

The measures to increase productivity and competitiveness reflect that all four countries are still mainly agrarian. Depending on extensive modernisations of the agriculture sectors, they all include:

- (i) Increased access to the factors of production; where land ownership is given particular importance while capital is limited to various forms of rural and micro-credit system
- (ii) Increased access to production utilities such as water and electricity/energy for irrigation
- (iii) Improved human capital which in addition to better health services and basic education – which in cases of Honduras and Uganda also include production-oriented secondary/vocational education – is sought through production and market oriented training and assistance, and the promotion of small and medium size enterprises/cooperatives
- (iv) Increased market access and reduced transactions costs through improved roads and other infrastructure, and the correction of market imperfections
- (v) Increased access to international markets by promoting export orientation and maintaining/ furthering trade liberalisations

In addition to the obvious link between these measures and those that aim to reduce poverty and increase equity directly, the objective of economic growth measures related to improved income and employment opportunities of the poor is stated explicitly in all four strategies. In contradiction to this strong equity-orientation, distribution neutral growth is assumed in the growth projections in the Tanzanian and Ugandan PRSPs (respectively p.14 and 2nd paragraph under headline Actions which directly increase the ability of the poor to raise their incomes), which might be an indication of how widespread poverty is in these two countries.

In the area of international trade there is a marked difference between the middle- and the low-income countries. The Honduran and Nicaraguan PRSPs are far more elaborate in their analyses of their comparative advantages, leading to the strategic choices to focus economic development on a few specified clusters of products and services. They are also specific on how they approach international trade, giving priority to interregional trade among symmetric economies and to bilateral trade agreements. This difference reflects the fact that the regional economic integration processes of the two continents were at very different stages at the time the PRSPs were made.

However, they all share a passive attitude to the conditions of global trade. The Tanzanian PRSP barely makes any reference to it, while the other three identify the global economy as an external factor that influences the possibilities for achieving the PRSP objectives and goals. In spite of this, the strategic choices are limited to adapting as best as possible to any changes in the international markets and the global economy in general. Though the

Nicaraguan terms of trade are described as “*adverse*” (paragraph 77), and the statement in the Tanzanian PRSP of “*enabling the poor to share increasingly in the benefits of globalization*” (p.15) could be interpreted as a hint of a global justice perspective, the only reference to the WTO is found in the Honduran PRSP, and then only in regards to complying with established regulations.

This passive attitude toward global governance structures is also transmitted in the area of climate and environment. All four PRSPs highlight their populations’ vulnerability to natural disasters, and while they all seek to address this through national disaster preparedness and mitigation plans and structures, there is no reference to the UN Framework Convention on Climate Change established in Rio in 1992 or the Kyoto Protocol of 1997 in any of the four PRSP-documents.

On a far more proactive side are the strategies related to the international aid funding on which the successes of the PRSPs depend. In addition to including donors in the preparations and monitoring of the PRSPs, and that increased transparency and accountability will also benefit the management of international aid, all four countries seek to promote stronger coherency and cohesion of donor-funded activities with the national priorities defined by the PRSPs.

In summary; all four PRSPs reflect strong comprehensive approaches to human development where structural changes will lead to transformed societies with improved opportunities for the poorest and environmental sustainability. The paramount strategic component for achieving the desired economic, social, cultural and political transformation is an accelerated, sustained and equitable economic growth that will enable a level of social spending consistent with the needs of the poorest. While this strongly adheres with contemporary international development policies and approaches that are based on multi-faculty theories, the nature, ordering and internal priorities of the strategic components transmit a domination of mainstream economic theories and perspectives. Furthermore, in spite of various degrees of importance given to cultural and/or moral values, all four PRSPs are dominated by the traditional ‘value-free’ approach of economics – exemplified by qualitative yet moral judgment-free descriptions of poverty and its causes – which results in the total absence of references to ethical theories of social justice or global economic justice.

The lack of discussions of strategic alternatives and choices in general and in relation to the external factors in particular opens for an interpretation that the main strategic choices of the

PRSPs are pre-defined. More importantly in this study, however, is that this highlights the powerlessness of the poor countries in affecting their surroundings and the terms of their international relations.

In this light, the conclusion of the Nicaraguan PRSP (paragraph 170) becomes tragically sad: *“despite the possibility of disasters which can cause economic shocks, there is a reasonable probability that the economic climate, both domestic and foreign, will be better than assumed in the projections”*.

TABLE A2.1 - DIAGNOSIS OF POVERTY IN THE HONDURAN PRSP

1) Definitions and Methods of Measurement	Section	Page
a) <i>Poverty is an economic and social condition with multiple causes and expressions.</i>	II.A	9
- the lack of sufficient of income to reach a certain minimum standard of living		
- determined by the degree to which a series of basic human needs are met.		
b) <i>Poverty is part of an institutional environment</i>	III.G	47
- composed of economic policy, social and political institutions		
c) <i>Poverty has deep historical and structural roots</i>	III.A	21
- in economic, political, social and cultural characteristics		
- anchored on a structure of insufficient opportunities and of low human, physical and social asset levels,	IV.C.5	87
d) <i>Multidimensional character of poverty requires several methods of measurement</i>	II.A	9
- Poverty Line	II.A, B	1,9,12
- Per capita GDP	III.A	22
- Unsatisfied Basic Needs and Permanent Multipurpose Household Surveys	II.A	1,9,10
- Human Development Index	II.A	1,9,10
- Gini Coefficient of income distribution/inequality	III.D	32-33
- Access to education, health, water & sanitation, housing	III.E	38-41
2) Poverty as an economic and social condition expressed and perpetuated by	II.A	9
a) low income	II.A, III.A	1,9,21
b) employment patterns, and level of invisible underemployment and child labour	III.B	28-30
c) levels of infant mortality and child nutrition status, prevalence of maternal mortality	II.A, III.F	10, 40
d) levels of education	III.E	36-39
e) rural-urban migration	III.B, F	27, 43
f) environmental degradation, due to:	III.A	21
- deforestation from slash-and-burn practices	III.F	47
- urban migration/new settlements accelerating loss of natural resources and aggravating urban waste and pollution	III.F	44-45
- agricultural, domestic and industrial water contamination	Ex.Sum	iii
g) sharp deterioration of moral and cultural values perpetuates	III.A	21
- negative attitudes towards work, discipline, school attendance	III.G	48
- non-environmental sustainable behaviour and practices	III.G	49
h) widespread corruption creates deception that leads to	Ex.Sum	iii
- use of irregular channels to achieve legitimate goals and protect interests	III.G	49
- loss of credibility and respect in political leadership	III.G	49
i) low democratic participation by the poor	III.A	21
3) Poverty due to and perpetuated by structural inequality	III.A	21
a) exclusionary/unequal conditions in general causing marginalisation of:	III.A	21
- vulnerable groups: children, senior citizens, persons with disabilities, women, and members of ethnic minority groups	II.C	15-18
- unequal poverty distribution between urban and rural areas, as well as between geographic regions	II.B	12,13
	II.A, III.B	13, 27
b) skewed/biased structures of income and wealth distribution	III.A	21, 22
c) unequal distribution of factors of production	III.A, D	21, 33
d) unequal access to property rights	III.D	33-35
e) unequal access to legislative rights (unlimited immunity for some)	III.G	48
f) unequal distribution of benefits in social security system and lack of rational use and diversion of scarce domestic resources, due to:	ExSum	ii
- bloated state apparatus with low effectiveness and efficiency	III.A, G	21, 49
	III.G	49

TABLE A2.1 - DIAGNOSIS OF POVERTY IN THE HONDURAN PRSP

- weak local governments/municipalities	III.A	21
- lack of transparency and corruption in public administration	III.G	48-49
- weak legal framework to fight corruption	III.G	48
4) Poverty caused and perpetuated by slow economic growth, due to	III.A	1,21
a) low productivity:	III.A	23
- inappropriate technology and limited human capacities and skills, low secondary e	III.A	23,25,38
- low human skills and secondary education levels	III.A, E	25, 38
- high prevalence of micro-, small and medium production entities	III.D	35
- large sub-sector of informal trade	III.D	35
b) low efficiency of	III.A	23
- investments (while satisfactory level of domestic saving and investment):	III.A	23
- public institutions (which impede greater economic growth)	III.G	49
c) low competitiveness due to:	III.A	21
- market inefficiencies	III.A	23
- vulnerability to macroeconomic stability	III.A	23
- inadequate legal framework, insecurity in laws and regulations, and corruption	III.A, G	23, 49
- restrictive administrative and political frameworks	III.A	23
d) low competitive access to international markets due to:	Ex.Sum	iv
- insufficient openness to the international market	III.A	23-24
- lack of strategic positioning of comparative advantages in most important markets	III.A	24
e) while demographic dependency not perceived as decisive	III.A	25
5) External Factors		
a) External factors contributing to/causing poverty:		
- restrictions on social spending due to obligations to pay an increasing foreign debt	III.A	21
- international economic relations limit development of small economies in general	III.A	21
b) Main external factors presenting risks for the success of the PRSP:	Ex.Sum	vii
- lack of sufficient external funding	VII.D	118
- the behaviour of world economy	VII.E	118
- natural distasters	VII.F	119
c) Specific vulnerabilities to world economy are related to:		
- deceleration of US economy (given the heavy dependence on US trade)	VII.E	119
- world recessions and financial crises	VII.E	119
- dramatic changes in the terms of external trade, particularly decrease in coffee prices (key export commodity) or increase in oil prices (key import commodity)	VII.E	119
d) Natural disaster vulnerability due to geographic ubication is enhanced by:	VII.F	119
- environmental degradation (exemplified by the effects of hurrican Mitch)	II.D	18-20
- the damages caused by hurricane Mitch in 1998	II.D	18-20
e) Specific issues related to the external funding of the PRS (1999-2015):		
- Total budget of USD 1.897 millions, first five years funded 75% by HIPS-initiative	Ex.Sum	vi
- Participation of international organisations and donor countries in PRSP-	I.A	3
planning process and as observers in the PRS Advisory Council	I.A	4

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

	PRSP	
	Objective	Section Page
<p>Fundamental Objective: <i>The fundamental objective of the Strategy is to reduce poverty significantly and sustainably, based on accelerated and sustained economic growth, whose benefits are distributed with equity, through greater access by poor people to the factors of production, including the development of human capital, and through the provision of social safety nets in favour of groups living in extreme poverty.</i></p>	Fundamental Objective	IV.A 51
<hr/>		
1 ECONOMIC GROWTH		
<p><i>Increase the growth rate of GDP and per capita GDP to levels consistent with the poverty reduction targets, based on a stable macroeconomic framework; the strengthening of investment levels, as well as improvement of its level of efficiency; and the creation of conditions that allow the development of sectors with the greatest productive potential.</i></p> <p>a) Stable Macroeconomic Framework <i>To have a stable macroeconomic framework that contributes to the sustainable viability of greater public investment in programs and projects directed to poverty reduction and that generates confidence and certainty for private investment, thus generating greater sources of wealth and employment within the population.</i></p> <p>i) Fiscal viability that also allows greater social expenditure</p> <ul style="list-style-type: none"> - Low fiscal deficit, monetary policies to avoid inflationary pressures and reduce real interest rates - Fiscal expenditure control, improved tax administration, public sector salary policy and regulations - Efficient and transparent administration of income from external debt relief and privatisation revenues by establishing a Poverty Reduction Fund <p>ii) Monetary and exchange rate policy to ensure interest rates favourable to investments and inflation below 10%</p> <ul style="list-style-type: none"> - Open market operations - Reduce obligations on domestic currency reserves and maintain international monetary reserves equal to 4 months of imports - Transparence in financial intermediation, electronic check processing <p>iii) Strengthening the financial system in accordance with international standards</p> <ul style="list-style-type: none"> - Governing laws related to financial institutions, merger and/or liquidate financial institutions if needed - Reform legal procedures to improve access to and reduce transaction costs <p>iv) Improve external-sector balance by reducing impact of international environment changes</p> <ul style="list-style-type: none"> - Competitive exchange rate system - Deepen liberalisation of foreign trade - Prudential management of foreign debt 	Objective 1	IV.C.1 60
	Spec.Obj 1.1	1.1.a 60
	Short-term policy guideline	1.1.b.i 61
	Short-term pol.guideline	1.1.b.ii 61
	Short-term pol.guideline	1.1.b.iii 61
	Short-term pol.guideline	1.1.b.iv 61-62

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

v) Structural reforms <ul style="list-style-type: none"> - Capitalisation and/or changed laws of telecommunication, energy supply and seaports - Anticorruption measures and international codes of transparency in fiscal policy 	Short-term pol.guideline	1.1.b.v 62
vi) Strengthen fiscal revenues <ul style="list-style-type: none"> - Sales taxes, custom taxes, income taxes and reduced exoneration on taxes - Management of tax collection and application of Tax Code 	Medium term pol.guideline	1.1.c.i 62
vii) Rationalise public expenditure to allow priority to poverty reduction <ul style="list-style-type: none"> - Perform audits - Salary and civil service reforms 	Med.term pol.guideline	1.1.c.ii 62
viii) External financing <ul style="list-style-type: none"> - Donations and concessional loans - Consistent and sustainable marcoeconomic objectives, transparent management of external funding 	Med.term pol.guideline	1.1.c.iii 62-63
ix) Improve competitiveness, greater investment efficiency and productivity <ul style="list-style-type: none"> - Exchange policies, privatisation - Reform pension system to stimulate savings and thus investments - Improve legal system and fight corruption 	Med.term pol.guideline	1.1.c.vi 63
b) Improved levels and efficiency of investments to increase levels and quality of employment <i>Strengthen investment levels and improve their level of efficiency, in order to increase employment opportunities and improve their quality.</i> <ul style="list-style-type: none"> i) Reduce transaction costs by simplifying laws and procedures ii) Improve quality of employment through a new Labour Code and institutional strengthening of Ministry of Labour and Social iii) Privatisation of the provision of public services iv) Address legal insecurity in property and investments: <ul style="list-style-type: none"> - Laws and commercial codes - Bilateral agreements with investing countries - Support market regulations to improve efficiency and competition 	Spec.Obj 1.2 Pol.Measure Pol.Measure Pol.Measure Pol.Measure	1.2.a 65 1.2.b.i 65 1.2.b.ii 65 1.2.b.iii 65 1.2.b.iv 65
c) Competitive access to international markets <i>Promote the insertion of the Honduran economy into channels of world trade, guaranteeing the access of national products, both traditional and new, to export markets under competitive conditions.</i> <ul style="list-style-type: none"> i) Stimulate the Central American economic integration scheme 	Spec.Obj 1.3 Pol.Measure	1.3.a 66 1.3.b.i 66

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<ul style="list-style-type: none"> - Harmonise tariffs and policies, simplify customs, eliminate non-tariff barriers - Resolution of conflicts - Improved infrastructure - Creation of a regional capital market <p>ii) Improve Inter-American trade relations in pursuit of the Free Trade Area of the Americas (FTAA)</p> <ul style="list-style-type: none"> - Priority to relations with Mexico, Dominican Republic, Panama, Canada and Chile <p>iii) Facilitate full and competitive entrance into new markets</p> <ul style="list-style-type: none"> - Simplify tariffs and non-tariff barriers, and comply with WTO regulations - Modern system of market information - Certification systems - Alliances and an advisory body of business and public entities <p>iv) Institutional strengthening of Ministry of Industry and Trade in regards to foreign trade policies</p>	<p>Pol.Measure</p> <p>Pol.Measure</p> <p>Progr&Proj</p>	<p>1.3.b.ii 66</p> <p>1.3.b.iii 66</p> <p>1.3.c.i 67</p>
<p>d) Develop economic sector of high production and employment potential</p> <p><i>Create conditions that facilitate the development of the agro-industrial, forestry, light assembly and tourism sectors, given their high productive potential for sustaining rapid economic growth and diversification of production, with greater and higher quality employment; without neglecting support to other economic sectors.</i></p> <p>i) Create National Council with participation of both public and private sectors</p> <p>ii) Develop strategies for cluster developments and development of industry export niches</p> <p>iii) Provide technical assistance, support networks/cluster building, and contribute to their funding</p>	<p>Spec.Obj 1.4</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measures</p> <p>Progr&Proj</p>	<p>1.4.a 67</p> <p>1.4.b.i 67</p> <p>1.4.b.ii 67</p> <p>1.4.b.iii-67-68</p> <p>1.4.c</p>
<p>2 POVERTY REDUCTION AND MITIGATION, AND ENVIRONMENTAL PROTECTION</p>		
<p>2.1. Rural Poverty Reduction</p>		
<p><i>Reduce poverty in rural areas, by improving equitable, secure and sustainable access to productive factors, especially land, and by supporting the generation of employment and income, and access to basic services to the rural population, through participatory mechanisms in rural communities.</i></p> <p>a) Equitable and secure access to land</p> <p><i>Guarantee access to land and secure land tenure, for organized and independent small farmers and ethnic populations to improve the income and food security of rural families.</i></p> <p>i) Expropriation of land; legal, technical and administrative foundations</p> <p>ii) Adjudicating, titling, and clearing land tenure</p> <p>iii) Mechanism to define and secure rural property, including agriculture and forest cadaster</p> <p>iv) Landprogram for the landless</p>	<p>Objective 2</p> <p>Spec.Obj 2.1</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Progr&Proj</p>	<p>IV.C.2 69</p> <p>2.1.a 69</p> <p>2.1.b.i 69</p> <p>2.1.b.ii 70</p> <p>2.1.b.iii 70</p> <p>2.1.c.ii 70</p>

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<p>b) Sustainable development in high priority areas <i>Achieve the integration, coordination and sustainability of the activities directed toward poverty reduction in rural areas with the most economic and social vulnerability, under mechanisms that guarantee the participation of local governments and communities.</i></p> <p>i) Institutional strengthening to ensure participation and targeting the most vulnerable ii) Increase activities and linkages to national economy iii) Training in forest areas, sustainable development of agro-forestry enterprises iv) Promote and support small-scale activities in fishing, salt extraction, clay products, tourist products, and tourism v) Create centres of trade and service provision in border towns/communities (ensuring national sovereignty and protection of natural resources)</p>	<p>Spec.Obj 2.2</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Progr&Proj</p>	<p>2.2.a 70</p> <p>2.2.b.i 71</p> <p>2.2.b.ii 71</p> <p>2.2.b.iii 71</p> <p>2.2.b.iv 71</p> <p>2.2.c.i 71</p>
<p>c) Competitiveness of rural economic activity <i>Increase production and improve the efficiency and competitiveness of small rural producers by facilitating better access to infrastructure, market-support services, technology and financing, thus strengthening the assets of the rural family.</i></p> <p>i) Training, support, co-financing to establish community enterprises ii) Reduce transaction costs; improve infrastructure and services in water and irrigation, energy supply and telecommunication, including the participation of private enterprises iii) Basic support services for small and medium size producers - Credit - Market information systems, marketing capacities - Technical guidelines - "Promotion of a new culture that makes use of the commercial advantages provided by globalisation" iv) Small agricultural enterprises for production of basic consumption products; promote production chains and solidarity markets (economia solidaria)</p>	<p>Spec.Obj 2.3.</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p>	<p>2.3.a 71</p> <p>2.3.b.i 72</p> <p>2.3.b.ii 72</p> <p>2.3.b.iii 72</p> <p>2.3.b.iv 72</p>
<p>d) Improve social infrastructure and poverty alleviation activities <i>Strengthen social infrastructure and widen the coverage of poverty-alleviation programs in the most depressed areas with the greatest incidence of poverty.</i></p> <p>i) Housing program ii) Potable water and basic sanitation iii) Vegetable gardens and food conservation iv) Improve coordination of international food aid/monetisation to support productive activities/projects</p>	<p>Spec.Obj 2.4</p> <p>Pol. Measure</p> <p>Pol. Measure</p> <p>Pol. Measure</p> <p>Pol. Measure</p>	<p>2.4.a 73</p> <p>2.4.b.i 73</p> <p>2.4.b.ii 73</p> <p>2.4.b.iii 74</p> <p>2.4.b.iv 74</p>

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<p>2.2. Urban Poverty Reduction <i>Improve living conditions and the quality of life of the poor urban population, by improving employment and increasing income opportunities; fostering the development of micro, small and medium-size enterprises; developing the potential of intermediate cities; and improving of human settlements through access to housing, environmental protection, education, and primary health care and access to basic services in general.</i></p>	Objective 3	IV.C.3 75
<p>a) Support growth and competitiveness of micro, small and medium-size enterprises <i>Support the growth and competitiveness of micro, small and medium-size enterprises, as sources for generating employment and income for poor families in urban areas.</i></p> <p>i) Institutional strengthening of public and private entities assisting such enterprises ii) Creation of alternative models for saving and credit iii) Stimulate entrepreneurship and enterprise incubator systems iv) Facilitate neighbourhood markets and centres for street vendors</p>	Spec.Obj 3.1	3.1.a 75
<p>b) Development of intermediate cities <i>Foster the development of intermediate cities so that they can become regional development poles. This strategy implies a strong interrelationship with productive activities in surrounding rural areas, in order to improve rural well-being and help reduce migratory flows toward the large cities.</i></p> <p>i) Facilitate solidarity markets at departmental level ii) Stimulate entrepreneurship and enterprise incubator systems iii) Road infrastructure and strategic alliances for external marketing to promote industrial activities iv) Training, creation of competitive committees, info-centres linked to the Chambers of Commerce</p>	Spec.Obj 3.2	3.2.a 77
<p>c) Poverty alleviation for low-income families (housing) <i>Stimulate the construction of low-cost housing through legal, financial and participatory mechanisms that provide low-income families access to a sustainable solution to their housing problems.</i></p> <p>i) Change laws related to the housing sector and grant legal security ii) Facilitate the work of self-help groups and programs iii) Make regulations for human settlements</p>	Spec.Obj 3.3	3.3.a 78
<p>d) Basic services in urban marginalised areas <i>Improve the access to groups living in urban marginal areas to basic services of potable water, sewer systems, electricity and transport, in order to improve the quality of their lives.</i></p> <p>i) Promote a special fund for this purpose to support micro-enterprises and NGOs ii) Micro-enterprises to provide public services at local level with community participation iii) Foster municipal management capacity in water and sanitation</p>	Spec.Obj 3.4.	3.4.a 78

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<p>2.3. Extreme Poverty Mitigation <i>Improve living conditions of people living in extreme-poverty conditions, especially children, adolescents, senior citizens women, persons with disabilities and ethnic groups in vulnerable conditions, through equitable access to better opportunities.</i></p> <p>a) Social security nets <i>Diminish risk factors in specific groups of greater vulnerability, such as children, adolescents, women, senior citizens and persons with disabilities, in order to enable their social integration and integral development.</i></p> <p>i) Strengthen and improve programs directed toward extreme poverty alleviation, focusing on organisation and mechanisms</p> <p>ii) Support programs to protect children and young adolescents; incl. the eradication of child labour - National Plan, organisational and institutional strengthening</p> <p>iii) Assistance to persons with disabilities - Institution building and strengthening, national and local plans - Rehabilitation centres and support services</p> <p>iv) Attention to senior citizens - Institution building - Establish and promote private - public actor networks - Reform of pension system</p>	<p>Objective 5</p> <p>Spec.Obj 5.1</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol. Measure</p> <p>Pol. Measure</p>	<p>IV.C.5 87</p> <p>5.1.a 88</p> <p>5.1.b.i 88</p> <p>5.1.b.ii 88</p> <p>5..b.iii 88-89</p> <p>5.1.b.iv 89</p>
<p>b) Gender equity and equality <i>Assist in the integrated development of poor women, by assuring their full and effective participation in the social, political, cultural and economic life of the country; empowering their capacities through the exercise of their rights and equal opportunities in access to healthcare, education and adequate incomes.</i></p> <p>i) Application of Law of Equal Opportunity for Women, Domestic Violence Law, and other public measures</p> <p>ii) Support micro and small size businesses run by poor women</p> <p>iii) Decentralisation of Women's Right Centres</p>	<p>Spec.Obj 5.2</p> <p>Pol.Measures</p> <p>Pol.Measure</p> <p>Progr&Proj</p>	<p>5.2.a 90</p> <p>5.2.b.i - 90</p> <p>5.2.b.i 90</p> <p>5.2.c.iv 91</p>
<p>c) Attention to ethnic minorities <i>Help empower the ethnic and black populations of Honduras, by strengthening their economic activities and their access to health and education services and basic infrastructure.</i></p> <p>i) Institution building and updating of national legislation on indigenous people, and other public measures</p> <p>ii) Seed capital and support to develop economic activities</p> <p>iii) Develop ethnic and eco-tourism; assistance, training and funding</p>	<p>Pol.Measures</p> <p>Progr&Proj</p> <p>Progr&Proj</p>	<p>5.3.b.i - 91</p> <p>5.3.c.i 91-92</p> <p>5.3.c.ii 92</p>

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<p>2.4. Ecological Sustainability</p>	
<p>Included in: <i>Expand and deepen actions geared to strengthening governance and transparency and reducing ecological vulnerability, with the growing participation of local governments and civil society, as essential elements for achieving a greater degree of efficiency and sustainability of the Poverty Reduction Strategy</i></p>	<p>Included in Objective 6 IV.C.6 93</p>
<p>a) Environmental Protection and Risk Management</p>	
<p><i>Reduce the country's risks and ecological vulnerability by improving environmental administration and risk-management processes at both the central and decentralized levels, and by the developing of economic and financial instruments that foster the sustainable management of natural resources and environmental protection.</i></p>	<p>Spec.Obj 6.4 6.4.a 98</p>
<p>i) Legal frameworks, institutional reforms and inter-institutional coordination</p>	<p>Pol.Measure 6.4.b.i 98</p>
<p>ii) Environmental planning; national strategy, master plan, and info-system for decentralised/local use</p>	<p>Pol.Measure 6.4.b.ii 98</p>
<p>iii) Promote the financial sustainability of environmental management and protection actions</p>	<p>Pol.Measure 6.4.b.iii 98</p>
<p>- Cooperation between private and public entities and communities</p>	
<p>- Pricing environmental services and creating mechanisms for collecting payments for them</p>	<p>Progr&Proj 6.4.c.iii 99</p>
<p>- Decentralised Environment Fund</p>	<p>6.4.c.iv 99</p>
<p>iv) Promote citizen participation</p>	<p>Pol.Measure 6.4.b.iv 98-99</p>
<p>- Education and formation</p>	
<p>- Community management of micro-water basins and rehabilitation of deforested areas</p>	
<p>v) Co-management with local entities for activities linked to eco-tourism, research, and forestry/agro-forestry projects in buffer zones</p>	<p>Pol.Measure 6.4.b.iv 99</p>
<p>vi) Decentralised strategies for emergency prevention, mitigation and response, and strengthened capacities</p>	<p>Pol.Measure 6.4.b.v 99</p>
<p>vii) Information system for environmental protection and disaster mitigation</p>	<p>Progr&Proj 6.4.c.i 99</p>
<hr/> <p>3 DEVELOPMENT OF HUMAN, ORGANISATIONAL AND INSTITUTIONAL RESOURCES</p> <hr/>	
<p>3.1. Development of Human Resources</p>	
<p><i>Strengthen the human capital of poor groups by improving their access to basic education, health and cultural services within a framework of equity and quality that would allow them to improve their employment opportunities and income.</i></p>	<p>Objective 4 IV.C.4 80</p>
<p>a) Basic and technical-productive education</p>	
<p><i>Improve the level of schooling of the Honduran population through greater quality, efficiency and equity at the pre-basic, basic and intermediate levels, thus guaranteeing a better quality work force, and achieving greater efficiency in higher and non-formal education.</i></p>	<p>Spec.Obj 4.1 4.1.a 81</p>
<p>i) Complete General Education Framework Law</p>	<p>Pol.Measure 4.1.b.i 81</p>
<p>ii) New national curriculum and other inputs to improve quality, reorganisation to improve efficiency</p>	<p>Pol.Measure 4.1.b.ii 81</p>
<p>iii) Increase coverage through infrastructure, human resources and other resources</p>	<p>Pol.Measure 4.1.b.iii 81</p>

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<ul style="list-style-type: none"> - Infrastructure, with strong community participation - Human and other resources - Promote alternative forms of non-profit education service delivery <p>iv) Expand mandatory education and create scholarship programs</p> <p>v) Strengthen technical-productive intermediate education</p> <ul style="list-style-type: none"> - Adapt curriculums and systems for certification - Link formal and non-formal education, and strategic alliances - Include income generation in education/training <p>vi) Improve management of education system at different levels (public, private, community)</p> <p>vii) Improve efficiency, relevance and academic quality of higher education</p> <ul style="list-style-type: none"> - University reforms - Include ethics and civic responsibility - Joint research with business sector - Establish systems for cost recovery and scholarships programs <p>viii) Adult education and literacy projects focusing on women and indigenous populations with strong civil society participation</p>	<p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Progr&Proj</p>	<p>4.1.b.iv 81</p> <p>4.1.b.v 81-82</p> <p>4.1.b.vi 82</p> <p>4.1.b.vi 82</p> <p>4.1.c.iv 83</p>
<p>b) Health services</p> <p><i>Guarantee equitable access by poor groups to high-quality health services, preferably in primary health care and nutrition monitoring, by achieving consensus on the definition and implementation of reforms in the health sector, and by guaranteeing that the service network has available, in a timely manner, the quantity and quality of supplies equipment and human resources needed for appropriately carrying out its functions.</i></p> <p>i) Greater allocation of resources, and thus coverage, to primary and preventive health</p> <ul style="list-style-type: none"> - Incl. the promotion of alternative (natural) medicine <p>ii) Increase attention to women and reproductive and maternal health care</p> <p>iii) Increase attention on nutrition for children and more health focus in public schools</p> <p>iv) Sector reforms, decentralisation and improved health infrastructure in poor communities</p>	<p>Spec.Obj 4.2</p> <p>Pol.Measure</p> <p>Pol.Measure</p> <p>Progr&Proj</p> <p>Pol.Measure</p>	<p>4.2.a 83</p> <p>4.2.b.i 83</p> <p>4.2.b.ii 83</p> <p>4.2.c.iii, 84</p> <p>4.2.b.iii 83-84</p>
<p>c) Cultural wealth and national identity</p> <p><i>Assign a strategic value to socio-cultural management, as a fundamental factor for the development of the country, to strengthen civic, ethical, moral and democratic values, and to create new employment and income opportunities.</i></p> <p>i) Creation and diffusion of artistic expressions</p> <ul style="list-style-type: none"> - Cultural centres, cultural events, historical monuments, sports 	<p>Spec.Obj 4.3</p> <p>Pol.Measure</p>	<p>4.3.a 85</p> <p>4.3.b.i 85</p>

TABLE A2.2 - THE OBJECTIVES HIERARCHY IN THE HONDURAN PRSP

<ul style="list-style-type: none"> - Institution building and strenghtening of National Culture Council - Involve micro-enterprises ii) Action plan for promoting ethical-moral values related to work ethics, cultural heritage and national identity iii) Establish networks/agreements regarding cultural resources for tourism, maintenance and conservation iv) Promote handicraft production among marginalised ethnic groups 	<p>Pol.Measure Pol.Measure Progr&Proj</p>	<p>4.3.b.ii 85 4.3.b.iii 85 4.3.c.ii 85</p>
<p>3.2. Development of Organisational and Institutional Resources</p>		
<p><i>Expand and deepen actions geared to strengthening governance and transparency and reducing ecological vulnerability, with the growing participation of local governments and civil society, as essential elements for achieving a greater degree of efficiency and sustainability of the Poverty Reduction Strategy</i></p>	<p>Objective 6</p>	<p>IV.C.6 93</p>
<p>a) Transparency and participatory democracy</p>		
<p><i>Consolidate governance, guaranteeing transparency in public-management, by stenghtening government budgetary offices and social audits, and by improving the quality of political representation of the population.</i></p>	<p>Spec.Obj 6.1</p>	<p>6.1.a 94</p>
<p>i) Organisation strengthening and institutional development, laws, procedures, and support to social auditing</p>	<p>Pol.Measure</p>	<p>6.1.b.i 94</p>
<p>ii) Formulate supervision standards of NGOs (national and international)</p>	<p>Pol.Measure</p>	<p>6.1.b.ii 94</p>
<p>iii) Improve parliamentary process, modernise national Congress, codify legislation</p>	<p>Pol.Measure</p>	<p>6.1.b.iii 94</p>
<p>iv) Political reforms to improve participatory democracy</p>	<p>Pol.Measure</p>	<p>6.1.b.iv,94</p>
<p>b) Legal justice and personal secutiry</p>		
<p><i>Generate the conditions for establishing a system that guarantees protection of human person right's, legal security for investments, and a peaceful social life, through the equitable application of the Constitution and laws.</i></p>	<p>Spec.Obj 6.2</p>	<p>6.2.a 95</p>
<p>i) Strengthen judicial system, penal-law regulations, civil procedures code and free legal counselling</p>	<p>Pol.Measure</p>	<p>6.2.b.i, i95</p>
<p>ii) Fight organised crime, money laundry and narco-trafficking</p>	<p>Pol.Measure</p>	<p>6.2.b.ii 95</p>
<p>iii) Public promotion of citizen's rights and responsibilities</p>	<p>Pol.Measure</p>	<p>6.2.b.ii 95</p>
<p>iv) Prevention and punishment of criminal activity; strategies, institutional strengthening, coordination mecanisms</p>	<p>Pol.Measure</p>	<p>6.2.b.iii 95</p>
<p>c) Modernisation and decentralisation of public administration</p>		
<p><i>Achieve an effective process of decentralization and municipal development that contributes to poverty reduction at the local level, within a framework of modern and efficient public administration.</i></p>	<p>Spec.Obj 6.3</p>	<p>6.3.a 96</p>
<p>i) Modernisation; institutional strengthening, reorganisation, and reforms</p>	<p>Pol.Measure</p>	<p>6.3.b.i 96</p>
<p>ii) Law of Administrative Simplification</p>	<p>Pol.Measure</p>	<p>6.3.b.ii 96</p>
<p>iii) Transfer of responsibilities from central to municipal government; monitoring, institutional strengthening and evaluate legal requirements and need for political reforms</p>	<p>Pol.Measure</p>	<p>6.3.b.iii 96</p>
<p>iv) Local governments as development-promotion entities with broad community participation; judicial reform and monitoring, institutional stenghtening, creation of a Municipal Civil Service career</p>	<p>Pol.Measure</p>	<p>6.3.b.iv 97</p>

TABLE A3.1. SMALL-N-STUDY - NICARAGUA

A) DIAGNOSIS OF POVERTY	Comments	References (paragraph no.)
<i>MULTIDIMENSIONAL</i>	x	18
Economic and social	x	31,50,51
Unsatisfied basic needs	x	23,50,51
Lack of opportunities	x	44,50,51
External factors influence	x	See poin D below
<i>ECONOMIC DIMENSIONS</i>	x	31-34
Low income and consumption	x	23,50, 51
Low economic opportunities	x	50, 51
Un-/under-employment	x	32,51
<i>SOCIO-CULTURAL DIMENSIONS</i>	x	35
Urban-rural differences	x	24-27,30,32
Regional differences	x	24,32
Gender differences	x	32
Education level	x	37,50,51
Health and nutrition status	x	38,39,42
Starvation		
HIV/AIDS		Low Hiv/AIDS prevalence
Spec. Vulnerable groups	x	Incl. child labour 45-48
Population growth	x	36
Environmental degradation	x	41, 148-152
Deterioration of cultural values	x	74
Corruption as cultural phenomenon	x	51
<i>POLITICAL DIMENSIONS</i>	x	50
Personal Security	x	Incl. domestic violence 42,44,52
Low trust in legal and official system	x	42,43,50,51
Corruption	x	51
Democratic participation		
Failed economic policies	x	52-56
<i>MEASURING POVERTY</i>		
Poverty Line and GDP	x	21,23
Gini and HDI	x	20,23,29,30
Basic needs-methods	x	19,23
<i>INEQUALITY</i>		
Income and wealth distribution	x	29,30,32,50
Inequality distribution within families		
Land and property rights	x	33,50,
Access to factors of production	x	33,50,
Access to public services	x	34,42,50
Legal and democratic rights	x	42,43
Social marginalisation, exclusion	x	42, 45-48
<i>JUSTICE/ETHICAL THEORY</i>		
Equity as means and end	x	153
Reference to social justice	x	153
Reference to global justice		

TABLE A3.1. SMALL-N-STUDY - NICARAGUA

B) OVERALL APPROACH OF PRSP	Comments	References (paragraph no.)
<i>GENERAL ASPECTS AND PLANNING PROCESS</i>		
Country specific	x	1,2,6,52-56
Comprehensive	x	99-101
Participatory planning process	x	2-15, Annex 1
Direct participation of the poor	x	12, 15, 50-51
Involvement by INGOs and donors	x	5,7-10,16,99
<i>POVERTY REDUCING COMPONENTS</i>		
Linked to MDGs	x	81-98, Annex III
Priority to vulnerable groups	x	113, 125-128,136-140
Equity-oriented	x	113, 153-154
Education		
Basic education	x	117,121-123,186,198
Technical secondary education	x	118,121,124
Higher education		
Health, sanitation, nutrition		
Basic health services	x	119, 125-127,186,197
Reproductive health services	x	126-129
Specific HIV/AIDS-measures		
Water and sanitation	x	112,113,132,135
Health and nutrition	x	130-132
Social services		
Sector reforms	x	112-120,136-140
Decentralised structures	x	Deep local autonomy 114-119,136-140
Privatisation	x	76,184
Inter-institutional coordination	x	120,136-140
Community /volunteer structures	x	120
Infrastructure, land and housing		
Electricity and energy	x	76,104,179
Transport and communication	x	76,104,105,108,171
Privatisation of services	x	Medium-long term 76
Land ownership/titling	x	See point C below
Irrigation	x	Annex V, page 123
Potable water, sewage	x	108,18
Housing	x	108,112,179
Urban planning	x	180
Environmental measures		
Preventive/protective measures	x	100,148-152,188,202
Rehabilitation	x	148-152,188,202
Mitigate disaster vulnerability	x	100,148-152,188,202
Cultural measures		
Demographic transition measures	x	133-135
Civic education, human rights	x	Culture of integrity 142
Anti-corruption, rule of law	x	Strengthen ethical values 146
<i>OTHER STRUCTURAL CHANGES/REFORMS</i>		
Anti-corruption measures	x	146
Anti-violence measures	x	199
Judicial reforms	x	154, 185-189
Political reforms		

TABLE A3.1. SMALL-N-STUDY - NICARAGUA

Cont. Other structural changes/reforms	Comments	References (paragraph no.)
Reorganisation of public/adm sector	x	101,142-147,182-183
Decentralisation	x	100,101, 155-157,182
Good governance and transparency	x	101,141-147,200
Participation and accountability	x	101,141-147
<i>IMPLEMENTATION PLAN</i>		
Funding plan and structure	x	171-181,193
Domestic fiscal resources	x	171-181,193
International aid	x	171-181,193
HIPC	x	171-181,193
Monitoring, audit, evaluation plan	x	175,207-231
Involvement of civil society	x	101,191-192, 201
Involvement of aid community	x	191,192,201
Involvement of IMF/World Bank	x	158,213,230,
C) ECONOMIC GROWTH		
Paramount strategic component	x	102
Macro-economic framework a priori	x	52-69,102, Annex II
and supported by legal and	x	58,101,104
administrative reforms/changes	x	58,101,104
<i>MACROECONOMIC STABILITY</i>		
Continuation of SAP/previous progr	x	Strong structural reform progr. 57,58
Fiscal policies	x	57,70,158-169
External Debt	x	57,70,103,163
Monetary and Exchange rate policies	x	57,70,
Privatisation	x	59,102,184
Tax reforms	x	60, Annex II
Financial sector reforms	x	62,63,71,182
<i>FACTORS OF PRODUCTION, CAPITAL</i>		
Increase savings	x	66, 103,107,184
and investment (domestic)	x	57,66,163,184
FDIs		Annex II, page 100
Improve property rights in general	x	67,68,72
Land ownership (agr)	x	67,68,72,196
Rural Credit Fund	x	Annex V
Improve employment opportunities	x	102,105
<i>PRODUCTIVITY</i>		
Human Capital	x	69,74,80,104,112
Modernisation of agr. production	x	73,102-111,194
incl. links to research	x	110, 194
Informal economy		
<i>COMPETITIVENESS</i>		
Small and med.size enterprises	x	102,105,110
Promote strategic clusters	x	102,105,109,110
Infrastructure and transaction costs	x	105,108,170
Correct market imperfections	x	105,106
Promote export orientation	x	106
	x	Counter anti-export bias 106

TABLE A3.1. SMALL-N-STUDY - NICARAGUA

Cont C)Economic Growth	Comments	References (paragraph no.)
TRADE AND EXPORT		
Trade liberalisation	x	57,64,65
Comparative advantages	x	163
Regional, symmetric trade	x	65,106,170
Global trade		
Trade agreements	x	65,106
D) EXTERNAL FACTORS		
AID AND DEBT-RELIEF		
Specified need/dependency	x	159
Plan for managing foreign debt	x	158
Major aid donors involved	x	158
GLOBAL ECONOMY		
Identified as risk factor	x	77,160,170
References asymmetric system	x	"terms of trade are unfavourable" 170
Actions to influence global economy		
DISASTER VULNERABILITY		
Identified as risk factor	x	21,48,160,161,170
Actions to influence global environm.		

TABLE A3.2 - SMALL-N-STUDY - TANZANIA

A) DIAGNOSIS OF POVERTY	Comments	References (page no.)
<i>MULTIDIMENSIONAL</i>		
Economic and social	x "income" and "non-income"	II (p.5)
Unsatisfied basic needs	x	II.B (p.7-9)
Lack of opportunities	x Freedom as an aspect of survival	II.B (p.9)
External factors influence	x	See point D below
<i>ECONOMIC DIMENSIONS</i>		
Low income and consumption	x	II.D, III.A (p.11)
Low economic opportunities	x	II.D, III.A,C (p.11-13)
Un-/under-employment	x	II.A, III.C (p.7,13)
<i>SOCIO-CULTURAL DIMENSIONS</i>		
Urban-rural differences	x	II.A (p.6)
Regional differences	x	Table 1, Map (p.32,37)
Gender differences	x	II.A,D, III.A (p.7,11,12)
Education level	x incl. literacy rate	II.B, III.B (p.7,8,12)
Health and nutrition status	x Also referred to as "survival"	II.B, III.B (p.8,9, 12)
Starvation	x "food poverty"	II.A (p.6)
HIV/AIDS	x	II.B (p.8,9)
Spec. vulnerable groups	x incl. child labour	II.A,B, III.c (p.7-9,13)
Population growth	(x) Implicit by priority measures	IV.B (p.20)
Environmental degradation	x	III.A (p.13)
Deterioration of cultural values	x	II.B-C, III.A (p.10,11,12)
Corruption		
<i>POLITICAL DIMENSIONS</i>		
Personal security	x	II.B, IV.B (p.9,20)
Low trust in legal and official system	x	II.D (p.11)
Corruption	x	II.B, III.A (p.9, 12)
Democratic participation	x	II.B (p.9)
Failed economic policies		
<i>MEASURING POVERTY</i>		
Poverty Line and GDP	x Not used in diagnosis	VI, Annex III (p.30,41)
Gini and HDI		
Basic needs-methods	x Various	II.A (p.5)
<i>INEQUALITY</i>		
Income and wealth distribution	x	II.A (p.7)
Inequal distribution within families	x	II.D (p.11)
Land and property rights	(x) Not referred to specifically	II.D (p.11)
Access to factors of production	(x) Not referred to specifically	II.D (p.11)
Access to public services	x	II.D, IV.B (p.11,20)
Legal and democratic rights	x	IV.B (p.20)
Social marginalisation, exclusion		
<i>JUSTICE/ETHICAL THEORY</i>		
Equity as means and end		
Reference to social justice		
Reference to global justice	(x) "the benefits of globalization"	IV.A (p.15)

TABLE A3.2 - SMALL-N-STUDY - TANZANIA

B) OVERALL APPROACH OF PRSP	Comments	References (page no.)
<i>GENERAL ASPECTS AND PLANNING PROCESS</i>		
Country specific	x	I (p.3)
Comprehensive	x	I. (p.3)
Participatory planning process	x	I, Annex 1 (p.4-5,38-40)
Direct participation of the poor	x	I.A-B (p.4-5)
Involvement by INGOs and donors	x	I.B (p.5)
<i>POVERTY REDUCING COMPONENTS</i>		
Linked to MDGs	(x)	Indirectly but not specified
Priority to vulnerable groups	x	Groups and regions
Equity-oriented	(x)	Indirectly by chosen priorities
<i>Education</i>		
Basic education	x	Incl. adult education
Technical secondary education		
Higher education		
<i>Health, sanitation, nutrition</i>		
Basic health services	x	IV.B, Table 3 (p.19,35)
Reproductive health services	x	IV.B (p.20)
Specific HIV/AIDS-measures	x	IV.B, Table 3 (p.19-20,35)
Water and sanitation	x	IV.B, Table 3 (p.19-20,35)
Health and nutrition	x	IV.B, Table 3 (p.19,35)
<i>Social services</i>		
Sector reforms	x	IA,IV.B, Table 3 (p.4,18,35)
Decentralised structures	x	Incl. community level
Privatisation	x	Health services
Inter-institutional coordination	x	IA, IV.B (p.4,19-20)
Community /volunteer structures	x	IV.B (p.20)
<i>Infrastructure, land and housing</i>		
Electricity and energy	x	IV.A (p.18)
Transport and communication	x	IV.A, Table 3 (p.17,35)
Privatisation of services	x	NGO- and community-based
Land ownership/titling	x	IV.A (p.17)
Irrigation	x	IV.A (p.17)
Potable water, sewage	x	IV.B (p.20)
<i>Housing</i>		
<i>Urban planning</i>		
<i>Environmental measures</i>		
Preventive/protective measures	x	More to be developed
Rehabilitation	x	IV.B, Annex III (p.20,43-44)
Mitigate disaster vulnerability	x	IV.B, Annex III (p.21, 46)
<i>Cultural measures</i>		
<i>Demographic transition measures</i>		
Civic education, human rights	x	Grassroots participation
Anti-corruption, rule of law	x	Linked to personal integrity
<i>OTHER STRUCTURAL CHANGES/REFORMS</i>		
Anti-corruption measures	x	IV.A (18)
Anti-violence measures	x	Community-based security
Judicial reforms	x	IV.B (p.20)
Political reforms		IV.B, Table 3 (p.20-21,35)

TABLE A3.2 - SMALL-N-STUDY - TANZANIA

Cont. Other structural changes/reforms		Comments	References (page no.)
Reorganisation of public/adm sector	x		I.A, IV (p.3,4,13-21)
Decentralisation	x		I.A, IV (p.3,4,13-21)
Good governance and transparency	x		IV, Annex III (p.16,46-47)
Participation and accountability			
IMPLEMENTATION PLAN			
Funding plan and structure	x		V (p.22-28)
Domestic fiscal resources	x		V, Table 2 (p.22-24,33-34)
International aid	x		I.A, V (p.3,4,22)
HIPC	x		I.A, V.B (p.3,23)
Monitoring, audit, evaluation plan	x		VI, AnnexIII (p.29-31,48-53)
Involvement of civil society	x		VI, AnnexIII (p.29-31,48-53)
Involvement of aid community	x		Annex II,III (p.41,46,50,53)
Involvement of IMF/World Bank	x		IV.B (p.21)
C) ECONOMIC GROWTH			
Paramount strategic component	x	Accelerated, equitable growth	I.A, IV (p.3, 14)
Macro-economic framework a priori	x		IV.A (14)
and supported by legal and	x		IV.A,B (18,20,21)
administrative reforms/changes	x		I.A, IV (p.3,14,16,18,20)
MACROECONOMIC STABILITY			
Continuation of SAP/previous progr	x	Ongoing macroeco. reforms	IV.A (p.14-15)
Fiscal policies	x		IV.A (p.15)
External Debt			
Monetary and Exchange rate policies	x		IV.A (p.15)
Privatisation	x		IV.A, Table 2 (p.18,33)
Tax reforms	x		IV.A (p.16)
Financial sector reforms			
FACTORS OF PRODUCTION, CAPITAL			
Increase savings			
and investment (domestic)	x		IV.A (p.15,18)
FDIs	x	Relax restrictions	IV.A (p.18)
Improve property rights in general			
Land ownership (agr)	x		IV.A (p.17)
Rural Credit Fund	x	Incl. private capital, NGOs	III.C, IV.A (p.13,17)
Improve employment opportunities	x	Labour-intensive agro-processing	IV.A (p.17)
PRODUCTIVITY			
Human Capital	x	Implicit by strategic priorities	
Modernisation of agr. production	x		IV, Table 3 (p.14-17,18,35)
incl. links to research	x		III.C, IV.A (p.13,17)
Informal economy	x		IV.A (p.15)
COMPETITIVENESS			
Small and med.size enterprises	x		III.C, IV.A (p.13,15,17)
Promote strategic clusters			
Infrastructure and transaction costs	x		IV.A (p.17)
Correct market imperfections	x		IV.A (p.14)
Promote export-orientation	x		IV.A (p.14-15,17)

TABLE A3.2 - SMALL-N-STUDY - TANZANIA

Cont C) Economic Growth	Comments	References (page no.)
<i>TRADE AND EXPORT</i>		
Trade liberalisation		
Comparative advantages		
Regional, symmetric trade		
Global trade		
Trade agreements		
D) EXTERNAL FACTORS		
<i>AID AND DEBT-RELIEF</i>		
Specified need/dependency	x	I,III,IV,V (p.3,4,13,14,19,22-28)
Plan for managing foreign debt		
Major aid donors involved	x	Annex II,III (41,46,50,53)
<i>GLOBAL ECONOMY</i>		
Identified as risk factor		
References asymmetric system		
Actions to influence global economy		
<i>DISASTER VULNERABILITY</i>		
Identified as risk factor	x	II.B,III.A,IV.B (p.9,13,21)
Actions to influence global environm.		

TABLE A3.3 - SMALL-N-STUDY - UGANDA

A) DIAGNOSIS OF POVERTY	Comments	References (Section)
<i>MULTIDIMENSIONAL</i>		
Economic and social	x Incl. "non-material aspects"	1, 2
Unsatisfied basic needs	x	2
Lack of opportunities	x	2.B
External factors influence	x	3.A, 4.A
<i>ECONOMIC DIMENSIONS</i>		
Low income and consumption	x	2
Low economic opportunities	x	2, 2.A
Un-/under-employment	x Incl. Heavy burden of work	2
<i>SOCIO-CULTURAL DIMENSIONS</i>		
Urban-rural differences	x	2.A
Regional differences	x Armed conflict in the North	3.B
Gender differences	x	
Education level	x	2, 2.A
Health and nutrition status	x	2, 2.A
Starvation		
HIV/AIDS	x	2.C
Spec. vulnerable groups	x	2.A, 3.B
Population growth	(x) Implicit by health measures	See below
Environmental degradation	(x) Implicit by agricultural measures	See below
Deterioration of cultural values	x The interaction of culture and HIV	2.C
Corruption	x	3.B
<i>POLITICAL DIMENSIONS</i>		
Personal security	x Incl. Armed conflict in the North	2, 2.A, 3.B
Low trust in legal and official system	x	2, 2.A, 2.D, 3.B
Corruption	x	3.B
Democratic participation	x Disempowerment and isolation	2, 3.B
Failed economic policies		
<i>MEASURING POVERTY</i>		
Poverty Line and GDP		
Gini and HDI		
Basic needs-methods	x Household Surveys	5
<i>INEQUALITY</i>		
Income and wealth distribution	x	2.A
Inequal distribution within families	x	2.A
Land and property rights	x Incl. gender inequality in ownership	2.A, 3.C
Access to factors of production		
Access to public services	x	3.A
Legal and democratic rights		
Social marginalisation, exclusion		
<i>JUSTICE/ETHICAL THEORY</i>		
Equity as means and end	x Broad-based growth	finn
Reference to social justice		
Reference to global justice		

TABLE A3.3 - SMALL-N-STUDY - UGANDA

B) OVERALL APPROACH OF PRSP	Comments	References
<i>GENERAL ASPECTS AND PLANNING PROCESS</i>		
Country specific	x	1
Comprehensive	x	1
Participatory planning process	x	1.A, 1.B
Direct participation of the poor	x	1.A, 1.B
Involvement by INGOs and donors	x	1.A, 1.B
<i>POVERTY REDUCING COMPONENTS</i>		
Linked to MDGs	(x) Indirectly by main targets	4.H
Priority to vulnerable groups	x	3, Annex-Table 1: 2.8
Equity-oriented	x	3
Education	x	1.A, 2.B
Basic education	x Incl. Adult literacy	2.B, 3.D, Annex-Table 1: 4.6-7
Technical secondary education	x Vocational training	Annex-Table 1: 3.9
Higher education	x	Annex-Table 1: 1.10
Health, sanitation, nutrition	x	1.A, 2.C
Basic health services	x Incl. "barefoot-doctors"	2.C, 3.D, Annex-Table 1: 4.3
Reproductive health services	x Population control	2.C, 3.D, Annex-Table 1: 4.4
Specific HIV/AIDS-measures	x	2.C, 3.D, Annex-Table 1: 4.4
Water and sanitation	x	3.D, Annex-Table 1: 4.5
Health and nutrition		
Social services		
Sector reforms	x	1.A, 2.D, Annex-Table 1: 2.4-5
Decentralised structures	x	1.A, 2.D
Privatisation	(x) NGO-services	3
Inter-institutional coordination	x	3
Community /volunteer structures	x	1.A, 2.D, 3.B, 3.D
Infrastructure, land and housing		
Electricity and energy	x	1.A, 3.A, 3.C, Annex-Tab1: 1.7
Transport and communication	x	1.A, 3.A, 3.C, Annex-Tab1: 1.7
Privatisation of services		
Land ownership/titling	x	3.C, Annex-Table 1: 3.3
Irrigation		
Potable water, sewage	x	3.D, 4.D, Annex-Table 1: 4.5
Housing	x	3.D, Annex-Table 1: 4.9
Urban planning		
Environmental measures		
Preventive/protective measures	x	3, 3.C
Rehabilitation		3.C
Mitigate disaster vulnerability	x	3.B, Annex-Table 1: 4.10
Cultural measures		
Demographic transition measures	x	2.C, 3.D
Civic education, human rights	x Incl. Public information	2.D, 3.B, Annex-Table 1: 2.7-8
Anti-corruption, rule of law	x	3.B
<i>OTHER STRUCTURAL CHANGES/REFORMS</i>		
Anti-corruption measures	x	3.B
Anti-violence measures	x	3.B, Annex-Table 1: 2.6
Judicial reforms	x	1.A, 3.B, Annex-Table 1: 2.6
Political reforms	x	2.D

TABLE A3.3 - SMALL-N-STUDY - UGANDA

Cont. Other structural changes/reforms		Comments	References
Reorganisation of public/adm sector	x		2.D, 3.B, Annex-Table 1: 2
Decentralisation	x	Focused on capacity building	1.A, 2.D, 3.B, Annex-Table 1: 2
Good governance and transparency	x		2.D, 3.B, Annex-Table 1: 2
Participation and accountability	x		1.A, 2.D, 3.B, 3.D, A-T1:2
IMPLEMENTATION PLAN			
Funding plan and structure	x	Medium-term expenditure framework	1.A,3.A, 4, Annex-Table 3
Domestic fiscal resources	x		3.A, 4.A-I
International aid	x		4.A,E,F,J
HIPC	x		4.A
Monitoring, audit, evaluation plan	x		4, 5, Annex-Chart 1
Involvement of civil society	x	and the poor themselves	1.A, 2.D, 3.D, 4F,5
Involvement of aid community	x		4A,E,F,5
Involvement of IMF/World Bank			
C) ECONOMIC GROWTH			
Paramount strategic component	x		1, 3, 4, Annex-Table 1: 1
Macro-economic framework a priori	x		3.A, 4, Annex-Table 1: 1
and supported by legal and administrative reforms/changes	x	Incl. Commercial Justice reform	3.A, Annex-Table 1: 1.8
	x		3.A, 4.A, Annex-Table 1: 1.5
MACROECONOMIC STABILITY			
Continuation of SAP/previous program	x	Focus on maintaining achieved stability and openness	3.A, 4.A Annex-Table 1: 1.2
Fiscal policies	x		4.A
External Debt	x		Annex-Table 1: 1.4
Monetary and Exchange rate policies	x		4.A
Privatisation			
Tax reforms	x		3.A, Annex-Table 1: 1.3
Financial sector reforms	x		3.A, Annex-Table 1: 1.6
FACTORS OF PRODUCTION, CAPITAL			
Increase savings and investment (domestic)	(x)	National savings from debt-relief	3.A, 4.A
FDIs	x	Labour-intensive investments	3.A
Improve property rights in general	(x)	Implicitly as linked to openness	3.A
Land ownership (agr)	x		3.A
Rural Credit Fund	x	Privately funded micro-finance	3.C, Annex-Table 1: 3.3 3.C, Annex-Table 1: 3.11
Improve employment opportunities	x		3.A, 3.C, Annex-Table 1: 1.9
PRODUCTIVITY			
Human Capital	x		3.A
Modernisation of agr. production incl. links to research	x		3.A, 3.C, Annex-Table 1: 3
Informal economy	x		3.C
COMPETITIVENESS			
Small and med.size enterprises	x		Annex-Table 1: 3.6,10
Promote strategic clusters			
Infrastructure and transaction costs	x		3.A, Annex-Tab1: 1.7, 3.2, 3.7
Correct market imperfections	x	To achieve equitable outcomes	3
Promote export-orientation	x	Incl. market information	3.A, 3.C

TABLE A3.3 - SMALL-N-STUDY - UGANDA

Cont C) Economic Growth	Comments	References
<i>TRADE AND EXPORT</i>		
Trade liberalisation	x Maintain achieved openness	3.A
Comparative advantages	(x) Implicit by priorities	3.C
Regional, symmetric trade		
Global trade		
Trade agreements		
D) EXTERNAL FACTORS		
<i>AID AND DEBT-RELIEF</i>		
Specified need/dependency	x	4.A
Plan for managing foreign debt	x	4.A,E,F,J
Major aid donors involved	x	1, 4.E,F
<i>GLOBAL ECONOMY</i>		
Identified as risk factor	x Implicitly	4.A
References asymmetric system		
Actions to influence global economy		
<i>DISASTER VULNERABILITY</i>		
Identified as risk factor	x	3.B
Actions to influence global environm.		

TABLE A3.4 - SUMMARY OF SMALL-N-STUDY

A) DIAGNOSIS OF POVERTY	Summary	Honduras	Nicaragua	Tanzania	Uganda
<i>MULTIDIMENSIONAL</i>					
Economic and social	x	x	x	x	x
Unsatisfied basic needs	x	x	x	x	x
Lack of opportunities	x	x	x	x	x
External factors influence	x	x	x	x	x
<i>ECONOMIC DIMENSIONS</i>					
Low income and consumption	x	x	x	x	x
Low economic opportunities	x	x	x	x	x
Un-/under-employment	x	x	x	x	x
<i>SOCIO-CULTURAL DIMENSIONS</i>					
Urban-rural differences	x	x	x	x	x
Regional differences	x	x	x	x	x
Gender differences	x	x	x	x	x
Education level	x	x	x	x	x
Health and nutrition status	x	x	x	x	x
Starvation				x	
HIV/AIDS	x	x		x	x
Spec. Vulnerable groups	x	x	x	x	x
Population growth	x	x	x	(x)	(x)
Environmental degradation	x	x	x	x	(x)
Deterioration of cultural values	x	x	x	x	x
Corruption as cultural phenomenon	x	x	x		x
<i>POLITICAL DIMENSIONS</i>					
Personal Security	x	x	x	x	x
Low trust in legal and official system	x	x	x	x	x
Corruption	x	x	x	x	x
Democratic participation	x	x		x	x
Failed economic policies			x		
<i>MEASURING POVERTY</i>					
Poverty Line and GDP	x	x	x	x	
Gini and HDI		x	x		
Basic needs-methods	x	x	x	x	x
<i>INEQUALITY</i>					
Income and wealth distribution	x	x	x	x	x
Inequality distribution within families				x	x
Land and property rights	x	x	x	(x)	x
Access to factors of production	(x)	x	x	(x)	
Access to public services	x	x	x	x	x
Legal and democratic rights	x	x	x	x	
Social marginalisation, exclusion		x	x		
<i>JUSTICE/ETHICAL THEORY</i>					
Equity as means and end	x	x	x		x
Reference to social justice			x		
Reference to global justice				(x)	

TABLE A3.4 - SUMMARY OF SMALL-N-STUDY

B) OVERALL APPROACH OF PRSP	Summary	Honduras	Nicaragua	Tanzania	Uganda
<i>GENERAL ASPECTS AND PLANNING</i>					
Country specific	x	x	x	x	x
Comprehensive	x	x	x	x	x
Participatory planning process	x	x	x	x	x
Direct participation of the poor	x	x	x	x	x
Involvement by INGOs and donors	x	x	x	x	x
<i>POVERTY REDUCING COMPONENTS</i>					
Linked to MDGs	x	x	x	(x)	(x)
Priority to vulnerable groups	x	x	x	x	x
Equity-oriented	x	x	x	(x)	x
Education					
Basic education	x	x	x	x	x
Technical secondary education	x	x	x		x
Higher education		x			x
Health, sanitation, nutrition					
Basic health services	x	x	x	x	x
Reproductive health services	x		x	x	x
Specific HIV/AIDS-measures	x	x		x	x
Water and sanitation	x	x	x	x	x
Health and nutrition	x	x	x	x	
Social services					
Sector reforms	x	x	x	x	x
Decentralised structures	x	x	x	x	x
Privatisation	x	x	x	x	(x)
Inter-institutional coordination	x	x	x	x	x
Community /volunteer structures	x	x	x	x	x
Infrastructure, land and housing					
Electricity and energy	x	x	x	x	x
Transport and communication	x	x	x	x	x
Privatisation of services	x	x	x	x	
Land ownership/titling	x	x	x	x	x
Irrigation	x	x	x	x	
Potable water, sewage	x	x	x	x	x
Housing	x	x	x		x
Urban planning		x	x		
Environmental measures					
Preventive/protective measures	x	x	x	x	x
Rehabilitation	x	x	x	x	
Mitigate disaster vulnerability	x	x	x	x	x
Cultural measures					
Demographic transition measures			x		x
Civic education, human rights	x	x	x	x	x
Anti-corruption, rule of law	x	x	x	x	x
<i>OTHER STRUCTURAL CHANGES/REFORMS</i>					
Anti-corruption measures	x	x	x	x	x
Anti-violence measures	x	x	x	x	x
Judicial reforms	x	x	x	x	x
Political reforms		x			x

TABLE A3.4 - SUMMARY OF SMALL-N-STUDY

Cont. Other structural changes/reforms	Summary	Honduras	Nicaragua	Tanzania	Uganda
Reorganisation of public/adm sector	x	x	x	x	x
Decentralisation	x	x	x	x	x
Good governance and transparency	x	x	x	x	x
Participation and accountability	x	x	x		x
<i>IMPLEMENTATION PLAN</i>					
Funding plan and structure	x	x	x	x	x
Domestic fiscal resources	x	x	x	x	x
International aid	x	x	x	x	x
HIPC	x	x	x	x	x
Monitoring, audit, evaluation plan	x	x	x	x	x
Involvement of civil society	x	x	x	x	x
Involvement of aid community	x	x	x	x	x
Involvement of IMF/World Bank			x	x	
C) ECONOMIC GROWTH					
Paramount strategic component	x	x	x	x	x
Macro-economic framework a priori	x	x	x	x	x
and supported by legal and	x	x	x	x	x
administrative reforms/changes	x	x	x	x	x
<i>MACROECONOMIC STABILITY</i>					
Continuation of SAP/previous progr	x	x	x	x	x
Fiscal policies	x	x	x	x	x
External Debt	(x)	(x)	x		x
Monetary and Exchange rate policies	x	x	x	x	x
Privatisation	x	x	x	x	(x)
Tax reforms	x	x	x	x	x
Financial sector reforms	x	x	x		x
<i>FACTORS OF PRODUCTION, CAPITAL</i>					
Increase savings			x		(x)
and investment (domestic)	x		x	x	x
FDIs	(x)	x		x	(x)
Improve property rights in general	x	x	x		x
Land ownership (agr)	x	x	x	x	x
Rural Credit Fund	x	x	x	x	x
Improve employment opportunities	x	x	x	x	x
<i>PRODUCTIVITY</i>					
Human Capital	x	x	x	x	x
Modernisation of agr. production	x	(x)	x	x	x
incl. links to research	x		x	x	x
Informal economy		x		x	
<i>COMPETITIVENESS</i>					
Small and med.size enterprises	x	x	x	x	x
Promote strategic clusters		x	x		
Infrastructure and transaction costs	x	x	x	x	x
Correct market imperfections	x	x	x	x	x
Promote export orientation	x	x	x	x	x

TABLE A3.4 - SUMMARY OF SMALL-N-STUDY

Cont. C) Economic Growth	Summary	Honduras	Nicaragua	Tanzania	Uganda
<i>TRADE AND EXPORT</i>					
Trade liberalisation	x	x	x		x
Comparative advantages	(x)	x	x		(x)
Regional, symmetric trade		x	x		
Global trade		x			
Trade agreements		x	x		
D) EXTERNAL FACTORS					
<i>AID AND DEBT-RELIEF</i>					
Specified need/dependency	x	x	x	x	x
Plan for managing foreign debt	x	x	x		x
Major aid donors involved	x	x	x	x	x
<i>GLOBAL ECONOMY</i>					
Identified as risk factor	x	x	x		x
References asymmetric system			x		
Actions to influence global economy					
<i>DISASTER VULNERABILITY</i>					
Identified as risk factor	x	x	x	x	x
Actions to influence global environm.					