



INTERNATIONAL MONETARY FUND FACTSHEET

Poverty Reduction Strategy Papers (PRSP)

Successful plans to fight poverty require country ownership and broad based support from the public in order to succeed. A PRSP contains an assessment of poverty and describes the macroeconomic, structural, and social policies and programs that a country will pursue over several years to promote growth and reduce poverty, as well as external financing needs and the associated sources of financing. They are prepared by governments in low-income countries through a participatory process involving domestic stakeholders and external development partners, including the IMF and the World Bank.

Country leadership in setting priorities key to reducing poverty

The PRSP approach, initiated by the IMF and the World Bank in 1999, results in a comprehensive country-based strategy for poverty reduction. The introduction of PRSPs was a recognition by the IMF and the World Bank of the importance of country ownership of reform programs as well as the need for a greater focus on poverty reduction. PRSPs aim to provide the crucial link between national public actions, donor support, and the development outcomes needed to meet the United Nations' [Millennium Development Goals \(MDGs\)](#), which are centered on halving poverty between 1990 and 2015. PRSPs help guide policies associated with Fund and Bank concessional lending as well as debt relief under the [Heavily Indebted Poor Countries \(HIPC\) Initiative](#). They are made available on the [IMF](#) and [World Bank](#) websites by agreement with the member country.

Core principles of the PRSP approach

Five core principles underlie the PRSP approach. Poverty reduction strategies should be:

- **country-driven**, promoting national ownership of strategies through broad-based participation of civil society;
- **result-oriented** and focused on outcomes that will benefit the poor;
- **comprehensive** in recognizing the multidimensional nature of poverty;
- **partnership-oriented**, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and
- based on a **long-term perspective** for poverty reduction.

Donors support design of realistic plans and governance reforms

The PRSP approach is by now well established in a substantial number of countries and has been associated with notable advances in country ownership, making poverty reduction more prominent in policy debates, and facilitating more open dialogue. As of end-February 2012, 110 full PRSPs have been circulated to the Fund's Executive Board, as well as 57 preliminary, or "interim", PRSPs. With PRSPs now in place in a large share of low-income countries, the focus in recent years has been on effective implementation.

The PRSP approach is subject to periodic staff [assessments](#). Key messages from past reviews include: the importance of country ownership; realism, flexibility, and better

prioritization in setting goals and targets; and more open discussion of alternative policy choices. The need for donors to enhance the overall effectiveness of aid by better aligning their support around the priorities articulated in the PRSP, and by harmonizing and simplifying their policies and practices, was also highlighted. The latest in-depth assessment conducted jointly by IMF and World Bank staff further emphasized the role PRSPs can play in balancing the different tensions inherent in the formulation of national development strategies, notably between realism and ambition, and between domestic accountability—closely related to ownership—and external accountability vis-à-vis donors and other development partners. The IMF's October 2007 review of the role of the Fund in the PRS process and in its collaboration with donors clarified the parameters of Fund staff's involvement in the PRSP process, emphasizing that IMF support should be focused on policy advice and technical support in the design of appropriate macroeconomic frameworks and macroeconomically critical structural reforms.

IMF and World Bank staff provide candid feedback to countries on the PRSP through the Joint Staff Advisory Note (JSAN). Both institutions also work to link more explicitly their lending operations to country-owned strategies and priorities for reducing poverty.

Following the 2009 reform of the Fund's low-income country facilities, while country-owned PRSPs remain the basis of sustained program relationships with the Fund under the Extended Credit Facility (ECF) and Policy Support Instrument (PSI), some additional flexibility has been provided on documentation and timing requirements. In addition, programs supported by the IMF's concessional lending facilities will, wherever possible, include specific quantitative targets to safeguard social and other priority spending, consistent with the priorities in national poverty-reduction strategies. In order to further improve the effectiveness of the PRSP process, the Fund will continue to:

- help countries design realistic, yet flexible, macroeconomic frameworks linked to national strategies and budgets;
- align the Fund's country operations and program work as closely as possible with domestic cycles, including the PRSP and budget;
- strengthen public expenditure management to maximize the impact of public spending on poverty reduction; and
- work with other donors for better-coordinated assistance that will enhance aid effectiveness and rationalize support for PRSP implementation.