PRGF Matrix User Guide and Analysis

Eurodad policy paper
Prepared by:
Tom Streather, March 2004

as part of the 2003-04 PRGF Matrix research programme:
‘Is the IMF pro-poor?’
Contents

1. Introduction 3

2. Quantitative targets 5
   Fiscal targets 5
   Discussion of fiscal flexibility 6
   Adjusters 6
   Inflation targets 7
   Are different scenarios and trade offs regarding inflation and deficit targets and public spending discussed? 7
   International reserve targets 7

3. Structural reforms 8
   Privatisations 8
   Liberalisation 8
   Tax policy (VAT) 8
   Other structural conditions 8
   Discussion of the structural adjustment's impact on the macroeconomic framework 8
   Discussion of the trade offs in relation to conditional structural adjustments 9
   Discussion of alternatives to structural adjustment conditions 9

4. Programme objectives 13
   GDP growth forecast 13
   Growth strategy 13
   Any alternative growth strategies 13
   Is there more than one growth prediction 13
   Are there contingency scenarios 14
   Exports growth forecast 14
   Social expenditure targets as % of GDP 15
   -Education 15
   -Health 15
   -Agriculture 15

5. Programme funding 15
   Discussion of debt sustainability 15
   Discussion of domestic debt policy 15
   Discussion of how the PRGF contributes to the achievement of the MDG's 16
   Discussion on how this gap might be filled 16

6. Programme's impact on poverty 16
   Any PSIA carried out to inform the PRGF 16
   Any impact assessment of the proposed quantitative targets 16
   Discussion of redistribution impacts 16
   Discussion of equity (e.g., use of the Gini coefficient) 16
   Discussions of links between PRSP & PRGF objectives 17

7. Programme status 17
8. Status of related initiatives

PRSC 20
PRSP status 20
HIPC status 20

9. Summary and Conclusion

Bibliography

Boxes

1: Conditionality Analysis: 10 -13

The Overall Picture 10
Components of the Conditionality 11
  -Prior actions 12
  -Structural Performance Criteria 12
  -Structural Benchmarks 13

Tables

1: Sample 4
2: Fiscal balance projections 5
3: Ranking PRGFs according to degree of conditionality 10
4: Change in growth rate 14

Figures

1: Conditionality/amount borrowed index scores for each country 12
2: Composition of total conditionality for each country 13
3: Date agreement was signed, and the stage it was at when analysed for the EURODAD PRGF Matrix research programme 18
4: Ranking of countries by the agreed amount to be borrowed under their 3 year PRGF agreements 19
1. Introduction

In February 2003 the Eurodad secretariat embarked on an ongoing desk based research programme on the IMF’s PRGF (Poverty Reduction Growth Facility) entitled ‘Is the IMF Pro-poor?’ The aim of the research was to take a ‘snapshot’ of countries’ experiences under their PRGF arrangements to date, recording all of the information in a comprehensive matrix. Eleven PRGF arrangements - all different countries – were compared, contrasted and commented upon based on a set of pre-defined criteria. The original objective of this matrix was two-fold: first and foremost it was used to inform the ‘Eurodad 2003 PRGF research programme: Is the IMF pro-poor?’ (this programme yielded three generic analysis/advocacy papers which were presented at the 2003 IFI Spring meetings); the second objective was that the matrix itself was to be made available online so that interested parties could use the data collected as a tool for their own research / advocacy purposes. In addition to the three generic papers, the secretariat also produced a ‘User guide to the PRGF Matrix’; this was designed to serve as a quick reference guide to the most salient patterns evident across the eleven different PRGF programmes analysed by EURODAD and was published in the summer of 2003. Evidently, it successfully achieved the second of the above objectives as it was the most downloaded paper from the Eurodad website in 2003.

As stated, the research was intended to be ongoing and therefore the secretariat subsequently added another seven countries to the matrix towards the summer of 2003, this brought the total number of countries to eighteen. This paper is an updated version of the ‘User guide to the PRGF Matrix’; it now illustrates the most salient patterns across the enlarged sample of eighteen countries (see table 1), as opposed to just the original eleven.

The Eurodad secretariat acknowledges that there are some considerable limitations to this research and subsequently the findings in this paper. Firstly, it must be remembered that - as stated above - this is merely a ‘snapshot’ of the arrangement between the Fund and the country authorities for one of the six PRGF programme stages - each stage is usually six months as programmes are reviewed bi-annually. This paper does not look at three-year programmes in their entirety, and each of the programmes looked at are at different stages with some just commencing, and others nearing their conclusion (see table 1 for the stage of the programme and the date). Secondly; one must remember that although the review documents (that outline the arrangement details of the specific stage of the programme) were the most up to date available at the time of completing the matrix, since the matrix was completed there have been subsequent bi-annual reviews for all of the countries; therefore this is not a totally up-to-date ‘snapshot’. Despite these limitations; the Eurodad Secretariat feels that the Matrix information which was obtained from looking at the agreement documents of these programme stages - despite the stages not being directly comparable due to the reasons mentioned above - can and has illustrated some interesting and instructive patterns and details, many of which are touched upon this paper, others which will hopefully be drawn out by our contemporaries who will use the Matrix.

This paper is designed to be cross-referenced and read in conjunction with the matrix itself. Each individual matrix question is looked at in turn (in order) and the countries are compared, relationships are highlighted and briefly explored, and some instructive statistics have been calculated. The paper is not an attempt at in-depth analysis throughout, however in places (most notably the conditionality analysis box) certain patterns and relationships are elaborated upon in a way that takes the analysis beyond the realm of the merely descriptive. In various sections of the paper comments are made highlighting if and how the reality (i.e. what is

---

1 Our choice of countries and indicators is explained in the ‘Methodology’ section of the matrix, and the 18 countries and their corresponding criteria features are displayed in table 1.
3 The updated matrix - i.e. with the 18 programmes in it as opposed to just the original 11 - can be downloaded from the Eurodad website: http://www.eurodad.org/articles/default.aspx?id=473 (21/03/04).
4 See figure 3 for chronological representation of the programme phases looked at.
5 All arrangement documents were taken from the IMF website (see bibliography). The first 11 countries entered in to the matrix in early Spring 2003 are as follows: Albania, Bolivia, Burkina Faso, Ghana, Malawi, Nicaragua, Rwanda, Tanzania, Uganda, Vietnam and Zambia. The other 7 countries entered into the Matrix in the summer of 2003 are: Cambodia, Cameroon, Ethiopia, Mauritania, Mozambique, Niger, and Senegal.
presented in the PRGF agreement documents) corresponds to or contrasts with the IMF’s PRGF rhetoric which is centred on the principles of: country ownership, streamlined conditionality, ‘pro-poor spending’ and a participatory approach – including all stakeholders – to programme design. The paper is quite technical at points, however extensive notes have been included with the aim of making this research accessible to those who are unfamiliar with the PRGF and its nuances. The summary and conclusions at the end of the paper list the main findings of the PRGF matrix research, and as will see, our findings do little to support the rhetorical ‘pro-poor’ claims of the PRGF.

Table 1: Sample

<table>
<thead>
<tr>
<th>Geography</th>
<th>HIPC status</th>
<th>PRGF type</th>
<th>Stage of programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>E. Europe</td>
<td>Not HIPC</td>
<td>New PRGF</td>
</tr>
<tr>
<td>Bolivia</td>
<td>S. America</td>
<td>Decision Point</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3rd review (May 2001)</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>S. S. Africa</td>
<td>Completion Point</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6th review (November 2002)</td>
</tr>
<tr>
<td>Cambodia</td>
<td>S. E. Asia</td>
<td>Not HIPC</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6th review (March 2003)</td>
</tr>
<tr>
<td>Cameroon</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3rd review (November 2002)</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3rd review (October 2002)</td>
</tr>
<tr>
<td>Ghana</td>
<td>S. S. Africa</td>
<td>Request for Decision Point</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4th review (January 2001)</td>
</tr>
<tr>
<td>Malawi</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Request for a Three year Arrangement (2001)</td>
</tr>
<tr>
<td>Mauritania</td>
<td>S. S. Africa</td>
<td>Completion Point</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6th review (January 2003)</td>
</tr>
<tr>
<td>Mozambique</td>
<td>S. S. Africa</td>
<td>Completion Point</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4th review (July 2002)</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Central America</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Request for a Three year Arrangement (February 2003)</td>
</tr>
<tr>
<td>Niger</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3rd review (August 2002)</td>
</tr>
<tr>
<td>Rwanda</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Request for a Three year Arrangement (October 2002)</td>
</tr>
<tr>
<td>Senegal</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1st review not completed (June 2003)</td>
</tr>
<tr>
<td>Tanzania</td>
<td>S. S. Africa</td>
<td>Completion Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th review (January 2003)</td>
</tr>
<tr>
<td>Uganda</td>
<td>S. S. Africa</td>
<td>Completion Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Request for a Three year Arrangement (September 2002)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>S. E. Asia</td>
<td>Request for Decision Point</td>
<td>New PRGF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1st review (July 2002)</td>
</tr>
<tr>
<td>Zambia</td>
<td>S. S. Africa</td>
<td>Decision Point</td>
<td>Former ESAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th review (November 2002)</td>
</tr>
</tbody>
</table>

6 The PRGF is supposedly based on the countries’ Poverty Reduction Strategy Paper (PRSP), which is a development plan and macroeconomic framework drawn up ‘in country’ with participation by all stakeholders (civil society, parliaments etc.). See section 6 below: Programmes impact on poverty / Discussion of links between the objectives of PRSP and PRGF?
7 All of the data within the matrix was extracted from the most recent programme reviews or requests for new arrangements, and focuses on the current and future (programmed/projected) features agreed for the programme or review. Despite this, historical information is given in the matrix when necessary/useful (i.e. when highlighting change/transition).
8 See section 7 below: Programme status / Date of agreement.
9 PRGF programmes are reviewed bi-annually; there are therefore 6 reviews in what is supposed to be a 3-year program (if the program goes off track and then restarts at a later date -see p.13) it can span more than 3 years).
10 Although called ‘Request…’, at this stage the programme has been negotiated and agreed, and this document lays out the overall features of the programme and the terms for the first 6 months (until the first review)
2. Quantitative targets

**Fiscal targets:** The size and temporal pattern of the fiscal balance appears to vary from country-to-country, and is dependent on recent economic performance (i.e. the extent to which macroeconomic stability has been achieved) as well as specific policies of the programme. In table 2 you will note that there are two sets of ‘current’ fiscal balance figures; one prior to the effect of grants being factored in, the other providing the balance with the grants included. It is the latter that is used here when monitoring the change in fiscal balance over three years. This is because: it is only when grants are included in to the equation - and therefore the fiscal balance is derived in relation to all of the money in the government budget - that we should attempt to evaluate the fiscal balance targets.

Table 2: Fiscal balance projections

<table>
<thead>
<tr>
<th>Country</th>
<th>‘Current’ fiscal balance</th>
<th>Average of projections</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(% of GDP)</td>
<td>(AFTER grants)</td>
<td>(increase/decrease in the after grants balance over 3 yrs.)</td>
</tr>
<tr>
<td></td>
<td>BEFORE grants</td>
<td>AFTER grants</td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>-8</td>
<td>-5.7</td>
<td>+1.6</td>
</tr>
<tr>
<td>Bolivia</td>
<td>-6.1</td>
<td>-3.8</td>
<td>+0.6</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>-13.5</td>
<td>-5.9</td>
<td>+2.6</td>
</tr>
<tr>
<td>Cambodia</td>
<td>-5.1</td>
<td>-2.6</td>
<td>-</td>
</tr>
<tr>
<td>Cameroon</td>
<td>-0.3</td>
<td>+0.2</td>
<td>+0.5</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>-9.9</td>
<td>-5.9</td>
<td>+0.7</td>
</tr>
<tr>
<td>Ghana</td>
<td>-10.5</td>
<td>-6</td>
<td>+3.8</td>
</tr>
<tr>
<td>Malawi</td>
<td>-11.9</td>
<td>-1.1</td>
<td>+2.1</td>
</tr>
<tr>
<td>Mauritania</td>
<td>-2.3</td>
<td>-0.1</td>
<td>-</td>
</tr>
<tr>
<td>Mozambique</td>
<td>-16.9</td>
<td>-6.7</td>
<td>+2.3</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>-8.8</td>
<td>-2.5</td>
<td>+2.2</td>
</tr>
<tr>
<td>Niger</td>
<td>-5.7</td>
<td>-5.7</td>
<td>+0.8</td>
</tr>
<tr>
<td>Rwanda</td>
<td>-9.9</td>
<td>-1.1</td>
<td>+0.6</td>
</tr>
<tr>
<td>Senegal</td>
<td>-4</td>
<td>-1.3</td>
<td>+0.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>-7.5</td>
<td>-2.1</td>
<td>-</td>
</tr>
<tr>
<td>Uganda</td>
<td>-10.4</td>
<td>-3.3</td>
<td>0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>-3.1</td>
<td>-2.7</td>
<td>-0.3</td>
</tr>
<tr>
<td>Zambia</td>
<td>-5.8</td>
<td>-4.5</td>
<td>0</td>
</tr>
</tbody>
</table>

**Table 2** shows clearly that over the next three years a steady reduction in the fiscal deficit is programmed for all of the countries but three (Zambia, Uganda, and Vietnam), with the average reduction being by 1% of GDP. Of those three, only Vietnam has a fiscal deficit.

---

11 The exception to this rule is Albania for which there were no after grants figures provided.
12 i.e. the balance at the time of the country report used.
13 Average derived from the ‘current’ year and the projections for the next two years. In calculations throughout this paper; when possible, programmed figures as opposed to projected figures have been used in order to give a reflection of the IMF’s intentions for the country.
14 Therefore; a positive number (+) means a reduction in the deficit or even pushing the balance into a surplus, whereas a negative number (-) means a widening of the deficit.
15 NB. The programmes of Cambodia and Mauritania have reached their final (6th) review, (whereas that of Tanzania is nearing the end having reached the 5th); this may explain why the documents do not provide future projections beyond the current year.
16 Because no up-to-date country report was available for Zambia we had no projections beyond 2003. Therefore the 2003 figure of 4.5% has been used.
17 i.e. the three years following the stage of the programme that is reviewed in the matrix (see table 1), as opposed to the three years following the beginning of the programme (see row 5 in the matrix.)
18 Nb. The change in the fiscal balance of Cambodia, Mauritania and Tanzania could not be assessed due to the fact that no projections were given for the next three years.
increase programmed (by 0.3%) whereas the deficit is projected to stay the same for the other two countries. It is also interesting to observe when looking at the figures for Malawi in the matrix that there is a great disparity between the deficits targeted in the past and the actual levels achieved for the corresponding years: through 2000-02 the deficit targets were much lower than the subsequent reality. This is illustrative of the fact that PRGF fiscal targets have often been greatly over optimistic in the ability - which is often dictated by unforeseen external circumstance - of countries to tighten their fiscal policies.

One could argue that the lack of flexibility when setting the fiscal targets of these eighteen countries - that is, the almost uniform push for low deficits (the average balance of the three year projections is a deficit of only 2.7%) or even positive fiscal balances - is problematic in that such tight margins for manoeuvre may preclude the use of fiscal policy as an instrument of economic policy. This is especially the case for those ‘good performing’ countries (e.g. those that have already achieved some degree of macroeconomic stability and have a good recent macroeconomic record). Uganda and Tanzania fit in to this category, and although the fiscal deficit for the former was not projected to change over the three years, at 3.3% it can still be considered as stringent and is comparable with that of France and Germany. It could be argued that in the aforementioned ‘good performers’, the application of such stringent and unnecessarily low deficits has been to the detriment of public/poverty expenditure, leading to fiscal volatility and the under-funding of a number of social and infrastructure projects. Fundamentally; the desire for and the unflappable allegiance to policies of minimal fiscal deficits for all, often hinders poverty reduction spending.19

Discussion of fiscal flexibility?20 Only the agreements of Bolivia, Malawi, Vietnam, Mozambique, Niger and Rwanda discuss fiscal flexibility.22 Unfortunately, for the remaining 12 countries fiscal flexibility is not discussed. Obviously, in light of the fact that options for emergency fiscal consolidation have not been made explicit, these 12 countries are likely to have weaker contingency plans in the face of almost inevitable external shocks, or no plans at all.

Adjusters?23 The inclusion of adjusters helps ensure that fiscal targets are allowed flexibility in the face of unexpected developments (e.g., higher/lower than expected donor flows). An encouraging sign is that a majority of 12 of the 18 countries have adjusters.24 However, when looking at the specifics of these adjusters, it becomes evident that in the case of upward adjustments (i.e. if more money than anticipated is available either because of excess donor inflows or a better than expected macroeconomic situation), none of the adjustments redirect any excess money to the government budget for the purposes of poverty reduction expenditure. Rather the money is saved for the purposes of macroeconomic management (i.e. curbing inflation, increasing credit to the private sector or building up international reserves). The use of adjusters in this way is not directly ‘pro-poor’. Cameroon is the one country that comes closest to a ‘pro-poor’ use of adjusters. The agreement states that in the event of a higher than expected oil revenue a maximum of 50% of the excess will be used to increase high priority infrastructure investments and social expenditures (the other 50% will be absorbed for

---

19 Unfortunately, for the remaining 12 countries fiscal flexibility is not discussed. Obviously, in light of the fact that options for emergency fiscal consolidation have not been made explicit, these 12 countries are likely to have weaker contingency plans in the face of almost inevitable external shocks, or no plans at all.
20 Only the agreements of Bolivia, Malawi, Vietnam, Mozambique, Niger and Rwanda discuss fiscal flexibility. Unfortunately, for the remaining 12 countries fiscal flexibility is not discussed. Obviously, in light of the fact that options for emergency fiscal consolidation have not been made explicit, these 12 countries are likely to have weaker contingency plans in the face of almost inevitable external shocks, or no plans at all.
21 The flexibility discussed in the Malawian PRGF was only deemed necessary due to an ‘impending food shortage’.
22 Adjusters’ allow for the adjustment of quantitative targets. They are the contingency mechanisms that are put in place to account for unexpected positive (e.g. increases in aid flows) or negative external shocks (e.g. oil crises).
23 Those countries with adjusters are: Albania, Bolivia, Cameroon, Ghana, Malawi, Mauritania, Nicaragua, Niger, Rwanda, Senegal, Uganda and Zambia.
the sake macroeconomic prudence as explained above), however there is still no mention of poverty reduction expenditure.

**Inflation targets:** A fundamental part of the Fund’s economic orthodoxy\(^{25}\) has been that a low level of inflation (near to zero, certainly under 5\%) is a prerequisite for growth and macroeconomic stability. Contrary to this, scholars such as Amartya Sen\(^{26}\) argue that successful/sustainable growth can be achieved with (and indeed catalysed by) inflation levels of 15 – 20\%, and a number of other authors argue that inflation rates of up to 10\% do not pose a threat to macroeconomic stability\(^{27}\). Our research shows that in practice the Fund’s orthodoxy persists in that for the majority of countries, the rate of inflation is programmed to decline and then plateau at a rate of under 5\%. The average level of inflation of all the countries programmed for the medium term\(^{28}\) is 4.1\%. The exception to the ‘under 5\%’ pattern is Zambia, whose inflation level is programmed to fall dramatically from very high levels to just over 10 percent (1999: 24.5\% - 2003: 10.8\%). However, the pattern illustrated by the other countries suggests that Zambia’s inflation will also continue to be programmed to decline towards the 5\% after 2003. Following Sen, it could be argued that due to the detrimental effect that it may have on employment levels, such low levels of inflation are more of a hindrance to growth than a catalyst.

**Are different scenarios and trade offs regarding inflation and deficit targets and public spending discussed?** The answer is ‘No’ for all except Malawi, and even then it is a minimal trade off regarding a Maize subsidy. This is problematic in that it does not identify and acknowledge the possible negative implications that a ‘one size fits all’ policy of low inflation and low fiscal deficits may have, and subsequently there are no contingency measures to address these implications if and when they arise.

**International reserve targets:** The trend in the levels of reserves over time varies from country to country and in most cases it is not a linear progression of either an increase or decrease. The average targeted level of reserves over the medium-term is 4.52 months of imports.\(^{29}\) Despite the variation, a general pattern is evident across the sample of countries - that is; increasing the level until reaching a plateau at the optimum level of reserves - and this pattern is consistent with the standard IMF prescription of high levels of international reserves.

---


\(^{27}\) See, for example, ‘Fiscal Policy Design in Low-income Countries’, C. Adam and D. Bevan, (2001), p. 6. Available at: [http://www.econ.ox.ac.uk/Members/david.bevan/Papers/AdamBevan_revised.pdf](http://www.econ.ox.ac.uk/Members/david.bevan/Papers/AdamBevan_revised.pdf)

\(^{28}\) When the phrase ‘medium-term’ is used in this paper; the corresponding figures have been determined by using: the ‘medium-term’ average given in the document, or when this is not given, the latest (i.e. farthest in the future) projected figure is taken, e.g.; the ‘medium-term’ inflation rates given in the documents: Bolivia 3.75\%, Albania: 3\%, Vietnam: 5\%, Uganda: 3.5\%. Or the latest projected rates: Rwanda: 3\%, Tanzania: 4.5\%, Ghana: 5\%, Nicaragua: 4\%, Malawi: 5\%, Zambia: 10.8\%, Burkina Faso: 5.6\%, Cambodia: 3.2\%, Cameroon: 2\%, Ethiopia: 3\%, Mauritania: 4\%, Mozambique: 5\%, Niger: 2\%, Senegal: 2\%.

\(^{29}\) The desired level of reserves in the medium-term (i.e. the latest projections) were used to calculate this average: Albania: 4.7, Bolivia: 5, Burkina Faso: 4.7, Cambodia: 3.3, Cameroon: No data given in months of imports (rather in millions of SDR’s), Ethiopia: 4.5, Ghana: 2, Malawi: 4.8, Mauritania: 6.9, Mozambique: 4.6, Nicaragua: 2.9, Niger: 3.1, Rwanda: 5.9, Senegal: 3.5, Tanzania: 7.5, Uganda: 5.9, Zambia: 3.0, no data for Vietnam.
3. Structural reforms

Privatisations: One of the main features of the PRGF - and one of the central tenets of the new wave of rhetoric that has been emanating from the BWIs since 1999 - is the concept of streamlined conditionality between the two institutions. It was stated that the Fund would only concern itself with structural reforms such as privatisation in those cases where such reforms were required in order to have a direct positive effect on the macroeconomic performance, therefore, in the majority of cases all privatisation issues would be in the remit of the Bank alone. However, all of the PRGF agreements but one (Cambodia) involve conditional privatisation. Although the documents for both Cameroon and Mozambique explicitly state that the World Bank will be taking the lead on privatisation issues, they both involve substantial privatisation as well. Of the 17 agreements that involve privatisation; all include privatisation of public utilities and state enterprises (mainly infrastructural: power, telecommunications and transport), and some include privatisation of state banks (Albania, Rwanda, Ghana, Uganda, Zambia). Privatisation in the banking sector such as this, without the introduction of alternative measures to support lending to the poor - e.g. the introduction/support of rural banks - is likely to lead to a reduction in credit available to the poor.

Liberalisation: The majority of agreements include some form of liberalisation. Albania, Vietnam, Rwanda, Tanzania, Burkina Faso, Nicaragua and Uganda are all promoting integration into regional free trade blocs and common markets through the cutting of tariffs. The case of Ethiopia is should be interesting to follow because although it is not a specific condition – that is a: prior action, structural performance criteria or structural benchmark - the Fund staff are "urging" the authorities to enhance competition in the financial sector through financial market liberalisation (and privatisation of the Central Bank of Ethiopia). However, the Ethiopian authorities do not concur and have refused to take these measures until the financial sector has been strengthened and the supervisory capacity of the Central Bank has been enhanced. It will be very interesting to monitor how far the Fund push this issue in the next rounds of negotiation of the Ethiopian agreement.

Tax policy (VAT): All 18 programmes involve some form of fiscal reform. The overall aim is to increase the revenue to GDP ratio. This is generally pursued via: introduction/raising of VAT (Ethiopia, Rwanda, Ghana, Nicaragua, Malawi, Niger, Uganda); reductions in tax exemptions/rebates (Zambia, Ghana, Vietnam, Nicaragua); (corporate) income tax reform (Albania, Rwanda, Tanzania, Malawi, Mozambique, Senegal); improved efficiency in collection (Tanzania, Cambodia, Mauritania, Niger); and general tax and customs administration reforms (Bolivia, Albania, Cameroon, Ethiopia, Niger, Rwanda, Tanzania, Senegal).

Other structural conditions: All have other structural conditions. Mostly these are related to reforms in: the finance, banking, and monetary sectors; Public Expenditure Management (PEM) - Mauritania and Niger have to produce Medium Term Expenditure Frameworks as a structural performance criterion. However, there are also many reforms related to areas such as the legal and judiciary sectors, institutional governance and the civil service - areas that would sit more comfortably in the remit of the World Bank’s jurisdiction.

Discussion of structural adjustment’s impact on the macroeconomic framework? In light of the fact that the general purpose of conditional structural adjustment is to facilitate a strong macroeconomic framework, you would expect such a discussion for all forms of structural conditionality. However, Ghana and Burkina Faso do not discuss this at all, and Vietnam does not discuss the details of any such relationship. The two most explicit yet general statements of intent with regards to the relationship between the structural adjustment and the

---

30 Ghana, Cameroon, Mauritania and Senegal are those countries for whom liberalisation is not included in the PRGF agreement.
31 See box 1.
macroeconomic framework can be found in the documents pertaining to two of the most recently reviewed agreements, those of Cameron and Cambodia. The former stated:

“…structural conditions since the fourth review have been designed to focus on those measures most critical to the near-term macroeconomic outlook, and to avoid duplication with the World Bank.”

Whereas the document for Cambodia stated that:

"Structural conditionality in the above area covered by the PRGF-supported program are critical for I) consolidating macroeconomic stability, improved budgetary performance, and government fiscal policy credibility…"

Examples of more specific discussions in the others include: Malawi and Albania citing a reduced burden on the budget as the reason for the privatisation initiatives. The Albania, Nicaragua, Tanzania, Ethiopia and Uganda agreements explained that tax reforms and increased revenue collection was a means to greater fiscal stability, and in the case of Tanzania, decreased aid dependency. In Zambia and Rwanda, privatisation is advised in order to create a favourable investment climate in the case of the former, and boosting exports in the case of the latter. Bolivia was to pursue fiscal and financial sector reform with the aim of creating a sound banking-sector, a feature that was considered ‘crucial’ to macroeconomic success, and Mauritania was to undertake monetary and banking reforms in order to reduce inflation. Senegal, and Mauritania were pursuing PEM reforms to; “tighten up the macroeconomic framework”, and to release more funds for poverty related expenditure, respectively.

Discussion of trade-offs in relation to conditional structural adjustments?
No explicit discussion for any of the countries. Cambodia comes closest to such a discussion; there is a box called ‘How do policy recommendations affect the poor?’ in which the discussed policy reforms are listed along with their implication and their potential impacts on three income groups. However, all impacts listed are of a positive nature, there is no discussion of the possibility of any detrimental effects on any of the groups. The box merely serves as an endorsement of the policy reforms. The absence of a discussion of trade-offs across the sample is concerning because it renders the decision-making process (in relation to which adjustments to make) untransparent. More importantly, the possible effects of such adjustments are not evaluated and alternative options are not openly explored. This in turn limits the extent to which country-ownership is possible in the decision-making process.

Discussion of alternatives to structural adjustment conditions? For the same reasons as those given above, it is highly concerning that there is no discussion of alternatives in any of the agreements.

---

32 i.e. the costs of implementation/non-implementation of a specific policy versus alternative policies.
Box 1: Conditionality Analysis

The Overall Picture

Table 3: Ranking PRGF’s according to degree of conditionality

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of PA’s</th>
<th>Number of SPC’s</th>
<th>Number of SB’s</th>
<th>Total number of conditionalities</th>
<th>Conditionality index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>0.05</td>
</tr>
<tr>
<td>Bolivia</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>0.11</td>
</tr>
<tr>
<td>Cambodia</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>7</td>
<td>0.11</td>
</tr>
<tr>
<td>Mauritania</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>7</td>
<td>0.11</td>
</tr>
<tr>
<td>Mozambique</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>0.11</td>
</tr>
<tr>
<td>Niger</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>7</td>
<td>0.11</td>
</tr>
<tr>
<td>Senegal</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>0.38</td>
</tr>
<tr>
<td>Uganda</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>0.38</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>0.38</td>
</tr>
<tr>
<td>Malawi</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>0.55</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>11</td>
<td>0.61</td>
</tr>
<tr>
<td>Ghana</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>11</td>
<td>0.61</td>
</tr>
<tr>
<td>Burkina F.</td>
<td>0</td>
<td>6</td>
<td>6</td>
<td>12</td>
<td>0.72</td>
</tr>
<tr>
<td>Rwanda</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>13</td>
<td>0.77</td>
</tr>
<tr>
<td>Zambia</td>
<td>0</td>
<td>4</td>
<td>9</td>
<td>13</td>
<td>0.77</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>15</td>
<td>0.88</td>
</tr>
<tr>
<td>Albania</td>
<td>4</td>
<td>1</td>
<td>10</td>
<td>15</td>
<td>0.88</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6</td>
<td>9</td>
<td>2</td>
<td>17</td>
<td>1</td>
</tr>
</tbody>
</table>

Key: PA: - Prior Actions
SPC: - Structural Performance Criteria
SB: - Structural Benchmarks
Conditionality index: - A percent-rank value\(^{33}\) taken from the total number of conditionalities placed upon a country.\(^{34}\) If a country had no conditionalities it would have an index score of 0, whereas the highest total number of conditionalities is 17 therefore giving a score of 1.

From figure 1 and table 3 it is evident that of the 18 countries, Vietnam has the highest degree of conditionality and Cameroon has the lowest. Figure 1 shows us that - although such a relationship might be expected - there is no direct positive correlation between the extent of conditionality and the amount of the PRGF loan\(^{35}\). It is immediately striking that Vietnam and Zambia, the two countries subjected to the highest and the fourth highest degree of conditionality respectively, are also the two countries that have borrowed the largest amount of money under the agreement.\(^{36}\) However, what is even more striking is that the exact opposite of this correlative relationship between the amount of the loan and the degree of conditionality, is exhibited by other sections of the sample: some of those with the lowest level of conditionality are also those that have borrowed the most (i.e. Cameroon, Bolivia and Mozambique); and some of those with the highest levels of conditionality are also those that have who have borrowed the least (i.e. Rwanda and Albania). At

\(^{33}\) Percent-rank defined as: the rank of a value in a data set as a percentage of the data set. This index score is used to evaluate the relative standing of the total number of conditionalities of a country, in relation to the total number of conditionalities of the other countries.

\(^{34}\) PA + SPC + SB = Total number of conditionalities.

\(^{35}\) The Amount-borrowed Index used in figure 1 was derived through percent-ranking in the same way as the conditionality index score. Please note that there is no representation for Burkina Faso; this is not because they did not borrow any money, but rather that the amount borrowed was not available in SDR, therefore Burkina was not included in the percent-ranking calculation.

\(^{36}\) See figure 3 which graphically illustrates the amounts borrowed and percentage of quota utilised for each country.
the very minimum this dichotomy of patterns across the sample would suggest that the relationship between the extent of conditionality and the size of the loan is extremely complex, and that it does not manifest itself in a uniform nature across the sample. More in-depth research and analysis would be required to determine the nature of this relationship in more detail.

A more instructive observation at this stage is that: the two countries with the highest index scores - Albania and Vietnam - are so-called ‘transition economies’ and have only recently begun to adopt the Fund’s modus operandi. Conversely; Uganda and Tanzania lie nearer the other end of the conditionality scale, and Bolivia is in the lowest bracket - these three countries are what we might call the ‘model performers’ having successfully followed Fund policies in previous programs, and with a good record with regards to BWI structural adjustment. This pattern suggests that the application of streamlined conditionality is not uniform and neutral, but rather that such streamlining has been applied to a greater extent in those countries whose policies mirror Fund orthodoxy, whereas the opposite is true for those countries who in the recent past have run their economies defiantly and independently of Fund prescriptions.

Figure 1: Conditionality/Amount borrowed Index scores for each agreement

Components of the Conditionality

Figure 2 shows that apart from the almost total dominance of structural benchmarks across the sample, and the fact that - as is to be expected - the countries with a very low conditionality index score are less likely to contain all three of the conditionality components; there is little evidence of

---

37 This analysis is based on the a priori assumption that there is some sort of relationship between conditionality and size of the loan (although the exact nature of this relationship is not pre-supposed. This assumption was reached on the logical basis that the extent of conditionality is not apolitical: e.g. countries are unlikely to adhere to many conditions for a very small loan, whereas they are more likely to be complent for a very large loan.

38 For the purposes of this paper ‘transitioning economy’ can be loosely defined as moving from a planned economy to open/free economy.


Available at: http://www.eurodad.org/articles/default.aspx?id=531 (20/03/04)
any pattern in the composition of the total conditionality\textsuperscript{40}. This is in fact highly instructive when we consider that the IMF has supposedly been making efforts to specify and clarify the different types of conditionality, and when and how they should be used. Although the exact components of the conditionality are now clearly presented for each programme, the rather random pattern of the use of these components across these eighteen programmes does little to clarify the criteria used by the Fund to determine when, how and to what extent these components should be, and are in fact used.

- **Prior Actions:**
  These are measures that a country must agree to implement before the release of each tranche of credit can be approved. Table 3 and figure 2 highlight the fact that there is a clear division of prior action conditionality: just over half of the countries have no prior actions,\textsuperscript{41} and the rest have at least 20\% of their total conditionality consisting of prior actions. Malawi and Ghana have the greatest degree of PA-conditionality with the PA component comprising of equal to or over 50\% of their totals’.

- **Structural Performance Criteria:**
  This component of conditionality is extremely important because it is the only one (out of the three types) where if the criteria are not met; the programme is thrown off-track.\textsuperscript{42} Figure 2 shows that all but one of the agreements are dependent on the observance of structural performance criteria, and that for the majority of the countries’ this component comprises over 20\% of the total conditionality. It is somewhat worrying that structural performance criteria comprise over 50\% of the total conditionality of three of the agreements – those of Vietnam, Burkina Faso and Mauritania - because it suggests that there is a high risk that these countries might suffer the devastating consequences of going off-track.

- **Structural Benchmarks:**
  These are targets that the country is expected to achieve in order to keep to their side of the agreement and therefore receive loan disbursements. However, failure to achieve these

\textsuperscript{40} i.e. use of PA’s, SPC’s & SB’s
\textsuperscript{41} It is not surprising that of the three components of conditionality, the PA-component is the only one that is not present in all but one of the countries’ agreements. This is because prior actions are usually -but not always-used before the programme commences, or in the first couple of reviews, whereas many of the programmes looked at in this study are near/at the end of the programme (5th / 6th reviews).
\textsuperscript{42} I.e. disbursement stops, as program is frozen/terminated until a later date when the country can get back on-track. See section 7 below: Programme Status/ Last time off-track.
4. Programme objectives

**GDP growth forecast:** The average difference between the three-year programmed average and the 1995-2000 average (see table 4) shows us that on the whole growth rates have been programmed to increase very slightly over this period, with the average targeted growth rate over the three year programme being 5.4% of GDP. However; when we disaggregate the data we can see that the trend is not true right across the sample, and that there is in fact polarisation with regards to the patterns evident: from the 1995-2000 period to the three-year programme average, approximately half of the countries are targeting an increased growth rate, whereas the other half are targeting a decreased growth rate (the decrease for these countries is not surprising in that growth rates for low income countries were generally high in the 1990’s). Of those that have an increased rate programmed; the highest average programmed rate at 6.3% of GDP, however this will only require a 0.6% increase from 1995-2000 levels. Mauritania is set to experience the largest increase, that of 6.5 percentage points, however this will only bring the growth rate up to 5% as their was negative growth of -1.5% in the 1995-2000 period. Of those countries for whom the growth rate is programmed to decrease; Malawi’s will fall to the lowest level at 3.8%, however Rwanda is set to experience the most dramatic fall in growth rate which will be cut by more than half (from the high 1990’s average of 14.2%).

Despite the variation in programme trends, there is a clear pattern evident when one looks at the projected medium-term trends (i.e. beyond the end of the current programmes): the matrix shows that the rate of GDP growth is expected to increase for all countries except Rwanda, Burkina Faso and Cambodia, for whom a very marginal decline is projected. The average targeted rate of growth of all eleven countries over the medium-term is 5.78%, as opposed to the 3-year programme average of 4.4%.

**Is there more than one growth prediction?** Only four of the 18 countries - Mozambique, Niger, Burkina Faso and Uganda - give alternative projections. In the case of the former two countries this is no more than a non-specific downside risk scenario with alternative GDP projections given in the LoI (letter of intent). However, the latter two countries’ agreements should be commended for factoring in the economic impact of HIV/AIDS and conflict in a neighbouring country respectively. Despite this, the absence off such alternative scenarios in all of the agreements is highly concerning, especially in light of the fact that the medium-term projections optimistically forecast increasing growth rates (except in the cases of Rwanda, Burkina Faso and Cambodia). There is nothing innately wrong with devising optimistic growth targets, in that it is a reflection of the Fund’s confidence that these countries can perform well. However, the lack of alternative (contingency) growth projections is

---

43 Vietnam: 10% approx.; Ghana: 30% approx.; Senegal: 40% approx.; Mauritania 45% approx.
44 i.e. Albania, Bolivia, Cambodia, Cameroon, Ethiopia, Mauritania, Niger, Senegal, Tanzania, Zambia.
45 i.e. Burkina, Faso, Ghana, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam
46 When the agreement document did not specify ‘medium-term’ goals/projections, the latest (i.e. farthest in the future) figure has been used –see footnote 40 for exact figures
47 The figures used to calculate the average ‘medium-term’ growth rate for all the countries are as follows: Albania: 7%, Bolivia: 5.5%, Burkina Faso: 5.5%, Cambodia: 5%, Cameroon: 5.2%, Ethiopia: 6%, Ghana: 5%, Malawi: 5.4%, Mauritania: 5.3%, Mozambique: 9.8%, Nicaragua: 5%, Niger: 4.1%, Rwanda: 6.2%, Senegal: No data, Tanzania: 6%, Uganda: 6.6%, Vietnam: 7%, Zambia: 3.7%.
48 See matrix notes and bibliography (sheets in the excel document)
a big problem. For most countries in PRGF programmes the growth rate is strongly influenced by
highly unpredictable exogenous factors such as commodity shocks or natural disasters. Therefore, it is not unlikely that several of these countries will fail to live up to the singular set of optimistic targets. This in turn raises fears that such a shortfall may result in expenditure cuts in order to balance the budget, as has often been the case in previous ESAF programmes.\(^49\)

**Table 4: Change in growth rate**

<table>
<thead>
<tr>
<th>Country</th>
<th>1995-2000 average (%GDP change)</th>
<th>Projected 3-year programme average (%GDP change)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>5.7</td>
<td>6.3</td>
<td>+0.6</td>
</tr>
<tr>
<td>Bolivia(^51)</td>
<td>3.5</td>
<td>5.0</td>
<td>+1.5</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>5.2</td>
<td>4.5</td>
<td>-0.7</td>
</tr>
<tr>
<td>Cambodia</td>
<td>5.2</td>
<td>6.2</td>
<td>+1</td>
</tr>
<tr>
<td>Cameroon</td>
<td>2.2</td>
<td>5.2</td>
<td>+3</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>4.7</td>
<td>5.7</td>
<td>+1</td>
</tr>
<tr>
<td>Ghana</td>
<td>4.3</td>
<td>4.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Malawi</td>
<td>6.2</td>
<td>3.8</td>
<td>-2.4</td>
</tr>
<tr>
<td>Mauritania</td>
<td>-1.5</td>
<td>5.0</td>
<td>+6.5</td>
</tr>
<tr>
<td>Mozambique</td>
<td>10</td>
<td>8.8</td>
<td>-1.2</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>4.8</td>
<td>4.2</td>
<td>-0.6</td>
</tr>
<tr>
<td>Niger</td>
<td>3.2</td>
<td>3.7</td>
<td>+0.5</td>
</tr>
<tr>
<td>Rwanda</td>
<td>14.2</td>
<td>6.5</td>
<td>-6.1</td>
</tr>
<tr>
<td>Senegal</td>
<td>3.5</td>
<td>6.0</td>
<td>+2.5</td>
</tr>
<tr>
<td>Tanzania</td>
<td>4.3</td>
<td>5.5</td>
<td>+1.2</td>
</tr>
<tr>
<td>Uganda</td>
<td>7.3</td>
<td>6.6</td>
<td>-0.7</td>
</tr>
<tr>
<td>Vietnam</td>
<td>7.3</td>
<td>6.0</td>
<td>-1.3</td>
</tr>
<tr>
<td>Zambia</td>
<td>1.8</td>
<td>4.7</td>
<td>+2.9</td>
</tr>
<tr>
<td><strong>AVERAGE:</strong></td>
<td></td>
<td><strong>5.1</strong></td>
<td><strong>5.4</strong></td>
</tr>
</tbody>
</table>

**Are there contingency scenarios? (i.e.; alternative scenarios in case of shocks)**
Again, only four countries - Albania, Burkina Faso, Senegal and Niger - mention contingency scenarios. For the reasons explained directly above this is concerning.

**Growth strategy:** Varies somewhat from country to country. Generally focussed on: strengthening of government capacity (especially fiscal), bolstering of the agricultural and industrial sectors, liberalisation, attraction of FDI, export led growth, and privatisation.

**Any alternative growth strategies?** No discussion of this for any of the countries. Again, this is concerning for the reasons explained directly above.

**Exports growth forecast:** The trend in export growths varies massively across the sample (bear in mind that data was not provided in all of the countries’ documents), and with regards to the temporal patterns of each specific country agreement, the trend is rarely linear. This is exemplified by the programmed rates for Cameroon, where there is fluctuation between negative

---

\(^49\) For a description of ESAF see section 7 below: Programme status / Date of the agreement
\(^51\) For the projected programme 3-year average the 2003 projection of 5% was used.
and positive rates of export growth from year to year. That said, the majority of country agreements show increasing momentum in export growth\(^{52}\) on the whole, with most notably Ghana and Rwanda recovering from negative export growth. Using the limited data provided; one can take an approximate average rate of desired export growth over the medium-term as being 7.25%.

**Social expenditure targets as % of GDP:** It is hard to make much meaningful comment on this due to the limited data presented in the programme agreements and the varying criteria as to what constitutes ‘social expenditure’. The targets provided are variable,\(^{54}\) the average medium-term target being 7.73% of GDP\(^{55}\). It should be noted that Tanzania, Senegal and Zambia have adopted PRSP priority related expenditure. This lack of content and clarity with regards to social expenditure, as well as the general lack of disaggregated expenditure data (see the three categories below) makes it very hard to assess the expenditure of the programmes and therefore to determine to what extent spending is ‘pro-poor’.

**Education:** The average expenditure target was 4.86% of GDP. However, due to limited data, this average was calculated from only seven of the countries.\(^{56}\)

**Health:** The average expenditure target was 2.56%\(^{57}\) of GDP. However, this was only calculated from 8 countries.

**Agriculture:** Only the Malawi and Uganda country papers provided targets for agriculture. They are, respectively: 0.1 and 0.3% of GDP.

5. **Programme funding**

**Discussion of debt sustainability:** There is discussion of debt sustainability in some form or another for all of the countries’ agreements except that of Ghana. Generally, all debts are projected to be sustainable under the correct circumstances and subsequent to specific policy reforms (e.g. the prohibition of non-concessional loans in Burkina Faso, Nicaragua, Vietnam, Mozambique, and development and implementation of debt management and monitoring strategies in Ethiopia and Mauritania), and as long as HIPC relief is continued and in some cases extended (e.g. Tanzania).

**Discussion of domestic debt policy:** Of the eight countries that discussed domestic debt policies\(^{58}\); all except Tanzania were attempting to lower domestic financing of their budget and avoid recourse to domestic borrowing in order to lower domestic arrears and preserve domestic debt sustainability. Tanzania on the other hand, had increased domestic financing by 0.3% of GDP on the levels set in their first 3-year arrangement with the Fund. The Tanzanian’s

\(^{52}\) Those that showed a trend of declining growth rates were Cambodia and Mauritania.

\(^{53}\) Calculated from the latest - i.e. farthest in the future - projected rates of the 12 countries of which data was available for: Bolivia: 4.2%, Rwanda: 13.7%, Ghana: 7.6%, Nicaragua: 12.6%, Uganda: 12%, Cambodia: 9.7%, Cameroon: 2.5%, Ethiopia: 8%, Mauritania: 1.6%, Mozambique: Not given as a % of GDP, Niger: 2.8%, Senegal: 5.1%

\(^{54}\) It is not only the targets that vary, but also what constitutes ‘social expenditure’ (this variation is clarified in the matrix). One must bear this in mind when considering the average medium term target subsequently given in this paper.

\(^{55}\) The latest - i.e. farthest in the future - programmed/projected levels were used to calculate an average over the medium term. Projections used: Bolivia: 11.2%, Burkina Faso: 7.5%, Cambodia: 0.8%, Cameroon: 5.1%, Ethiopia: 6.7%, Mauritania: 12.1%, Mozambique: 7.2%, Nicaragua: 16.8%, Uganda: 7.7%, Zambia: 2.2%.

\(^{56}\) Again, the latest projections were used: Albania: 3.7%, Bolivia: 5%, Burkina Faso: 2.7%, Cameroon: 3.4%, Malawi: 3.1%, Mauritania: 12.1%, Uganda: 4%.

\(^{57}\) Albania: 3.2%, Bolivia: 3.3%, Burkina Faso: 3.6%, Cameroon: 1.7%, Malawi: 0.9%, Mauritania: 2.3%, Mozambique: 3.7%, Uganda: 1.8%.

\(^{58}\) Albania, Bolivia, Cambodia, Ethiopia, Malawi, Nicaragua, Niger, Tanzania.
alternative strategy to put a halt to the continued build up of domestic arrears (albeit at low levels) was to tighten expenditure.

Discussion of how the PRGF contributes to the achievement of the MDG’s? Tanzania and Senegal are the only two countries with references to the PRGF’s role in MDG’s fulfilment. However, there is no discussion of specifics -i.e. how expenditure will be used in pursuit of the MDG’s.

Discussion on how the financing gap might be filled? The Niger document states: “the residual [MDG] financing gap is expected to be fully financed by the donor community”, no more is said on the issue of MDGs. None of the other countries’ documents discuss an MDG financing gap.

6. Programme’s impact on poverty

Any PSIA carried out to inform the PRGF? The answer is ‘No’ for the majority of the countries. Rwanda and Malawi had already made use of PSIA; future PSIAs were planned for Vietnam, Nicaragua and Mauritania (and a social impact analysis on VAT reform was planned for Ethiopia); and there were ongoing PSIAs being carried out for Tanzania and Mozambique at the time their respective country reports were published. In light of the fact that the PSIA was only beginning to be implemented for the first time by the end of 2001, it is not surprising that 60 of the 7 countries who have used a PSIA or have one in the pipeline, are some of the most recent programmes - or rather the stage looked at is recent - in the matrix (see figure 3: none of the programme reviews of these 5 were before mid 2002). Unfortunately, the most recent programme, that of Senegal, has not made use of PSIA. In order to limit the incidence of potentially detrimental projects and stimulate the exploration of more appropriate alternatives one might hope that all programmes make use of PSIA in the future.

Any impact assessment of the proposed quantitative targets? There are none.

Discussion of redistribution impacts? The redistribution impact(s) of the PRGF programmes were discussed for only three of the country arrangements analysed in the matrix: Bolivia (one of the earliest analysed -see figure 3); and Cambodia and Mauritania (two of the most recent agreements analysed). In the case of the former, it was vaguely stated that the fiscal reform would result in redistribution of wealth to the elderly; and the Mauritanian arrangement explains that the reform of the wage and salary tax is designed to lessen the burden on wage earners, especially the poor. However, it is the Cambodian arrangement that contains discussion of redistribution impacts in the most explicit terms, even if the links presented are somewhat speculative. There is a box entitled ‘How do policy recommendations affect the poor?’ in which it is explained that the potential impact of strengthening revenue collection is: “Potential redistribution of assets (income) from group 3 [the high income group] to other groups (i.e. through higher social spending).”

Discussion of equity? On the whole there was none; it was discussed for only two of the countries’ arrangements. In the case of Nicaragua it was simply stated that the proposed tax reform would be designed to increase equity and fairness, whereas for Cambodia it was stated that the economic and structural reform policies would need to “ensure that all income groups benefit from the county’s economic development” – that is, education and capital spending on

---

59 Poverty and Social Impact Assessment
60 The exception is Malawi. The 1st stage of Malawi’s programme back in 2001 is analysed in the matrix. Malawi was one of the first PRGFs to make use of PSIA.
infrastructure such as roads must be directed toward rural areas as well as urban areas. The lack of equity/ redistribution does little to support claims of ‘pro-poor’ spending.

**Discussions of links between PRSP & PRGF objectives?** The majority mention the country’s Poverty Reduction Strategy Paper if they have one (for the countries’ PRSP status see section 7 -Status of related initiatives / PRSP), but unfortunately on the whole there is very little explicit cross-reference to PRGF. Some talk of ‘two-way relationship’, but few arrangements discuss whether, and if so how the PRSP influenced the design of the PRGF (i.e. which borrows from which?). Generally, when mentioned, discussion is of how PRSP will guide social spending of the PRGF, and how PRGF financial reforms will achieve more revenue for the pursuit of PRSP aims.

The welcome exception from this pattern is that of Senegal which has a section entitled: ‘Translating the Poverty Reduction Strategy into a Medium-Term Economic Programme’. However; even still, the Fund refuses to unconditionally accept - as they should following their own guiding principle of ‘ownership’ - the Senegalese authorities PRSP, choosing instead a more cautious (restrictive) macroeconomic framework:

“While the authorities viewed the PRSP’s more optimistic scenario as a desirably ambitious point of reference, they chose for the purposes of medium-term financial planning, more prudent assumptions on implementation ability, the economies absorptive capacity, and the private sector response.”

The most alarming - and contradictory to the principles of ownership - situation evident across the sample is that of Ethiopia. Although the PRSP is supposed to be based on the PRSP and not vice-versa, upon their discussion of the draft PRSP, the IMF staff submitted a list of new measures to be included in the final PRSP. Similar to the situation in Senegal, Fund staff are concerned that the PRSP’s ‘ambitious’ scenario does not fit in with their “prudent and sustainable fiscal policy over the medium term”.

The general lack of discussion as to how the PRGF is based upon the PRSP’s macroeconomic policies, and especially the situation in Ethiopia where the IMF have attempted to tailor the policies of the PRSP to meet the needs of the PRGF (as opposed to the reverse situation), supports the arguments of many commentators that little attempt has been made to make PRGFs truly subordinate to their supposedly pre-cursor PRSPs.

**7. Programme status**

**Date of agreement:** In order to classify agreements by date we can split them into two categories:

1. ‘Old programmes’: Former ESAFs (Enhanced Structural Adjustment Fund) that were converted to PRGFs in 1999: Those that are in royal blue in figure 3.

2. ‘New programmes’: New programmes agreed after the inception and implementation of the PRGF framework: Those that are in sky blue in figure 3.

**Amount requested:** The average amount borrowed under the 3-year PRGF arrangements was SDR\(^{64}\) 95.40 million, and on average countries utilised 56.4% of the quota.\(^{65}\) As is evident

\(^{62}\) For example Spanger and Wolf (2003) explain that: “Although the IMF insists that the latter [i.e. the PRGF] is based on priorities of the PRSP, experience indicates that the opposite is the case, whereby the PRGF credit agreements stake out the macro-economic frame wherein the PRSP may operate.” p.23.

\(^{63}\) Available at: http://www.eurodad.org/articles/default.aspx?id=531 (20/03/04)

\(^{64}\) nb. Total amount throughout entire programme.

\(^{65}\) The SDR value at the time of writing this paper is: SDR 1 = US$ 1.40489. “The SDR is not a currency, nor is it a claim on the IMF. Instead, it is potentially a claim on the freely usable currencies of IMF members, as holders
from figure 4, the loan amounts requested and the percentage of the quota utilised varied massively across the range. Two countries utilised 80% or more of their quota, however none of the countries borrowed the maximum amount of funds available to them. Only four countries used less than 50% of their quota, with all of these four taking very small loans of under 15%.

Figure 3: Date agreement was signed, and the stage it was at when analysed for the EURODAD PRGF matrix research programme

Country Agreement

Date of last review: See figure 3 for graphical representation of this. The order of the most recently reviewed documents is as follows (most recent first):

of SDRs can exchange their SDRs for these currencies” For more information on SDR see: http://www.imf.org/external/np/exr/facts/sdr.htm (15/05/03).

Bolivia: SDR 100.96 million / 80% of their quota, Albania: SDR 28m / 57%, Vietnam: SDR 280m / 88.2%, Rwanda: SDR 4m / 5%, Tanzania: 135m / 67.9%, Ghana: SDR 155m / no quota data, Nicaragua. SDR 97.5m / 75%, Malawi: SDR 45.1m / No quota data, Uganda: SDR 4m / 5%, Zambia: SDR 278.9m / No quota data, Cambodia: SDR 58.5m / 67%, Cameroon: SDR 111.42m / 60%, Ethiopia: SDR 100.28m / No quota data, Mauritania: SDR 42.49m / 67%, Mozambique: SDR 87.2m / No quota data, Niger: SDR 59.2m / 90%, Senegal: SDR 24.27m / 15%. NB. Quota data was not available for all of the countries.

Bolivia: 80%, Vietnam 88%. Uganda: 5%, Rwanda: 5%, Senegal: 15%, Niger: 9% In the case of Uganda and Rwanda; programme documents argued that loan was so small due to the availability of other sources of concessional financing, and additionally in the case of Rwanda its large international reserve cover.

i.e. the most up to date review at the time of the beginning of this PRGF research programme: February 2003.

N.B: Although not called a review, ‘Request for a Three year Arrangement’ is in effect a review and is therefore counted as one in this listing.
Obviously the analysis in this paper - derived from the data in the matrix - is most up to date\textsuperscript{69} for the countries nearer the top of this list.

**Figure 4: Total amount borrowed under the PRGF arrangement**

\textbf{Last time off-track:} The first point to make here is that there is a serious lack of transparency and clarity on this issue. For this reason it is acknowledged that our findings may not be one hundred percent accurate, and as with the rest of this paper, the information here is no more than a reflection of the information provided in the country reports used to inform the matrix. From the limited information available, it appears that 4 of the eighteen current programmes have gone \textit{off-track} at some point: Malawi (2000), Bolivia (2000), Ghana (2001),

\textsuperscript{69} One must remember –see introduction - that there have been subsequent bi-annual reviews for all of the countries since the matrix was completed, and as stated in the introduction, the idea of this study was not to provide a completely up to date analysis of the PRGF programmes, but rather to provide a ‘snapshot’ of the countries’ experience under one (of the 6) stages of their PRGF arrangement.
and Zambia (2000). It is worth noting that the latter three of these are ‘old’ programmes.

Bolivia went off-track due to delays in fulfilling mid-programme prior actions, whereas in the case of Ghana it was due to non-observance of structural performance criteria and failure to meet quantitative targets.

Three of the other country reports highlight the fact that previous programmes have gone ‘off-track’: Nicaragua (ESAF: 2001), Vietnam (ESAF: 1997) and Rwanda (PRGF: 2002). In the case of the latter, the reason was that the final review for the third annual arrangement of the first PRGF was not completed due to delays in reaching agreement on the 2002 budget and the medium-term fiscal framework.

8. Status of Related initiatives

PRSC\textsuperscript{70} As part of the streamlining initiative the PRSC was designed as a new form of World Bank lending instrument that would closely coordinate its conditional structural adjustments with the PRGF to ensure minimal overlap between the two programmes. The Bank states: “the Bank/Fund Joint Implementation Committee provides a mechanism... [that works towards] coordinating/reconciling differences on PRSCs and PRGFs, as needed.”\textsuperscript{71} The result in practice has been that in some cases; the IMF has rescinded certain conditionalities that they previously managed, and instead these have been put under the jurisdiction of the PRSC (e.g. financial sector reform in Vietnam). Therefore, in order to assess this streamlining effort and the overall conditionality imposed on countries by the IFI’s, it is important to consider the extent to which the PRGF document makes explicit the possibility or actuality of overlaps between PRGF and PRSC structural conditionality. To put it simply, we must ask; is the overall combined conditionality of the PRSC and the PRGF programmes clearly highlighted in the PRGF documents?

So far: 5 - possibly 6\textsuperscript{72} - of the 11 countries have a PRSC agreement (Albania, Vietnam, Burkina Faso, Uganda and Mauritania). Each of the 5 agreements discusses the ways in which the PRGF and PRSC support and coordinate with each other.\textsuperscript{73} However, only 2 of the 5 agreements clarify the overall combined conditionality of the PRGF and PRSC: Uganda and Albania. The former does this explicitly with a conditionality box that clearly separates Bank conditionality from Fund conditionality. The fund can be commended on this high degree of transparency in the case of Uganda, however one would hope that such clarification of conditionality responsibility would be present in all subsequent PRGF documents.

PRSP: All of the countries bar two had a full PRSP\textsuperscript{74}. However, unfortunately only 5 of the 18 countries; Albania, Rwanda, Nicaragua, Uganda, and Senegal had published their PRSP prior to signing the agreement of their current PRGF arrangement. The fact that these 5 programmes are the most recently agreed of the 18 programmes - see figure 3 - reflects the fact that the integration of the PRSP and PRGF process is ongoing and is taking time to evolve.

\textsuperscript{70}The Poverty Reduction Support Credit is a CAS-based development assistance instrument, supporting an IDA-eligible country’s policy and institutional reform program to help implement its poverty reduction strategy. For more information see: http://wbln0018.worldbank.org/html/eswwebsite.nsf/PRSC/Guidelines+PRSC?OpenDocument (22/03/2003)

\textsuperscript{71}Ibid. ‘Interim Guidelines for Poverty Reduction Support Credits’, section: ‘8 Relationship between PRSC and PRGF’

\textsuperscript{72}In the case of Ethiopia it is stated that poverty reduction support credits will be used to finance projects in the future; however, it is NOT made clear whether they have been used in the past or whether they are ‘currently’ being used. The overall combined conditionality of the PRGF and PRSC NOT highlighted.

\textsuperscript{73}The sectors/issues upon which there has been collaboration and close coordination between the PRGF and the PRSC: Vietnam: Public Expenditure Review, State Owned Enterprise reform. Burkina Faso: Improvements in Public Finance Management. Albania: financial sector reforms, power sector, pension reforms and social services. Uganda: Fiscal decentralisation, civil service reform, budget management, governance. Mauritania: PEM improvement, maintaining external debt sustainability, financial sector reform and PSAI.

\textsuperscript{74}Cameroon had an interim PRSP: “The preparation of a high quality PRSP is under way”. Ethiopia had an Interim PRSP: full PRSP “will be issued shortly” (draft has been discussed by PRGF mission in collaboration with the World Bank).
16 of the 18 countries are HIPC countries,\textsuperscript{75} and six of them had reached HIPC Completion Point: Tanzania, Burkina Faso, Mauritania, Mozambique, Nicaragua and Uganda. The remaining ten were either at Decision Point or were requesting to be.

9. Conclusion

This paper offers no explicit verdict as to whether the PRGF reality that we have unearthed in this research programme corresponds to or contrasts with the IMF’s PRGF rhetoric which is centred on the principles of: country ownership, streamlined conditionality, ‘pro-poor spending’ and a participatory approach to programme design.\textsuperscript{76} Rather we invite the reader to draw their own conclusions from the main patterns and relationships that have become apparent across our sample. These findings, along with some analytical comments are summarised below. As you can see, our findings do little to support the rhetorical claims of the PRGF:

- There is a distinct lack of fiscal flexibility. Furthermore, in those cases where adjusters are included to provide added flexibility, none of the money is redirected into poverty related expenditure: Such tight margins for manoeuvre in terms of the fiscal balance may hinder poverty related spending and preclude the use of fiscal policy as an instrument of economic policy.

- Inflation targets are very low (\(\leq 5\%\)): It could be argued that due to the detrimental effect that it may have on employment levels, such low levels of inflation are more of a hindrance to growth than a catalyst.

- There is no discussion of different scenarios and trade offs regarding inflation, deficit targets and public spending: This is problematic in that it does not identify and acknowledge the possible negative implications that the 'one size fits all' policies may have and subsequently there are no contingency measures to address these implications if and when they arise.

- Many of the patterns evident (e.g. high levels of international reserves, low inflation, small fiscal deficit) reflect IMF economic orthodoxy (The Washington Consensus): This lack of variety between the programmes despite a great variety in country circumstance across the sample does little to support claims of country ownership with regards to programme design.

- All but one of the arrangements involve conditional privatisation: This does little to support the streamlining claims that conditional privatisation is solely under the jurisdiction of the World Bank.

- Although the new rhetoric states that the sole purpose of IMF structural adjustment is to impact on the macroeconomic framework and nothing more, a few countries in the sample do not discuss this relationship at all: This does little to reflect the conditionality streamlining pledges of the World Bank and the Fund.

- Not one of the agreements explicitly discusses trade-offs in relation to conditional structural adjustment or alternatives: This is concerning as the possible effects of such adjustments are not evaluated and alternative options are not openly explored.

- The countries subject to the highest degree of conditionality are those who are new to the Fund's economic orthodoxy or who haven't followed it stringently in the past (‘transition countries’) and vice versa: This pattern of 'internalised conditionality' suggests that the application of streamlined conditionality is not uniform and neutral, but rather that such streamlining has been applied to a greater extent in those countries whose policies mirror Fund orthodoxy, whereas the opposite is true for those countries who in the recent past have run their economies defiantly and independently of Fund prescriptions.

\textsuperscript{75} Albania and Cambodia are not HIPC countries.
\textsuperscript{76} The PRGF is supposedly based on the countries’ Poverty Reduction Strategy Paper (PRSP), which is a development plan and macroeconomic framework drawn up 'in country' with participation by all stakeholders (civil society, parliaments etc.). See section 6 below: Programmes impact on poverty / Discussion of links between the objectives of PRSP and PRGF?
The use of the three main conditionality components (PA's, SPC's, SB's) across the sample is random, there is no pattern evident: This lack of a systematic and clear approach when determine conditionality makes it very hard to effectively assess PRGF conditionality.

There is a general lack of alternative growth predictions, strategies, and contingency scenarios: For most countries in PRGF programmes the growth rate is strongly influenced by highly unpredictable exogenous factors such as commodity shocks or natural disasters. Therefore, it is not unlikely that several of these countries will fail to live up to the singular set of optimistic targets. This in turn raises fears that such a shortfall may result in expenditure cuts in order to balance the budget, as has often been the case in previous ESAF programmes.

There is a lack of content and clarity with regards to social expenditure, as well as the general lack of disaggregated expenditure data (i.e. education, health agriculture): This is makes it very hard to assess the expenditure of the programmes and therefore to determine to what extent spending is 'pro-poor'.

The majority of programmes did not make use of PSIA: In order to limit the incidence of potentially detrimental projects and stimulate the exploration of more appropriate alternatives one might hope that all programmes make use of PSIA in the future.

On the whole there is a lack of discussion on equity/redistribution: this does little to support claims of 'pro-poor' policy.

Few arrangements discuss whether, and if so how the PRSP influenced the design of the PRGF: this does little to support claims of country ownership.

Less than half of those countries with a PRSC make clear the combined conditionality between the PRGF and the PRSC: This does little to support the streamlining claims and the promise that there would be a clear and transparent division of conditionality between the PRGF and the PRSC.
Bibliography

PRGF Documents *Used to extract data to inform the matrix, all available on IMF website: http://www.imf.org/


Papers


EURODAD. 2003. ‘Is the PRGF maximising finance for poverty reduction?’ Available at: http://www.eurodad.org/uploadstore/cms/docs/Maximisingfinanceforpovertyreduction.pdf (25/04/03)


Websites


77 See the PRGF Matrix; excel sheets: Bibliography / Letter of Intent.