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WORKING PAPER

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Ramesh C. Kumar

Working Paper No. 18

February 2007

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To send comments to the author please contact:

Ramesh C. Kumar
Professor, Department of Economics
University of Waterloo
rkumar@uwaterloo.ca

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Poverty Reduction and the Poverty Reduction Facility at the IMF: Carving a New Path or Losing Its Way?*

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Author Biography

Ramesh C. Kumar is Professor of Economics and Director of the International Trade Specialization for the Faculty of Arts, University of Waterloo, and was recently a Visiting Research Fellow at CIGI. Holding a Ph.D. from the University of Toronto, his current research and publication interests lie in International Economic Governance and natural Resource Economics. Dr Kumar has also published several journal articles in a number of other areas of economics, including international economics, growth and development, environmental economics, economics of education and history of thought.

Abstract

Since 1999, all concessional lending by the International Monetary Fund (IMF) must be targeted at poverty reduction. The paper critically examines the design and implementation of the IMF's poverty reduction initiative by focusing on the operations of the Poverty Reduction and Growth Facility (PRGF). The data relating to the lending activity of the facility, coupled with an econometric explanation of the size of a PRGF arrangement in terms of key macro-economic variables, reveal some surprises. Not only does the lending activity of the new facility not appear to be much different - in frequency, size or total lending - than that under the Structural Adjustment Facility or Enhanced Structural Adjustment Facility (SAF/ESAF), but the average lending to individual countries over the period 2000-2004 is also inversely related to the human poverty index. At a time when IMF is quickly losing its traditional clientele, such findings raise doubts about the fund's efficacy in administering development finance.

1. Introduction

In November 1999, the International Monetary Fund (IMF) launched its latest lending facility by closing down the Enhanced Structural Adjustment Facility (ESAF) and replacing it with the Poverty Reduction and Growth Facility (PRGF), with the objective of focussing on its poorest members and making poverty reduction and growth the corner stone of its concessional lending. Earlier, in 1997, it had also closed the much maligned Structural Adjustment Facility (SAF), the forerunner of the ESAF.

The IMF views the action as an innovation in its lending operations, rather than just a change in name. The habitual detractors are bound to suspect otherwise. Coming in the midst of a couple of reviews of IMF policies and practices and the renewed discussion of a new financial architecture, the timing of the change in direction, promising greater and more overt emphasis on financing development (as opposed to just macro-economic stability), can appear to be more opportune than planned.[1] The concurrent, wider debate on development and financing development, leading up to the identification of the Doha round of trade negotiations as the development round within the World Trade Organization, the declaration of the Millennium Development Goals by the United Nations, and the Monterrey Consensus may have also contributed to the IMF decision. Nevertheless, what the PRGF truly signifies - a change of direction, a genuine shift in its paradigm, or a desperate attempt to remain relevant - is still an open question.

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[1] See IMF, "The ESAF at Ten Years," *IMF Occasional Paper*, no. 156 (Washington, DC: International Monetary Fund, 1998); Allan H. Meltzer, *Report of the International Financial Institution Advisory Commission* (Washington, DC: United States Congress, March 2000); and, Peter B. Kenen, *The New Financial Architecture: What is New? What is Missing?* (Washington, DC: Institute for International Economics, 2001).

The facility has been in operation for only five full years, a period too short to gauge its true impact. The reviews of its design as well as implementation, however, are pouring in from within and without. This paper has a two-fold objective: stock-taking and an empirical evaluation of its operational aspects. In section 2 below, the facility and its objectives are briefly described. Section 3 is then devoted to taking a critical look at some of the reviews, both internal and external. Section 4 examines a series of data. After presenting a brief statistical portrait of the facility's activity, the results of a couple econometric models estimated to explain the size of the PRGF arrangements in terms of various macroeconomic indicators are presented, including those of the levels of development and poverty. A summary of these findings and their implications are put forward in the concluding section.

2. The Poverty Reduction Strategy and the PRGF

The IMF is, admittedly, not a development institution. Yet it has behaved as one, in the context of its structural adjustment programmes (SAPs), funded through the concessional facilities of SAF and ESAF. The SAPs were run in tandem with, or parallel, to similar programmes at the World Bank.

The origins of the PRGF lie in the general failure of the SAPs, the associated policy prescriptions, and the consequent revision of the World Banks's view of what constitutes development.[2] Evolved during the Wolfensohn years at the World Bank and commonly known as the Comprehensive Development Framework (CDF), this new view of development proposed a move away from the primacy of the objective of economic growth and towards reducing poverty, as well as a larger role for the state than that

[2] John Pender, "From 'Structural Adjustment' to 'Comprehensive Development Framework': Conditionality Transformed," *Third World Quarterly*, vol. 22, no. 3 (June 2001): 397-411.

implied by the Washington Consensus, the base of policy prescriptions under the SAPs. Also, pursuing economic growth was no longer considered as being inconsistent with alleviating poverty, and poverty was to be viewed much more broadly (than absolute poverty) through the human poverty approach, emphasizing well-being measured via educational attainment as well as nutritional and health statuses.[3] At the 1999 joint meeting of the IMF and the World Bank, the governing boards of the two institutions endorsed the new approach by deciding to make country-generated poverty reduction strategies the basis of all future IMF and World Bank concessional lending and debt-relief. Consequently, the PRGF - currently the concessional facility of the IMF - has been designed to focus on the poorest members of the IMF, and the twin objectives of poverty reduction and economic growth must lie at the core of the programmes supported by the facility.[4]

As of September 2005, seventy-eight low-income countries with 2003 per-capita gross national income of US$895 or less (the present cut-off point of eligibility for the World Bank concessional lending) are eligible to receive funding from the facility.[5] When using the facility, an eligible country can borrow up to a maximum of 140 per cent of its IMF quota under a three year arrangement (with the possibility of a one-year extension), with annual programmes for each of the three years. This limit, however, may be

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[3] Joseph E. Stiglitz, "An Agenda for Development in the Twenty First Century," in Boris Pleskovic and Joseph E. Stiglitz, eds., *Annual World Bank Conference on Development Economics*, 1997 (Washington, DC: World Bank, 1998), 17-31. and, James Wolfensohn, "Rethinking Development - Principles, Approaches and Projects," in Pleskovic and Stiglitz, *Annual World Bank Conference*, 59-61. See also, Ravi Kanbur and David Vines, "The World Bank and Poverty Reduction: Past, Present and Future," in Christopher Gilbert and David Vines, eds., *World Bank: Structure and Policies* (Cambridge: Cambridge University Press, 2000).

[4] The Exogenous Shocks Facility (ESF) is presently the only other concessional facility.

[5] For details, see List 1.

increased to 185 per cent of the quota in exceptional circumstances, depending upon the state of the borrowing country's balance of payments (BOP) needs, the strength of the proposed adjustment programme and its previous record at the IMF.[6] Disbursements under the PRGF arrangements are tied to performance criteria and annual reviews. All PRGF loans carry an annual interest rate of 0.5 per cent and must be repaid in equal semi-annual instalments over a period of 10 years, beginning 5.5 years from the arrangement date.[7]

List 1: Countries Eligible for PRGF Arrangements as of September 2005

Afghanistan*, Albania, Angola*, Armenia, Azerbaijan, Bangladesh, Benin, Bhutan*, Bolivia, Bosnia-Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Comoros*, Congo (Democratic Republic of), Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Dominica, Eritrea*, Ethiopia, Gambia, Georgia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti*, Honduras, India*, Kenya, Kiribati, Kyrgyzstan, Laos, Lesotho, Macedonia, Liberia*, Madagascar, Malawi, Maldives*, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar*, Nepal, Nicaragua, Niger, Nigeria*, Pakistan, Papua New Guinea*, Rwanda, Samoa8, Sao Tome3 and Principe, Senegal, Sierra Leone, Solomon Islands*, Somalia*, Sri Lanka, St. Lucia*, St. Vincent and the Grenadines*, Sudan*, Tajikistan*, Tanzania, Timor-Leste*, Togo*, Tonga*, Uganda, Uzbekistan, Vanuatu*, Vietnam, Yemen, Zambia, Zimbabwe*.

* Have not submitted a PRSP.

The PRGF lending is financed by the IMF through a trust account which borrows resources from governments, central banks and other official financial institutions, generally at market related interest rates, and lends them to the borrowing countries

[6] While a balance of payments need is normally required, a country may also borrow at a standard level of 10 per cent of the quota with little or no balance of payments need under the "low access" arrangement.
[7] As initially designed reviews were more frequent, being semi-annual or even quarterly. For details on eligibility, terms and access to the facility at the time of initial design, see IMF, "Financial Organization and Operations of the IMF," *IMF Pamphlet Series*, no. 45, 6th ed. (Washington, DC: Treasurer's Department, International Monetary Fund, 2001).

on a pass-through basis. The difference between the interest rate paid to lenders and that charged to borrowers is made up by contributions from bilateral donors and IMF's own resources, largely made up of left-over resources from earlier gold sales and investment income. The initial framework of the PRGF envisaged commitments of about SDR 1 billion[8] a year through rest of the year 2001 or early 2002 to be followed by a four year interim PRGF. It was also envisaged that the continuation of concessional lending beyond the interim PRGF would have no need for further bilateral loans or subsidy contributions as by then the PRGF Reserve Account would have accumulated sufficient resources (from repayments and investment income from reinvesting the repayments) to make the programme fully self-sustaining in perpetuity and a permanent feature of the IMF's lending activities.

Unlike the SAF/ESAF, which enforced the adoption of SAPs negotiated between the IMF and the borrowers, the PRGF loans become available pursuant to the submission of a satisfactory Poverty Reduction Strategy Paper (PRSP), prepared by the government of the borrowing country in concert with civil society and other stake-holders and development partners, including the IMF, detailing policies that will be employed to promote growth and reduce poverty. This so-called PRSP approach has been put into place to counter the common criticism of excessive interference by the IMF staff - at times to the point of dictation - in the design of SAPs, as well as to bolster national ownership of the poverty reduction strategy (PRS) through a bottom-up participatory process.

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[8] Since 1969, the IMF has used the Special Drawing Rights (SDR) as its own exchange rate system. Initially based on the gold standard, it is now measured by a set rate of a basket of currencies (euro, yen, pound sterling, and the US dollar). Interest on IMF loans are calculated at the SDR interest rate, based on a weighted average of representative rates on short-term money market debt of currencies in the basket. On 31 January 2007, 1 SDR = 1.49 US$, and the SDR interest rate was 4.20 per cent.

Although 'national ownership' has become the buzzword for marketing the PRS, the PRGF is also purportedly designed to differ significantly from SAF/ESAF in other important ways. The PRGF supported programmes, for instance, are expected to strengthen governance through enhancing transparency and accountability in public resource/expenditure management (PEM). The PRGF supported programmes must also pay greater attention to poverty and social impact analysis of key macro-economic policy measures.

Yet, another departure from the past concerns conditionality. For a lending institution, conditionality is necessary to safeguard its financial resources. At the IMF it has come to imply that members drawing on the IMF adopt adequate policies so as to enable them to repay the IMF within the designated period. Regular reviews of the use of the loan are, therefore, an important means of assuring that conditionality is met. These can be onerous. But the major problem with conditionality in the context of concessional lending in the past has been the excessiveness of the number of structural reform conditions - many in areas led and administered by the World Bank - without due regard to the implied social cost or impact.

At the time of the introduction of the PRGF, the IMF was in the midst of an effort to further streamline and focus loan conditionalities. It now promises greater transparency and accountability in programme monitoring. There also appears to be broad agreement that in accommodating greater national ownership of PRGF programmes, expected under the PRSP approach, conditionality should be more selective, focussing on the key measures that are essential to the success of a borrower's chosen strategy. While the Fund is not giving up on structural conditionality, there will be a clearer demarcation of the areas of responsibility between the two institutions. It is proposed that the PRSP, or the accompanying documents, would identify for each measure whether the IMF or the World Bank would take primary responsibility for supporting a government's policy formulation and monitoring. Eliminating areas of overlap, it is hoped, would lead borrowing countries to benefit from simplicity in meeting assistance conditions.

In areas where responsibility is shared between the two institutions - encouraging private sector growth, trade liberalization and financial sector development, among others - the lead role will be determined on a country-specific basis.

3. The Reviews

The PRGF has been operation for about six years. In view of the longer-run nature of the process of economic development and its impact on poverty, it is too early to effectively pronounce on the achievement of its main objectives of accelerating growth and reducing poverty. But the design and implementation of the facility *per se*, as well as the PRS that underpins them, are a fair game even in the short-run, and the reviews on these aspects have started to come in.

In the spirit perhaps of promoting transparency and good governance, the IMF has made two internal reviews publicly available, conducted respectively in 2002 and 2004. In addition, the subsequent 2005 review (of reviews) was conducted jointly by the staff of the IMF and the World Bank.[9] In these reviews,

[9] IMF, *Review of the Poverty Reduction and Growth Facility: Issues and Options* (Washington, DC: Policy Development and Review and Fiscal Affairs Departments, International Monetary Fund, 2002); IMF, *Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility* (Washington, DC: Independent Evaluation Office, International Monetary Fund, 2004); and, IMF, *Joint World Bank and IMF Report on Poverty Reduction Strategy Papers - Progress in Implementation,* 2005 PRS Review (Washington, DC: International Monetary Fund and World Bank, July 2005).

the two Bretton Woods institutions (BWI) had set themselves two tasks: an examination - in terms of design, implementation and progress - of the overall efficacy of the PRSP approach; and, a determination of whether the PRGF supported programmes were consistent with the overall strategy. In the latter task, special attention was paid to distinguishing the PRGF programmes from those of the ESAF.

Given the timing of the two reviews, it is not surprising that the 2002 review is much more positive and hopeful about the IMF achievements than the two latter reviews, which at times sound definitely pessimistic. For instance, while the 2002 review cites increased national ownership of development strategy, higher levels of public spending, a reorientation of public expenditures towards pro-poor projects, greater emphasis on strengthening governance through improvements in PEM, all compared to ESAF, as indicating that the PRGF programmes have been consistent with the objectives set by the governing board, the 2004 review notes in its summary of major findings: *"The picture that emerges from our study is that the PRS approach has the potential to encourage country-owned and credible long-term strategy for growth and poverty reduction, ...actual achievements thus far fall considerably short of potential"*[10] [original italics]. While recognising that the PRSP approach is an improvement over earlier development strategies, in terms of furnishing a longer term perspective and a poverty focus, most PRSPs, according to the review, "fall short of providing a strategic road map for policy making."[11] Unlike the 2002 review, the focus of PRSPs on public expenditures, especially social expenditures, is now seen as detracting from the adoption of a broader strategy to encourage poverty reducing growth. A part of the problem, according to the review,

[10] IMF, *Evaluation of IMF's Role*, 3.
[11] Ibid., 4.

arises from capacity constraints, especially in the IMF's areas of expertise. In particular, the capacity constraints keep the IMF from strengthening budgetary processes, especially in linking the PRSPs, the medium term expenditure frameworks and the budgets.

The 2004 review also chides the staff of the two institutions for not performing adequately the tasks assigned to them, especially the Joint Staff Assessments (JSAs). The JSAs' main contribution has been in providing feedback to authorities on the weaknesses in the PRSPs, but they are virtually unknown outside official circles. They neither incorporate inputs from all of the development partners (donor countries, for example), nor do they contribute to the broader policy debate. In a similar vein, the review also notes that the staff is not proactive in informing the policy debate among domestic stakeholders during the PRSP formulation process, rating the effectiveness of the IMF's overall contribution as falling well short of the goals it had initially set for itself. Finally, the review suggests in its summary of major findings and recommendations that the longer run role of the IMF be "kept within the institution's comparative advantage."[12]

The critiques from without - from academe and the civil society - are also very sharp. Unlike the internal reviews, however, only one or two of these outside contributions specifically focus on the IMF or the PRGF.[13] The overall PRSP approach is the more popular subject matter.

Bello and Guttal, who look at the Wolfensohn era at the World Bank, for example, dismiss the import of most initiatives undertaken during the period as being, by and large, the continuation of disc-

[12] Ibid., 11.

[13] There are of course numerous published by the IMF staff that bear directly on the PRSP approach and the PRGF. I have chosen not to include them under the under the belief that these would have been taken into account, directly or indirectly, into the internal reviews.

redited policies of the 1980s,[14] while Weber describes the PRSPs and other poverty reduction strategies as the emergence of a new form of governance that aims to foreclose social and political alternatives.[15]

Cooke also echoes similar sentiments by describing the PRSP (and the concomitant CDF) approach as colonial administration by identifying the managerialist participatory methods inherent in the approach with the indirect rule *à la* John Collier, Commissioner of the US Bureau of Indian Affairs during 1933-1945, which was simply a means of maintaining power by granting limited autonomy.[16]

Pender is only marginally more generous. Upon granting that the move to CDF by the World Bank in the 1990s enabled it to make the poorest as the focus of its new development policy, he pulls the rug from under the Bank, by blaming the concurrent changes in conditionality as severely limiting the potential for genuine ownership of development policy.[17]

Cheru furnishes perhaps the most comprehensive evaluation of the African experience with the PRSP approach by examining evidence from 12 country studies.[18] Although the study points

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[14] Walden Bello and Shalmali Guttal, "The Limits of Reform: the Wolfensohn Era at the Bank," *Race & Class*, vol. 47, no. 3 (January 2006): 68-81.
[15] Heloise Weber, "Reconstituting the 'Third World'? Poverty Reduction and Territoriality in the Global Politics of Development," *Third World Quarterly*, vol. 25, no. 1 (February 2004): 157-206.
[16] Bill Cooke, "A New Continuity with Colonial Administration: Participation in Development Management," *Third World Quarterly*, vol. 24, no. 1 (January 2003): 47-61.
[17] Pender, "From 'Structural Adjustment'."
[18] For the list of case studies, see Fantu Cheru, "Building and Supporting PRSPs in Africa: What has Worked Well so Far? What Needs Changing?" *Third World Quarterly*, vol. 27, no. 2 (March 2006): 355-76; A case study of Ghana does not appear in among the references in Cheru. However, it does echo the growing criticism that the foreign aid regime that the PRSP brings about in a highly indebted, aid dependent African country constrains democratic governance.

to design pitfalls in almost every aspect of the approach, it does conclude in a slightly hopeful manner, by noting that the "approach provides a unique opportunity for African governments to clarify their approach towards reducing poverty... and improve the ways in which development assistance is delivered."[19] Moreover, a strong state, according to Cheru, is as critical as the resources required for successful PRS implementation.

Alongside the general critiques of the PRSP, there also exist a number of studies that focus on individual components of the PRSP approach, from conditionality[20] to public expenditure management[21] to measurement of poverty[22] to the roles specific sectors play or could play in poverty reduction.[23] In this context, Teunissen and Akkerman provide a strong collection of nine papers resulting from the conference held at The Hague in 2004 as part of the Global Financial Governance Initiative of the Forum on Debt and Development, covering a wide range of topics related

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[19] Ibid., 372-3.

[20] Carten Hefeker and Katharina Michaelowa, "Can Process Conditionality Enhance Aid Effectiveness? The Role of Bureaucratic Interest and Public Pressure," *Public Choice*, vol. 125, nos. 1-2 (January 2005): 159-75.

[21] John Roberts, "Managing Development for Results: A Role for Result-Oriented Public Expenditure Management," *Development Policy Review*, vol. 22, no. 6 (November 2004): 623-51.

[22] Ray Kiely, "The World Bank and 'Global Poverty Reduction': Good Policies or Bad Data?" *Journal of Contemporary Asia*, vol. 34, no. 1 (March 2004): 3-20.

[23] Rural development - Deryke Belshaw, "Rural Development Strategies in Low Income Countries: Poverty Reduction, Productivity gains and Decentralization," in Joe Morris and Alison Bailey, *Rural Planning and Management* (Cheltenham, UK: Edward Elgar Publishing, 2001), 65-85; Health - Leontien Laterveer et al., "Pro-Poor Health Policies in Poverty Reduction Strategies," *Health Policy and Planning*, vol. 18, no. 2 (June 2003): 138-45.; Financial development - Hossein Jalilian and Colin Kirkpatrick, "Financial Development and Poverty Reduction in Developing Countries," *International Journal of Finance and Economics*, vol. 7, no. 2 (April 2002): 97-108; Mining - Scott Pegg, "Mining and Poverty Reduction: Transforming Rhetoric into Reality," *Journal of Cleaner Production*, vol. 14, no. 3-4 (2006): 367-87; Fisheries - Thorpe et al., "African Poverty Reduction Strategy Programmes and the Fisheries Sector: Current Situation and Opportunities," *African Development Review*, vol. 16, no. 2 (September 2004): 328-62.

to the components just mentioned but exclusively focusing on the IMF.[24]

Overall, the reviews - internal and external - present a split image of the PRSP approach. While most agree that PRSP has the potential of furnishing a real and valuable departure from the previous development practices of the two institutions, they also contend that the design and implementation of the new approach must undergo further reforms before the potential can be fully realized. Overall, the suggestions for reforms stress the need for less paper work, further easing of conditionality, lesser reliance on social expenditure indices, strengthening capacity to provide greater and more transparent feedback to potential borrowers during the preparation of PRSPs, conducting social impact analysis with a medium-term outlook, and more research on poverty measurement and its relation to economic growth.

4. What Do the Numbers Tell?

In this section, data on the lending activities of the IMF are examined, including the PRGF arrangements, with a view to addressing two sets of questions: first, how important is the PRGF to the IMF, and to the countries - in the context of development assistance? How different is it from SAF/ESAF, the facilities it replaced?; and second, what determines the size (the amount committed) of a PRGF arrangement? Can we explain or predict the amount a country can expect under an arrangement in terms of some broad macro-economic indicators or descriptors of the country?

[24] Jan Joost Teunissen and Age Akkerman, eds. Helping the Poor? The IMF and Low-Income Countries (The Hague: Forum on Debt and Development, 2005); A similar collection of articles from France is found in, Jean-Pierre Cling et al., eds., *New International Poverty Reduction Strategies*, Studies in Development Economics, no. 35 (London and New York: Routledge, 2003).

Table 1 below displays total outstanding credit by facility for all IMF members for the years (on calendar basis) 1984-2005, a period that fully covers the operations of both the SAF/ESAF and the PRGF. Table 2, on the other hand, shows the number of arrangements negotiated and the total amount committed during the year (financial year basis) for the same period of time.

Table 1. Total IMF Credit Outstanding for all Members, 1984-2005*
(in million SDRs)

Year*	GRA Purchases	SAF, TF, ESAF/ PRGF Loans	Total
2005	28432.143	6282.122	34714.265
2004	55373.767	6766.029	62139.796
2003	65032.063	6880.893	71912.956
2002	63601.059.	6868.671	70469.730
2001	53.477.225	6424.579	59901.804
2000	42990.531	6331.595	49332.126
1999	51061.862	6434.274	57496.136
1998	60451.017	6288.826	66739.843
1997	46559.034	6009.867	52568.901
1996	36127.473	5881.610	42009.083
1995	35929.173	5657.438	41586.611
1994	25611.677	4599.768	30211.445
1993	25196.745	3942.793	29139.538
1992	23967.173	3804.464	27771.637
1991	23378.574	3285.718	26664.292
1990	20731.851	2571.912	23303.763
1989	22315.104	2334.887	24649.991
1988	24750.005	1773.964	26523.969
1987	28751.979	1866.343	30618.322
1986	33.334.906	2013.170	35348.075
1985	35194.787	2470.248	37665.035
1984	34936.772	2769.875	37706.647

* As of December 31

Source: IMF Finances
<http://www.imf.org/external/np/fin/tad/extcred1.aspx>

After a sudden jump in both the level and rate of growth beginning in 1997, total outstanding credit is back at levels observed in the 1980s. Almost all of the intermediate growth, however, is accounted for by the change in activities associated with the General Reserve Account or the non-concessional facilities. The outstanding credit due to the concessional facilities has essentially stood still at about SDR 6.0 billion since 1997, the year SAF ended its operations. While this figure presently represents a share of roughly 20 per cent of the total outstanding credit, the average share of concessional facilities over the longer period from 1997 onward is closer to 10 per cent. Moreover, since the total outstanding credit under concessional facilities has stood still from 1997 onwards, the PRGF (2000-2005) has not been able to inject any more funding into the system on a longer-run basis than the ESAF had managed in its last three years of operation. This is at best minimal activity, considering the enormity of the problem of poverty.

The data of Table 2 furnish further support for the inference. Consider first the figures on the number of arrangements.

First, if one adds year by year the numbers in columns labelled SAF and PRGF, it at once becomes obvious that the number of concessional arrangements (negotiated yearly) has not altered in any significant manner from as far back as 1987, the year SAF/ ESAF came into existence.

Second, consider the number of arrangements negotiated yearly. Upon comparing numbers in the PRGF column for the years 1997-1999 (which really refer to the ESAF arrangements), with those corresponding to year 2000-onwards (and therefore belonging to the PRGF), no statistically discernible differences are found once again.

Next, examine the data with regard to the amounts committed. The relevant numbers suggest 28 ESAF arrangement for years

Table 2. Arrangements Approved, 1985-2005
(Financial Year Ending April 30)

Year	Number of Arrangements					Amounts Committed (in million SDRs)				
	Stand-by	EFF	SAF	PRGF*	Total	Stand-by	EFF	SAF	PRGF*	Total
1985	24	-	-	-	24	3218	-	-	-	3218
1986	18	1	-	-	19	2123	825	-	-	2948
1987	22	-	10	-	32	4118	-	358	-	4476
1988	14	1	15	-	30	1702	245	670	-	2617
1989	12	1	4	7	24	2956	207	427	955	4545
1990	16	3	3	4	26	3249	7627	37	415	11328
1991	13	2	2	3	20	2786	2338	15	454	5593
1992	21	2	1	5	29	5587	2493	2	743	8826
1993	11	3	1	8	23	1971	1242	49	527	3789
1994	18	2	1	7	28	1381	779	27	1170	3357
1995	17	3	-	11	31	13055	2335	-	1197	16587
1996	19	4	1	8	32	9645	8381	182	1476	19684
1997	11	5	-	12	28	3183	1193	-	911	5287
1998	9	4	-	8	21	27336	3078	-	1738	32152
1999	5	4	-	10	19	14325	14090	-	998	29413
2000	11	4	-	10	25	15706	6582	-	641	22929
2001	11	1	-	14	26	13093	-9	-	1249	14333
2002	9	-	-	9	18	39439	-	-	1848	41287
2003	10	2	-	10	22	28597	794	-	1180	30571
2004	5	-	-	10	15	14519	-	-	967	15486
2005	6	-	-	8	14	1118	-	-	525	1713

* Figures for 1989 and 1999 must be viewed as corresponding to SAF/ ESAF as the PRGF did not formally come into operation until 2000.

Source: IMF Annual Report, 2005.

1997-1999 for the total amount of SDR 3.65 billion, or an average arrangement size of approximately SDR 130 million, compared to 61 PRGF arrangements for years 2000-2005 for the total amount of SDR 6.41 billion or an average arrangement size of about SDR 105 million. Keeping in mind that the PRGF refers to more recent years and all of the figures are in current SDRs, it would not be incorrect to infer that the average size of a PRGF arrangement is smaller than that of an ESAF.[25]

Furthermore, by the end of 2004, only 55 of the 78 countries on List 1 had received PRGF funding. In terms of the data of Table 2, this computes to annual assistance of slightly over SDR 20.0 million per country. Whether this sum is compared to the average annual official development assistance (ODA) of US$ 492.89 million received by the 55 countries, or the total outstanding credit of slightly over SDR 6.0 billion to the average long-term debt (LTD) of nearly US$ 45 billion, the relative import of PRGF funding cannot be more than marginal, even for the poorest of the countries.[26]

Turning now to the second set of questions, I have estimated two fixed effects models, utilizing publicly available panel data for 55 countries spanning over five years from 2000-2004.[27] Not all panels are of equal size, however, because of missing data. Table 3 provides the basic description of the largest sample utilized and also furnishes the essential details on definitions, units of measurement, as well as the sources of data.

In contrast to the ordinary regression, a fixed effects model allows for taking into account unobserved heterogeneity arising from idiosyncratic nature of individual or groups of sample observations. There exist different ways of accomplishing the task, but the simplest and the most easily understood option perhaps is to introduce a sufficient number of appropriately defined dummy

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[25] The inference remains generally valid even if the comparison is pushed back to the start of the SAF facility. The fact that some large eligible countries (i.e. India, China, Nigeria, etc.) have so far chosen not to avail the facility may be a possible explanation.

[26] For LTD and ODA averages, see Table 3.

[27] For the suitability of the fixed effect model in the present context and its estimation, see W.H. Greene, *Econometric Analysis* (New York: MacMillan, 1990).

Table 3. Sample Description
(Number of Observations = 197)

Variable*	Mean	St. Dev.	Minimum	Maximum
CURRGDP	8219.7	144910	46.5	9610
GRGDP	4.3633	3.5907	-12.7	13.9
PCGNI	598.43	532.65	90	3370
EXPORTS	32.143	18.432	6.46	96.09
IMPORTS	46.172	21.965	14.81	116.14
LTD	44498.6	6590.9	148.0	56600.0
ODA	492.89	440.18	15.2	2220.0
POP	19.491	31.62	0.71079	152.0
DEBTSERV	12.43	11.944	0.69	104.55
PRGFARR	22.393	90.784	0	1030.0

* CURRGDP = current gross domestic product in million US$; GRGDP = annual growth in gross domestic product in per cent; PCGNI = per capita gross national income (Atlas method) in US$; EXPORTS = exports as a proportion of gross domestic product in per cent; IMPORTS = imports as a proportion of gross domestic product in per cent; LTD = Long-term (external) debt in million US$; ODA = official development assistance in million US$; POP = population in million; PRGFARR = amount committed under the PRGF arrangement in million SDRs.

Source: Computed by author from country specific data compiled from the internet databases of the OECD <http://www.oecd.org> and the World Bank <http://www.worldbank.org> (except for PRGFARR). Individual country data for PRGFARR from IMF Finances, <http://www.imf.org/external/np/fin/tad/extrep1.aspx>.

variables into the regression model - the approach I have opted for here.

Moreover, in the absence of any well-articulated theory, I have taken a heuristic approach to discovering the determinants (explanatory variables) of the size (amount committed) of a PRGF arrangement. In fact, the description of the PRGF (in section 2) suggested some obvious candidates: Gross domestic product (GDP) and/or population, the rate of growth, the state of the balance of payments and international reserves, the extent of poverty, the size of LTD and the ability to service it, the previous record at the IMF, and so forth. Data limitations, however, may preclude the use of some of these variables.

What exactly is our rationale behind such a list, and what can we expect about the direction of impacts of these determinants? Other things remaining equal, one would expect that the amount committed under an arrangement to stimulating growth and reducing poverty would be larger, the larger is the borrowing country; and GDP and population, individually or together, are obvious metrics of the size of an economy. And, if poverty reduction is to be achieved through stimulating economic growth, the slower the borrowing country has been growing, the greater would be the effort required to achieve a target rate of growth. In a similar vein, the extent of poverty is also likely to impact directly on the size of an arrangement. The rationale for including BOP is even more easily argued, for a BOP need is normally a necessary condition for securing IMF funding. The IMF, of course, expects to be repaid. LTD, ODA, the ability to service debt, as well as the extent of an economy's openness are all good indicators of the ability to repay. Under such a rationale, one would expect positive impacts for this set of variables. The previous record at the IMF, though easily conceptualized, is invariably difficult to measure, largely because relevant data are not always public. In what follows, I use the act of previous borrowing by the country under a SAF/ESAF programme as a proxy. At the very least, it will furnish us with some idea of the impact of previous utilization of an IMF concessional facility.

The first of our models utilizes highly aggregative data: means or averages over the sample period for all of the variables in the model. Such an approach results in a long-run relation as the impact of time is smoothed out. With high explanatory power (judged by the statistics of R^2 and adjusted R^2) it is often a good means to forecasting as well, though it does limit the number of fixed effects as the sample size can be severely curtailed.[28] Table 4 displays the outcome of our best estimation efforts in this regard.[29] In addition to the afore-mentioned explanatory variables, CDUM1 to CDUM4 are dummy variables representing fixed effects, respectively, for African, transitional, Caribbean and South American, and Central American countries, with the base regression referring to the Asian countries. SAFDUM is a dummy variable representing the participation of the countries in the sample in SAF/ESAF supported programs any time prior to the year 2000. HDI is the United Nations' Human Development Index, while HPI-1 is the UNDP Human Poverty Index. The last two variables could not be included in the calculations summarized in Table 2 for paucity of sufficiently detailed data.[30]

In interpreting these results, specification 1 may be viewed as the best outcome of the throw-in-the-sink approach. Although it does show great promise as a forecasting devise because of the high adjusted-R^2, it suffers from the econometric ills of multi-collinearity, especially among CURRGDP, LTD and POP. Specification 2 is the result of an attempt to get rid of or minimize the impact of multi-collinearity by replacing LTD and POP with ALTDSERV. The improvement in the explanatory power as well as the appearance

[28] In panel data, it will reduce the number of observation by a factor equal to the number of years in the panel.

[29] This, as well as all of the specifications to come, have been estimated by OLS using White's hetcov method.to account for any remaining heteroscedasticity in the error term.

[30] HPI-1 is a more general and desirable measure of human poverty than those of absolute poverty. The latest version has been calculated combining data, pertaining to different years over 2000-2005, on different aspects of poverty. For details and availability, see UNDP, *Human Development Report* (New York: United Nations Development Programme, 2005). HDI is also available for some years of the sample from the same source, while for other years, I have computed the figures using linear trend projection. This implies that for the country to be included in any of our estimation exercises, including those of the second model, HDI had to be available for at least two years.

Table 4. Explaining PRGF Commitments (Country Means)

Regressor	Specification 1		Specification 2	
	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value
CURRGDP	0.28869E-02	0.000	0.27467E-02	0.000
GRGDP	-0.74622E+06	0.463	-0.74873E+06	0.478
EXPORTS	0.13441E+06	0.667	0.18086E+06	0.538
IMPORTS	0.201418E+06	0.287	0.21112E+06	0.280
LTD	0.26165E-03	0.841		
DINRATIO+			-0.45985E+07	0.292
ODA	0.17355E-02	0.915	-0.20406E-02	0.797
ALTDSERV*	-0.29638E+06	0.179	-0.35760E+06	0.042
POP	-0.14556	0.632		
CDUM1	0.15288E+08	0.203	0.16522E+08	0.074
CDUM3	-0.23023E+08	0.161	-0.21477E+08	0.070
CDUM4	-0.32428E+07	0.817	-0.16416E+07	0.868
SAFDUM	0.24583E+08	0.000	0.26956E+08	0.000
HDI	-90.121	0.581	-56.975	0.718
HPI-1	-0.35285E+06	0.335	-0.47861E+06	0.068
CONSTANT	-0.15626E+08	0.256	-0.72690E+07	0.612
Adjusted R^2/N	0.8266/36		0.8359/36	

* CURRGDP = current gross domestic product in million US$; GRGDP = annual growth in gross domestic product in per cent; PCGNI = per capita gross national income (Atlas method) in US$; EXPORTS = exports as a proportion of gross domestic product in per cent; IMPORTS = imports as a proportion of gross domestic product in per cent; LTD = Long-term (external) debt in million US$; ODA = official development assistance in million US$; POP = population in million; PRGFARR = amount committed under the PRGF arrangement in million SDRs.

Source: Computed by author from country specific data compiled from the internet databases of the OECD <http://www.oecd.org> and the World Bank <http://www.worldbank.org> (except for PRGFARR). Individual country data for PRGFARR from IMF Finances, <http://www.imf.org/external/np/fin/tad/extrep1.aspx>.

of additional significant variables assures us that it is not only the better specification, but perhaps the best that can be achieved under the circumstance.

What does it say, however, about the design and implementation of the PRGF? The positive and highly significant coefficients

Table 5A. Explaining PRGF Commitments (Panel Data)

Regressor	Specification 3		Specification 4		Specification 5		Specification 6	
	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value
CURRGDP	0.21322E-02	0.383	0.13795E-02	0.298	0.11958E-02	0.396	0.11418E-02	0.374
GRGDP	-0.30850E+07	0.123	-0.31281E+07	0.127	-0.41084E+07	0.153	-0.40413E+07	0.123
POP	-47405	0.604						
EXPORTS	0.65399E+06	0.073	0.70586E+06	0.074	0.72658E+06	0.082	0.81452E+06	0.051
IMPORTS	-0.11677E+06	0.691	-0.11078E+06	0.685	-58113	0.893	-86506	0.748
LTD	0.14812E-03	0.824						
DINRATIO			0-.21405E+07	0.401	-0.27819E+07	0.390	-0.19712E+07	0.476
ODA	0.64916E-01	0.089	0.57128E-01	0.051	0.71319E-01	0.046	0.71965E-01	0.042
DEBTSERV	0.94539E+06	0.017	0.10300E+07	0.020	0.11357E+07	0.003	0.11168E+07	0.012
YDUM1	0.34320E+08	0.092	0.34656E+08	0.095	0.36255E+08	0.113	0.36130E+08	0.116
YDUM2	-0.75397E+07	0.505	-0.66361E+07	0.556	-0.76122E+07	0.544	-0.74239E+07	0.551
YDUM3	0.13052E+08	0.388	0.14495E+08	0.312	0.16210E+08	0.342	0.16298E+08	0.321
YDUM4	-0.23497E+08	0.143	-0.20156E+08	0.143	-0.23376E+08	0.159	0.23354E+08	0.145
CDUM1	-0.34256E+07	0.791	-0.22110E+08	0.866	-85907	0.995	-0.39865E+07	0.784
CDUM2	0.12944E+08	0.354	0.15495E+08	0.329	0.14293E+08	0.693	0.17492E+08	0.350
CDUM3	-0.34288E+08	0.085	-0.30252E+08	0.069	-0.39884E+08	0.109	-0.38149E+08	0.053
CDUM4	-0.28689E+08	0.278	-0.20823E+08	0.321	-0.32761E+08	0.201	-0.27995E+08	0.233
SAFDUM					0.12782E+08	0.695		
HDI					0.35557E+08	0.686		
CONSTANT	-0.35278E+8	0.207	-0.37506E+08	0.220	-0.71721E+08	0.172	-0.42150E+08	0.181
Adjusted R^2/N	0.1456/196		0.1479/196		0.1452/176		0.1537/176	

of CURRGDP, CDUM1 and CDUM3 and SAFDUM are mostly in line with our expectations and the design of the facility. Other things remaining equal, the larger countries, African countries, Caribbean and the South American countries have received, on average, more funding from the facility than those in Asia or Central America. Similarly, the positive and very highly significant coefficient of SAFDUM may be interpreted as suggesting - as argued above - that the IMF as a lender is simply responding in a positive manner to the demonstrated need and previous record of the borrowing country. But the coefficient can also be as easily

Table 5B. Explaining PRGF Commitments (Panel Data)

Regressor	Specification 7		Specification 8	
	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value
CONSTANT	-0.75571E+09	0.269	0.53527E+07	0.948
CURRGDP	-0.72594E-02	0.462	-0.65699E-02	0.002
GRGDP	-0.10187E+08	0.505	-0.42621E+07	0.650
EXPORTS	0.86951E+07	0.505	-0.12121E+07	0.707
IMPORTS	-0.45067E+7	0.247	-0.51732E+07	0.870
DINRATIO	0.61453E+09	0.012	-0.33702E+08	0.660
ODA	0.44388	0.178	0.19835	0.001
DEBTSERV	0.17059E+08	0.257	0.15046E+08	0.004
YDUM1	-0.17498E+09	0.000	-0.16450E+08	0.027
YDUM2	-0.71225E+08	0.121	-0.72546E+08	0.286
YDUM3	-0.17569E+09	0.021	-0.11800E+08	0.163
YDUM4	-0.87752E+08	0.434	-0.67902E+08	0.527
CDUM1	0.37767E+08	0.672	0.56958E+08	0.429
CDUM2	0.78481E+09	0.075	0.19077E+09	0.131
CDUM3	0.13071E+10	0.081	-0.54241E+08	0.850
CDUM4	0.24891E+10	0.001	0.16607E+10	0.397
SAFDUM	0.76178E+09	0.254		
HDI	0.40351E+09	0.645		
Significant Interactions				
INTY1GDP	0.71858E-02	0.051	0.60633E-02	0.006
INTY3GDP			0.28312E-02	0.094
INTC1GDP	0.43403E-02	0.039	0.94520E-02	0.007
INTC4GDP	0.12471E-01	0.008		
INTY4GR	0.14990E+08	0.002		

interpreted by the sceptics as simply signalling the continuation of its erstwhile concessional facility under a different name. The results of Table 2 also contain a couple of surprises that are likely to add to such suspicions. The negative and equally highly significant coefficient of ALTDSERV, for instance, would seem to contradict the usual expectation that greater relative ability of a borrower to service its debt is likely to result in higher average funding. The result that is the most surprising and damaging to the PRGF is the negative and significant coefficient of HPI-1, for it implies that, other things remaining equal, the relatively poorer countries in the sample have so far been granted on average smaller amounts of development support. This cannot speak well of the performance of the facility so far.

The second model uses the entire panel data, substantially widening the scope of the fixed effects. In addition to the group dummy variables already used, the model incorporates year dummies as well as all of the resultant interaction dummies to explore the entire range of possible fixed effects. Such a model is essentially a short-run model and is generally not expected to exhibit high explanatory power. However, it is much better suited to exploring, through various interconnections, how a particular explanatory variable ultimately comes to bear upon the entity one is trying to explain, the size of a PRGF arrangement in our case. Tables 5A and 5B display a few of the different specifications attempted, largely for representing the methodological progress of our estimation exercise. Table 5A includes the results on four specifications, which progressively build on the two specifications of model 1 by introducing four additional fixed effect dummy variables - YDUM1 to YDUM4 - for the four years 2001- 2004. Consequently, the base regression refers to the results for the year 2000.[31] Table 5B, on the other hand, contains results on only two specifications, obtained by extending, respectively, specifications 5 and 6 by including the full spectrum of interaction dummies.

At first read, the results of Table 5A appear to be disappointing; the explanatory power is low for all of the specifications and the number of statistically significant variables is also not very large for any of the specifications. The best specification appears

[31] The variable HPI-1 had to be dropped for lack of data as explained in the preceding footnote.

to be specification 6.[32] A closer look at the results, however, does offer some encouragement. Except for CDUM1, which now has a negative co-efficient, the signs of the co-efficients for all of the other variables are not altered, even though the level of statistical significance for some of them is appreciably reduced. Moreover, the statistical significance of some of the additional variables (i.e. GRGDP, EXPORTS, ODA, YDUM1, YDUM4 and CDUM3), without contradicting the conclusions reached in the context of model 1, suggests that we may be on the right track.

This is well confirmed by the results displayed in Table 5B as both specifications 7 and 8 more than double the explanatory power of our model.[33] Which of the two specifications provides a better explanation, however? In terms of the usual criterion of striking a balance between the explanatory power and the number of statistically significant variables, I prefer specification 7.[34] In choosing the specification, the resultant loss of explanatory power, in our view, is minimal compared to the gain in the number of significant determinants, especially in the category of fixed effects.

What does specification 7 reveal about the PRGF? At the general level, the overwhelming predominance of statistically significant fixed effects would suggest that in allocating PRGF funds the unobserved specifics of countries and the timing of arrangement have perhaps been more important than the broad macro-economic

[32] Specification 6 is essentially the same as specification 4 estimated using a smaller sample. This is the result of our desire to also explore the impact of the variables SAFDUM and HDI. As HDI is not available for all years and countries in the sample, I was forced to estimate specification 5 with a smaller sample. Specification 6 is simply a re-estimation of specification 4 with the smaller sample to keep the two alternate specifications comparable.

[33] Given the large number of the interaction dummy variables, I have chosen to list in the table only those that turn out to be highly significant.

[34] It is noteworthy, however, that the implications of specification 8 are broadly in agreement with those of the preferred specification.

indicators of model 1.[35] But care must be taken in correctly interpreting the implications of the various fixed effects before extending this inference to specific sub-samples, for the impact of a macro-economic indicator (i.e. DINRATIO) could be different for each group of countries and year in the presence of interaction effects. For example, if the interaction effects are ignored, the positive coefficient of DINRATIO would imply that among the Asian countries that received PRGF funding in the year 2000, higher debt-income ratio generally translated into a relatively larger arrangement. But the presence of a large and negative coefficient of the interaction dummy INSAFDUM suggests that the inference is valid only for those countries that have never used the SAF/ESAF. As regards the Asian countries that did participate in the SAF/ESAF supported programs in the past, the relation between the size of the PRGF arrangement and the debt-income ratio is in fact just the reverse of that discovered in the absence of the interaction effects. Thus, just because a macro-economic determinant does not have a significant co-efficient attached, it does not automatically lose its importance or significance in particular circumstance.

6. Concluding Remarks

In the preceding sections, I have had a long, critical look at the IMF's latest concessional facility, the PRGF. I have examined its objectives, its design, as well as the underlying development strategy. I have tried as well to draw a quantitative picture of the extent and nature of its lending operations. What conclusions, if any, can be drawn from this analysis towards the larger question posed in the title of the paper?

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[35] This may be a source of comfort for the IMF as it is contrary to the broadly held view - among policy makers, the civil society and the academe - that the IMF staff rarely pays much attention to the special character, circumstance or needs of the borrowers.

To begin, the major findings from the existing literature should be consulted. First and foremost, in spite of differences in the vantage points chosen and the theoretical constructs or methodologies used, a majority of the researchers, reviewers and other interested observers generally grant that the PRGF and the underlying PRS do contain the potential of a genuine and desirable move away from the failed development practices of the past, even though the success so far has generally fallen well short of expectations.

Next, the majority of observers also agree that the observed lack of performance is mainly visible in the most desirable aspect of the new development strategy, namely, the national ownership of the borrowing country's PRS. The problem lies, the critics argue, in the failure of the IMF staff to be more proactive in assisting governments to broaden the scope of the participatory process during the preparation of a PRSP. Moreover, the policies and programmes detailed in most PRSPs have generally been very similar, exhibiting little contribution of country specific characteristics or circumstance. This is most easily witnessed by the little attention paid to the role of specific sectors in poverty reduction.

Yet another major source of the problem, upon which there appears to be broad agreement as well, is conditionality. While there have been some identifiable improvements over past practices - fewer and mutually agreed upon indicators of success and a clearer demarcation of responsibilities between the IMF and the World Bank - they have not been able to generate a general sense among the borrowers that the actual practices today are any different from the days of structural conditionality under SAPs. Too much emphasis on demonstrable increases in various social expenditures over too short time intervals, to the exclusion of medium term budgetary outlook, are practices that have been singled out for further reforms even by the internal reviews.

Finally, the success of PRGF supported programmes seems to have also suffered from in-house capacity constraints, generally leading to an inability on the part of IMF staff to inform the wider debate at other relevant institutions or involve, in a significant manner, bilateral donors to the programme.

There are a number of implications that can be observed from the data and analysis presented above. First, as regards the extent of the lending activity, the PRGF has been issuing an annual credit of approximately SDR 1.0 billion since its inception. As noted in section 4, this is minimal activity. Its importance to the overall lending operations of the IMF or to the borrowers' development budgets can at best be marginal. No wonder that only about two-thirds of the eligible countries have chosen to make use of the facility, and almost all of the larger poor countries have chosen to stay away.

Second, the level of activity has also not shown any improvement - be it in total outstanding credit, in the number of yearly arrangements, or in the average size of the arrangement - over SAF/ESAF, at least since SAF was closed down. In fact, the average amount committed per arrangement under the PRGF is lower than that under SAF/ESAF. Moreover, the results of the fixed effect model 1 suggest that if a country does not have a record of previous borrowing from SAF/ESAF, the amount of credit per arrangement it may expect would be even smaller. Does this imply that the PRGF is simply a continuation of the SAF/ESAF, as some critics contend? Perhaps not, but it is a position that would be increasingly difficult to hold as there are no plans to substantially enhance the size of PRGF lending activity in the future.

Next, the results relating to the fixed effect model 1 also imply (at least at the aggregate level) an inverse relation between the average size (over time) of an arrangement and the Human Poverty

Index (HPI-1). This suggests that the relatively poorer among the poorest have not accessed the facility on expected levels. While it may not pull the rug out from under the facility, this issue does sound the alarm that there is something wrong with the current operations of the facility.

Finally, something positive and a little more hopeful about the facility. The results of model 2 suggest that the fixed effects, and especially the interaction effects, are the more predominant determinants of the size of a PRGF arrangement than the broad macro-economic indicators. While the finding is really counter to the common criticism that the PRSP approach has not paid much attention to country specific characteristics or circumstance, it does not vitiate the long-run implications drawn from model 1.

Given the long list of shortcomings of the PRGF enumerated above, one is hard pressed not to wonder if the IMF should have any role at all in development financing. The principle of comparative advantage would suggest an answer in the negative, perhaps assigning the task to its Bretton Woods twin. The IMF is presently operating in a very different environment than in the past. There has been a general decline in its clientele and it currently faces the possibility of a deficit for the first time in its history. Lean times lead to desperation. But the minor financial activity associated with the PRGF is unlikely to make the IMF any more relevant. Yet, the IMF is too important an institution to be closed down entirely as some have recommended. Perhaps, it will help its cause better if it were to concentrate on tasks that are more reflective of its traditional mandate, namely, the provision of short-run liquidity and global financial stability, through enhanced surveillance of exchange rates and impending financial crises.

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The Centre for International Governance Innovation
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57 Erb Street West
Waterloo, Ontario, Canada N2L 6C2
tel +1.519.885.2444 fax +1.519.885.5450
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