

**IMPLEMENTATION OF POVERTY REDUCTION STRATEGIES IN THE NIS**  
**GLOBAL EXPERIENCE WITH**  
**PRSP IMPLEMENTATION**  
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(FOR INPUT INTO SYTHESIS REPORT)

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## ACRONYMS AND ABBREVIATIONS

AsDB	Asian Development Bank
APR	Annual Progress Report
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
DfID	Department for International Development (UK)
EDPRP	Economic Development and Poverty Reduction Programme (Georgia)
EGPRSP	Economic Growth and Poverty Reduction Strategy Paper (Moldova)
GNI	Gross National Income
HPIC	Highly Indebted Poor Country Initiative
IDA	International Development Association
IEO	Independent Evaluation Office
IMF	international Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
MDG	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NIS	Newly Independent States
NPRS	National Poverty Reduction Strategy (Kyrgyz Republic)
ODA	Official Development Assistance
OED	Operations Evaluation Department
PEM	Public Expenditure Management
PER	Public Expenditure Review
PIP	Public Investment Programme
PIU	Project Implementation Unit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSTF	Poverty Reduction Strategy Trust Fund
PSIA	Poverty and Social Impact Assessment
SPPRED	State Programme on Poverty Reduction and Economic Development (Azerbaijan)
SWG	Sector Working Group
TA	Technical Assistance
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme

## **PREFACE**

EC-PREP is a programme of research to enhance collaboration between the European Commission and the UK Department for International Development (DfID). Its objective is to enhance the poverty impact of the European Community's development assistance and contribute to achieving the International Development Target of halving the number of people living in extreme poverty by 2015. DFID has assigned £1,750,000 to EC-PREP for research projects which will be funded on a competitive basis. A further £250,000 has been set aside to fund Commissioned Studies. The Studies are designed by DFID or the European Commission and aim to respond to specific and topical issues.

This document has been prepared as an input into the EC-PREP commissioned study "Implementation of Poverty Reduction Strategies in the NIS". PRSPs are being prepared by seven Newly Independent States (NIS) of the former Soviet Union and, of these, five countries have completed full PRSPs and have started implementation. This overall study will identify the key challenges facing NIS governments in implementing full PRSPs and set out recommendations for addressing them. The purpose of the study is to provide useful insights to be used by the EC in the policy dialogue with partner governments in the NIS on PRSPs, and as input for the preparation of the next generation of Indicative Programmes (2007-12) and for the development of Action Programmes from 2004 onwards.

The consulting process involves the preparation of (a) five desk studies (Azerbaijan, Georgia, Moldova, Tajikistan and Uzbekistan); (b) two in-depth case studies (Armenia and the Kyrgyz Republic); (c) a study examining global experience with implementation of PRSPs (d) a synthesis report bringing together the findings, lessons and recommendations from the other reports.

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## 1. OVERVIEW

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### 1.1 THE POVERTY REDUCTION STRATEGY (PRS) PROCESS

In December 1999, the Executive Boards of the International Monetary Fund (IMF) and World Bank approved a new policy instrument, the Poverty Reduction Strategy Paper (PRSP), designed to serve as a framework document for concessional lending. Specifically, PRSPs were intended as a basis for external debt relief under the Heavily Indebted Poor Country Initiative (HIPC), begun in 1996 and ‘enhanced’ through more generous terms in 1999. Since the launching of the idea of the PRSP in 1999 there has been some discussion as to the meaning of the terms and its appropriateness. Clearly the term “paper” is inappropriate to describe what is essentially a process but also an approach set within a set of principles. The World Bank has started to use “Poverty Reduction Strategy Initiative” to describe the whole process (for example in the 2004 OED evaluation of the PRS[P] process) but also uses “Poverty Reduction Strategy Paper Initiative” (for example in chapter 1 of the same OED document). The IMF IEO (2004) on the other hand uses “Poverty Reduction Strategy (PRS) Approach” and only uses PRSP when referring to the document itself.

The PRSP process is envisaged as a new partnership based approach to the challenge of reducing poverty in low-income countries. Nationally-owned poverty reduction strategies are to be at the heart of the new approach. Following its mandate to integrate the objectives of poverty reduction and growth more fully into its operations in its poorest member countries, the IMF established the Poverty Reduction and Growth Facility (PRGF) in 1999, replacing the Enhanced Structural Adjustment Facility. Programmes supported by the PRGF and IDA (International Development Association, the World Bank's concessional window) must be framed around a comprehensive, nationally owned PRSP prepared by the borrowing country. The PRSP is then endorsed in their respective areas of responsibility by the Boards of the IMF and World Bank as the basis for the institutions' concessional loans and for relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The PRSP approach also stresses the underlying principle that national poverty strategies should foster domestic and external partnerships that improve the effectiveness of development assistance. Many bilateral donors have also joined the partnership in support of the PRSP approach.

The declared objective of the PRSP (as enunciated by the World Bank and IMF) is “*to assist low-income countries in developing and implementing more effective strategies to fight poverty (that is, strengthening the poverty impact of public actions, including policies and spending) through supporting and sustaining a country-driven Poverty Reduction Strategy process*” (WB/OED 2004). Other major features of the PRSP are that it should be an analytical framework, integrating macro-economic, structural, sectoral and social considerations, it should lay out a set of poverty reduction

measures and policies, and should span an initial three-year time frame. They should also be results-oriented, particularly with respect to long-term international development goals. These goals are addressed in the five main principles of Poverty Reduction Strategy (PRS) documents, the so-called Comprehensive Development Framework (CDF) Principles:

- *Country-driven*, involving broad-based participation
- *Comprehensive* in recognizing the multi-dimensional nature of poverty
- *Results-oriented* and focused on outcomes that benefit the poor
- *Partnership-oriented*, involving coordinated participation of development partners
- Based on a *long-term perspective* for poverty reduction.

Since its initiation, the PRS process has evolved considerably in both form and content, as implementing governments, the international financial institutions and donor agencies have learned from experience. Practice evolved as the multilateral and bilateral development agencies embraced poverty reduction strategies as a foundation for their development cooperation programmes. Governments of developing countries hoped that the PRSP offered a fresh approach to confronting the problem of poverty that would be linked to an effective macroeconomic framework and a participatory process. As the international development community embraced the principles of the PRS process, there was a move toward coordinating all development initiatives within the framework of the PRSP. This means that bilateral, multilateral and international financial institutions have made a commitment to ensuring that all their programmes of supporting less developed countries are aligned with a country-driven PRS process.

The PRS process is also explicitly linked to the Millennium Development Goals (MDGs) which established targets for reduction of poverty. In April 2003 the UN Development Group and the World Bank issued a joint letter setting out how the MDGs relate to the PRS process. It states that “*for over 70 of the poorest countries, the PRSP will constitute the primary strategic and implementation vehicle to reach the MDGs*”. At country level donor agencies are making some effort to ensure that their programmes are linked to the PRSP. This includes the EU Country Strategy Papers and the United Nations Development Assistance Framework (UNDAF). Section 3.8 examines donor responses to, and support of, PRSP implementation in more detail.

## **1.2 GLOBAL STATUS OF THE PRS PROCESS**

The set of actual and potential PRSP countries has expanded, from HIPC relief countries, to all IDA borrowers (for which a PRSP is necessary for a Bank programme and concessional IMF lending), to

middle income countries (for example, Indonesia). In terms of process, the PRSP countries can be divided into four major categories:

- *PRS Plus*: In this category are those countries which were the earliest to complete full PRSP and have begun to implement policies and programmes in their PRSPs. Some have produced PRSP Annual Progress Reports (PRSP APRs).
- *PRSP*: These countries completed their PRSPs more recently and are still in the initial stages of implementation. This group includes almost all the NISs in our study.
- *I-PRSP*: Those countries whose I-PRSPs have been presented to the IMF/World Bank and are yet to complete the full PRSP.
- *Non-participants and nominal participants*: This last group are those that have not begun the I-PRSP process, but may do; which have suspended or abandoned the process (e.g. Angola); or reached an agreement with donors and lenders that some national planning documents would be accepted as the I-PRSP and PRSP (for example, India).

As at end-July 2004, forty countries had completed full PRSPs and forty-nine completed I-PRSPs (see Table 1 below). A table of the status of the various countries is found in Annex 2. Given the time required to prepare a PRSP a number of the early starters are now preparing or have produced second generation PRSPs (including Bolivia, Burkina Faso, Nicaragua, Tanzania and Uganda).

<b>Table 1: Summary of Progress of Implementation by Regions (APR=Annual Progress Report)</b>						
<b>World Bank Region</b>	<b>Countries</b>	<b>I-PRSP</b>	<b>PRSP</b>	<b>APR 1</b>	<b>APR 2</b>	<b>APR 3</b>
Africa	29	26	20	12	5	3
East Asia Pacific	4	4	3	1	0	0
Europe and Central Asia	10	10	8	3	1	0
Latin America Caribbean	5	5	4	2	1	0
Middle East and North Africa	2	2	2	0	0	0
South Asia	4	2	3	0	0	0
<b>TOTAL</b>	<b>54</b>	<b>49</b>	<b>40</b>	<b>18</b>	<b>7</b>	<b>3</b>

Source: World Bank list of Board Presentations of PRSP Documents as at July 31, 2004  
<http://www.worldbank.org/poverty/strategies/boardlist.pdf>

### **1.3 STATUS OF LEARNING FROM AND EVALUATION OF PRSP IMPLEMENTATION**

While there has been significant evaluation of the PRSP process there has been less emphasis on implementation of the PRSP papers i.e. actual implementation of public actions outlined in the document, as opposed to the content of the documents themselves. It is possible to distinguish a number of different types of evaluation or study or sources of information:

**(a) PRSP Reporting Framework:** Governments should prepare Annual PRSP Progress Reports within 12 months after preparation of a PRSP in order to assess progress toward PRS goals and

intended policy/program reforms. As mentioned, these reports also allow governments to make adjustments to PRSPs in response to changing macroeconomic conditions, etc.

**(b) Major Reviews of the PRS Process:** The IMF and IDA have been dominant in undertaking major reviews of the PRSP process although they draw extensively on the reports of other international partners as well as the outputs from the PRSP reporting process at the country level. At a global level the World Bank and IMF have the institutional mandate to prepare joint progress reports of the PRS process, the most recent being September 2003. **Evaluation Evaluations of Roles in Process – Donors:** The roles of different groups in the PRSP process has been well evaluated. The first set of such evaluations concerns the role of different donors in the process.

**(c) Evaluation of Roles in Process – Domestic Groups:** The second set of evaluations of roles in the process concerns the roles of specific groups of domestic stakeholders outside of government. The political economy of the PRS process has received increasing attention. This is especially true for issues that at the early stages either received little attention, or were treated in a narrow technocratic manner. These include participation of civil society, fostering private sector business involvement, and seeking parliamentary review and consent.

**(d) Evaluation of Specific Issues within the PRSP Document:** A fourth type of evaluation has examined the degree to which specific sectors and themes have been included in the PRSP documents. Gender has been a major area of study as, more recently, has trade.

**(e) Technical Aspects:** Evaluating technical aspects of the PRSP has also been popular and two issues have attracted significant attention: PRSPs and the MTEF, and M&E

**(f) Country Studies and Regions:** A final approach has been the country study. This approach has often been used in the above types of evaluation but on occasion a comprehensive study of the PRSP process in one country or region has been undertaken.

### **Initiatives to disseminate the lessons and findings**

A number of other initiatives have been established to create opportunities for learning from PRSPs across countries. These include research on the PRS process, and workshops at national, regional and global level. For example, the World Bank Institute and the United Nations Economic Commission for Africa have provided opportunities for African countries to exchange ideas and experience. Some workshops are more technical (e.g. statistics and data for poverty reduction), while others have had a sector specific focus (water sector poverty reduction initiatives); monitoring and evaluation of PRSPs by national stakeholders, bilateral donors and the international financial institutions; and electronic

forums (e.g. DevForum, E-Discussions, an electronic venue for dialogue and knowledge-sharing among members of the development community).

## **1.4 PURPOSE AND STRUCTURE OF THE REPORT**

The purpose of this report is to identify a set of findings and lessons learned from global experience with implementation of the PRSP process. The Synthesis Report will bring together the global experience identified in this document with the specific needs and issues related to the Newly Independent States (NIS).

This report uses the basic analytical framework set out in the study terms of reference (see annex 3). The ToR defines two sets of factors: Challenges and issues within a number of domains.

Within this report, these challenges are examined in the sense of being good features of the PRSP. The challenges are therefore to achieve these good features of the PRSP. A valid question is whether these features are sufficient to ensure implementation of the PRSP or if there are other features or issues that would also need to be addressed. The document attempt to identify these other features or issues.

The set of features (and corresponding challenges) are in turn affected by a number of constraints.

The features/challenges and the issues/constraints are obviously related and there was some confusion over what each meant. Annex 3 has more information on the interpretation of each within the analytical framework.



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## 2. CHALLENGES TO EFFECTIVE PRSP IMPLEMENTATION

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### 2.1 PRS IMPLEMENTATION

#### **What is implementation?**

In this paper, the acronym PRS (Poverty Reduction Strategy) will be used with ‘process’ to refer to chronology and dynamics associated with the design, writing and implementation of a country’s poverty strategy. The acronym PRSP (Poverty Reduction Strategy Paper) refers to the document that is the outcome of one stage in the process. This distinction draws attention to the nature of the process, whose long-term purpose is poverty reduction, not the generation of a series of documents. Implementation can refer to the PRS Process or the PRSP. Implementation of the PRSP refers to undertaking the set of priority actions and policies contained in the PRSP document. Implementation of the PRS refers to implementation of the PRSP and the whole cycle of development, monitoring and revising a PRSP.

This study examines the implementation of the PRS from the moment of approval of the PRSP itself. Implementation of the PRS process in this respect means (a) implementing the PRSP itself (i.e. undertaking the actions it contains in its plan of action) (b) learning from the results of the actions, and (c) amending the strategy and actions accordingly. These amendments will occur regularly, perhaps on an annual basis, although it is possible that amendments of certain sector or thematic policies and interventions could occur on a more ad hoc basis as appropriate. It is likely that every three years this would lead to a significant change in the PRSP document itself. The study is therefore focussed on process and not the contents of the PRSP. In terms of the contents the interest is only on those elements that affect implementation (for example capacity building or budget system reform).

Although implementation, as defined for this study, should begin immediately after approval, whose approval is referred to: government or the Boards of the IDA and IMF? The timing of approval also has implications for implementation as it will effect integrated into the annual budget, a document usually prepared according to a strict timeframe. If the initial PRSP development process was not integrated into the budget development process then inclusion of some public actions included in the PRSP may inevitably have to wait until the next budget. Even in this situation much of the PRSP may have been inherited from ongoing programmes and strategies and this may give the impression of greater integration (in terms of the budget implementing activities included in the PRSP) than may be the case in reality.

### **Is the PRS process being implemented? How can we tell?**

Within the PRS approach, the Annual Progress Report (APR) is the main tool for examining the degree of implementation. It is meant to support monitoring of the PRS process in support of the practical aspects of process management but also to support greater accountability. Although there is no explicit section defining the purpose of the APRs in the World Bank's PRSP Sourcebook, the World Bank Guidelines for a Joint Staff Assessment (JSA) of the Progress Report are quite clear in the structure and role of the document in the PRS process. They suggest the following:

- The APR should be produced annually and get feedback from the World Bank/IMF through a PR JSA (also for World Bank/IMF operational decisions)
- So as to minimise administrative burden the reports should be integrated with regular government processes
- The timing should be flexible so as to fit in with national reporting and decision making processes

The World Bank/IMF JSA guidelines set out the following key questions on the PR which indicate what it expects a good PR to look like:

- Does the progress report provide sufficient information and analysis regarding the achievements and shortfalls experienced to date with respect to the poverty targets, priority public actions, and the monitoring and evaluation systems as set forth in the PRSP?
- Does the progress report propose any important changes in the strategy and, if so, are these changes appropriate in light of implementation experience to date, changes in exogenous factors, and new data and analysis regarding poverty and its determinants?
- To what extent has the government used its annual progress report to inform and/or involve domestic stakeholders and partners regarding implementation and to build support for its strategy?

While the focus on the results will help us understand the outcomes and impacts of various actions, it is also important to monitoring the delivery of inputs and outputs representing these actions<sup>1</sup>. The actions may produce a very favourable result only if implemented. Two indicators are therefore useful in examining the degree of implementation of the PRS process (as defined above in the context of this study): First, the resource allocations to the various public actions set out in the PRSP document, and; second the amendment of the document based on evaluative evidence (in other words, the degree to which the PRSP is truly a "living document").

The WB/OED 2004 evaluation (p24) suggests that the APRs have "*Strengthened the PRS process by increasing the relevance of the strategy and providing a yardstick for accountability*". Examples included:

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<sup>1</sup>Using the following monitoring terminology : Inputs ➔ Outputs ➔ Outcomes ➔ Impacts (of which the last two are results)

- Ethiopia, where production of the APR increased the government's focus on monitoring and evaluation and resulted in a comprehensive plan for monitoring
- Albania, where the APR was used to revise and update PRSP objectives. It was also used to align the PRS process with the MDGs as well as the European Union accession process.

## 2.2 WHEN WILL A PRSP BE IMPLEMENTED?

International experience has found that there is a key set of features of an effective PRS framework that allow and support effective implementation (in the sense defined above). Developing this set of key features is the challenge faced by many governments and the lack of these features is the main reason for poor implementation (the next section looks at the issues that determine whether these features are in place). These have tentatively been identified as the following<sup>2</sup>:

- The depth of integration of the PRSP in the budget process including both the annual budget and medium-term budget planning instruments (for example a medium-term expenditure framework).
- The existence of sector strategies/work plans with clear priorities in the PRSP framework and the extent to which the PRSP is the focus of the national development planning framework.
- The extent to which indicators, monitoring and feedback arrangements have been put in place and utilized effectively.

These three features relate to the three main tools for implementation ie (a) the budget system, (b) clear plans of action and (c) monitoring system. These should be reflected in the PRSP document and set out in a clear manner that all stakeholders can understand. All three are important and are interconnected. Without clear priorities and sectoral strategies/programmes then costing and budget preparation will be difficult. At the same time well prepared strategies and priorities will not be implemented if they are not integrated into the budgeting process or are poorly costed. Without adequate feedback arrangements implementation will not be effective.

In a similar way, the IMF sets out its vision of implementation of the PRS process in its IEO evaluation (IMF 2004 p123) *“The process was expected to lead, over time, to the establishment of an operationally meaningful growth and poverty reduction strategy composed of:*

- *strategic guidance, or a “road map,” for setting priorities and resolving tradeoffs between competing objectives; and*
- *working institutional arrangements for implementing, monitoring and updating this road map.”*

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<sup>2</sup> The 3 challenges were identified in the project Terms of References and subsequently amended following discussions with the EC during the inception phase.

But this vision for implementation does not seem to have been achieved. The IMF IEO evaluation of the PRS process reports that on examining the case studies the following messages emerge:

- *To date, no country has both components of such an operational framework. Vietnam comes closest, but the development plan—rather than the PRS per se—provides much of the strategic framework.*
- *Progress is being made over time in some countries (e.g., Mozambique and Tanzania) to put in place the institutional arrangements for implementing/updating the strategic roadmap.*
- *More generally, the three-way linkage between the PRSP, medium-term expenditure framework, and budget is typically poor, reflecting some combination of limited costing and prioritization in the PRSP and the generally poor state of public expenditure management (PEM). Of these, the PEM weaknesses are probably the most fundamental challenge, requiring comprehensive institutional reforms and capacity improvements without which any enhanced prioritization in the PRSP will remain wishful thinking.*

In addition to the key features of the PRS process that will facilitate implementation, it is important to identify the necessary context for effective implementation. Are there contextual factors that will influence the success of PRS implementation? If so then no matter how well the PRS is designed and no matter how significant are the features of a good PRS, the process will not be implemented. Nepal provides a good example of where a “good” PRSP (in terms of having the right kind of features) is not being implemented as a result of a context that is unsuitable, in this case serious conflict in parts of the country (Weeks et al 2003).

An alternative way of looking at this is to say that the PRS and the PRSP should take into account the fact that contexts change. Shocks and significant changes in context occur and are possibly characteristics of those countries that engage in the PRS process. A “good” PRSP should therefore take them into account through (a) scenarios (b) risk reduction. For example, a PRSP should develop scenarios for macro-economic performance or should include activities aimed at disaster prevention and mitigation or conflict reduction<sup>3</sup>. The importance of alternative strategies to take into account unforeseen events and/or events outside the control of the national government is highlighted in the World Bank OED review (WB/OED 2004 p23). For example, in Sri Lanka the JSA notes: “*The PRSP lacks alternative frameworks or contingency policies. Notably, the PRSP does not include an assessment of how the upcoming elimination of textile quotas will affect Sri Lanka’s economic growth or the poor. For this reason, staffs encourage the Government to develop an alternative, lower growth scenario and design contingency plans that fully reflect the envisaged risks.*”

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<sup>3</sup> The specific issue of change in Government is examined in the next chapter in the context of political commitment to the PRS process.

## 2.3 THE DEPTH OF INTEGRATION OF THE PRS IN THE BUDGET PROCESS

*The depth of integration of the PRSP in the budget process including both the annual budget and medium-term budget planning instruments (for example a medium-term expenditure framework).*

The PRSP will contain a series of government interventions, both policies and investments, that will be implemented within a specific time frame and with clearly allocated responsibilities. This plan of actions should be developed from the analysis of poverty as well as the enabling environment etc. Implementation requires resources, including financial resources, as well as commitment. The budgeting process indicates the financial resources allocated to implementing the PRSP and in so doing indicates the commitment.

### **The PRSP and Public Expenditure Management**

The integration of the PRSP in the budget process therefore focuses on public spending and specifically on the system of public expenditure management (PEM). Bevan (2004) starts his analysis of the linkages between PEM and the PRSP process with two observations:

- Public spending and its management is the central (though by no means only) instrument for implementing a Government's PRS.
- Both the PRSP and PEM are ongoing processes rather than events or final outputs. Hence the need for a close relationship between the two requires that these two processes are well coordinated; this implies that there needs to be a two-way relationship between them.

While the annual budget may be the fundamental unit of the national budget system, the MTEF is increasingly seen as an essential part of that system. Other elements of the system of Public Expenditure Management (PEM) include the PIP, public expenditure reviews (PERs) etc. Also need to examine the role of programme budgeting. In examining the relationship between the PRSP, METF and the budget, Bevan (2004: p28) notes that *"It is vital that each of these be realistic, based within a common institutional framework, and closely integrated"*. Equally, processes such as Public Expenditure Reviews (PERs) need to be timed so that they fit in with the PRS process. Two additional issues need to be examined:

- While integration of the PRS into the budget system may be good for implementation of the process what if the budget system is sub-optimal (for example subject to weak management, significant extra-budgetary funds or revision by political whim)? Weakness in PEM (or in the budget system as a whole) is a different factor behind poor PRS implementation than non-alignment of the PRS and the budget system. Development of the PRS process needs to go hand in hand with reform of the budget system. PRSPs should be explicit about such reforms.
- Links between the PRS process and budget system are not just one way. Bevan (2004: p27) notes that *"the requirements of the PRSP add to the incentive to try to improve the very poor PEM"*

*systems that exist in most of these countries*” (referring to the case study countries covered by the WB/OED PRSP evaluation (2004)).

### **The special role of the MTEF**

The MTEF provides the “linking framework that allows expenditures to be driven by policy priorities and disciplined by budget realities”. Le Houerou (2002) notes “conceptually, MTEFs are the ideal tool for translating PRSPs into public expenditure programmes within a coherent multi-year macro-economic and fiscal framework”. The Development of MTEFs is also motivated by the IMF’s PRGF as well as by the World Bank’s PRSC which rely on the medium term costing of interventions in the PRSP. It facilitates integration of external assistance and depending on the design of the MTEF, can facilitate greater participation in the PRS process. Unfortunately while the integration of the PRSP into the national budget system is essential for effective implementation, the WB OED evaluation (2004) found that *“The priorities for expenditure in the PRSPs have not been translated into priorities in the budget, because the three-way linkage of the PRSP, the budget, and the Medium-Term Expenditure Framework (MTEF) is typically weak or absent.”*

### **Other Issues**

The integration of the PRSP gives rise to a larger set of issues that need to be addressed, including:

- *Local budgets:* The degree of fiscal decentralisation and the role of local government in the PRSP implementation process will determine the importance of integrating the PRS process in local as well as central budgeting systems.
- *Parliament, accountability and transparency:* Integration of the PRS into the budget system may support a greater role for parliament in the PRS process in situations where parliament has a key role in the budgeting process. Where parliaments are less effective the impact will not be so important. Again, if the budget system is transparent then this will lead to greater transparency of the PRS process.
- *Budgets and monitoring:* The introduction of programme/outcome/results budgeting has often been undertaken alongside the PRS process and the development of the MTEF. It links the budget process with the M&E system.
- *Flows of aid:* Integration of the PRSP in the budget system requires the integration of aid into the budget. It also requires greater predictability of aid flows.
- *Financial Resources:* It may be possible to have PRS and budget processes fully integrated (and well costed and prioritised programmes and strategies) but resources may not be adequately financed. Sanchez and Cash (2003) note that there is a clear risk that PRSPs will remain strategies on paper alone as they lack the financial resources. These funding shortages could be caused by national economic constraints, external economic issues (e.g. declining terms of trade), failure of donors to fulfil pledges and the insufficiency of debt relief.

## **2.4 SECTOR STRATEGIES/WORK PLANS WITH CLEAR PRIORITIES**

*The existence of sector strategies/work plans with clear priorities in the PRSP framework and the extent to which the PRSP is the focus of the national development planning framework.*

Sector and thematic strategies are the basic building blocks in the development of the PRSP and are equally important in its implementation. In some respects this feature should come before the above since without clear, prioritised strategies in place at the sectoral and thematic level it is difficult to prepare a budget or even a MTEF.

Without clear strategies, implementation becomes ad hoc – in some countries business as usual. Two specific issues are extremely common from global experience. First, the costing of the interventions, whether policy reforms which have fiscal implications or direct investments, needs to be accurate. These have been seen to be weak in many PRSPs. Second, and related to the first, is prioritisation of the interventions. Among the list of desired interventions, the PRSP needs to clearly indicate which ones have the greatest priority. It is also important to note that donor alignment to the PRSP is made difficult without accurate costing and prioritisation. While this study focuses on process and not content it is clear that the development of the strategies should be in line with the poverty analysis of the PRSP.

### **Clear responsibilities and time frame**

A fundamental feature of the PRSP is that it should have clear responsibilities, implementation arrangements and timeframes. But even these features will not lead to effective implementation if the PRS process is not integrated within a national development planning framework. Even where that planning framework is weak and consists on no more than a budget system and some sectoral strategies, lack of integration will lead to sub-optimal implementation and wasted resources. A major issue for many countries occurs when existing planning frameworks exist and the PRS process establishes a parallel process and framework. The alternative of strengthening existing frameworks has not been fully explored. The IMF IEO 2004 evaluation recognises that this may have been a mistake and that “*alternative approaches aimed at adapting/influencing the existing domestic process may have achieved similar results more effectively, avoiding the creation of parallel processes*” p122.

The WB/OED PRSP evaluation (2004) notes that “*The PRSP process has brought together sector strategies in one policy document, but in most cases the individual sector strategies were not changed substantially in the formulation stage*”. This is often considered sub-optimal as it destroys the possibility of a clear and logical link between the poverty analysis and the development of programmes and strategies to address the problems identified. It is, however, inevitable to some extent

at the early stages of the PRS process where the re-orientation of sector programmes, especially those developed with donors, may be difficult or perhaps impossible. The integration of the PRS in the national planning framework and the alignment of the donors to the process will make sure that sector strategies and programmes are developed in a more consistent and analytically rigid manner.

While PRSPs have often been developed along side longer term plans (for example Vision 2020 initiatives, country MDG plans or regional initiatives such as the NEPAD) *“they do not analyze how they will achieve these long term goals, nor do they reconcile their own long term targets with those of other long-term plans”* WBOED2004 p20

### **Costing and Prioritization**

Actions in PRSPs should be accurately costed and prioritised, but this remains one of the most serious deficiencies in the PRS process globally. The IDA/IMF Progress Report 2003 (p28) identifies a number of specific problems in this area:

- The costing of specific measures in PRSPs and their integration into Medium-Term Expenditure Frameworks (MTEFs) generally remains weak.
- Line agencies are often not in a position to reliably estimate the total (capital and current) costs of the proposals submitted for the PRSP.
- Weaknesses in costing have adverse repercussions for the prioritization and focus of PRSPs.

But the report also finds that in countries where PRSP implementation is at an advanced stage, the costing of priority actions is better harmonized with the MTEF.

WBOED2004 (p16) refers to a review of 25 completed PRSPs found 8 had serious deficiencies in the costing of programmes - some had not been costed at all, others had insufficient detail, inconsistencies or lack of clarity in their costing. It goes on to state *“In almost all PRSPs, the assumptions underlying the costings are not discussed, nor is any attempt made to relate the costs of activities to success in achieving desired outcomes”* and *“The hard choices in prioritising actions over the short to medium term have not been made in most PRSPs”*

### **Adequately communicated to all stakeholders**

The sectoral and thematic strategies that make up the PRS process should be adequately communicated to all stakeholders. The need for clarity about the PRS Initiative as a whole and what it means to the different stakeholders is essential/important for effective implementation. WB/OED 2004 notes that the PRSP initiative means different things to different people. Its examinations of case study countries reveal that in most:

- Governments see the PRSP as added conditionality that give them access to resources through HIPC debt relief, or to continued concessional assistance from the BWIs.



- NGOs in many countries see the PRSP as a means for gaining greater political participation and voice.
- For many donors, the PRSP is an opportunity to enhance accountability and transparency in the use of external assistance.

It states “*These differences in expectations can interfere with collaboration across stakeholder groups toward the PRSP Initiative’s goal of poverty reduction. Greater clarity and transparency in the Initiative’s focus and objectives are needed at the country level to minimize this challenge.*” (Box 1.4 page 7)

## **2.5 INDICATORS, MONITORING AND FEEDBACK ARRANGEMENTS**

*The extent to which indicators, monitoring and feedback arrangements have been put in place and utilized effectively*

A good system of monitoring and evaluation of the implementation and results of the PRS process together with adequate feedback arrangements is essential if the process is to be effective. Without such a system it will be difficult possibly impossible, for the PRSP to be adjusted and re-orientate to become more effective. The elements of such a system can be defined as follows:

### **Goals and Indicators**

A good system requires appropriate goals that truly reflect the national development aspirations. Goals and corresponding indicators need to be time bound and measurable. Have the correct indicators been selected in relation to goals? Is the data of high enough quality? Since the MDGs are the long-term, poverty reduction goals adopted by the international community, the PRSPs should be framed within them. Moreover the PRSP goals should to a large extent coincide or at least explicitly contribute towards the MDGs. A major challenge highlighted in the March 2002 Joint Review was the lack of appropriate indicators in PRSPs that would help track the implementation of public programs. Although the situation has improved the report with the following findings:

- A comparison of early and recent PRSPs reveals that the coverage of MDG indicators and baseline data has improved significantly over time, which strengthens the basis for harmonized reporting on results
- In the area of governance, a major pillar of most PRSPs, the process of tracking progress appears to have improved over time.
- PRSPs have proposed a range of indicators to measure private sector development. However, good practices are less evident in this area, in part because of the diversity of conditions, as well as the lack of experience and established international good practice in this area.

- Disaggregation of indicators in order to be able to track key disparities in society is an increasingly common good practice, although the indicators in some PRSPs would benefit from greater disaggregation to capture rural/urban, regional, income, and gender imbalances.
- Some countries may not have been sufficiently selective and strategic in their choice of indicators

On a more positive note, WBOED2004 identifies the fact that “*the PRSP has played an important role in encouraging countries to develop indicators and quantitative and qualitative targets for poverty reduction*” (p16)

### **Organisation/mechanics**

The organisation of the M&E system is of great importance, for example how the data is collected and the balance between qualitative and quantitative participatory methodologies. Bevan (2003) found that virtually no country has a serious programme of poverty and social impact assessments. The World Bank has developed its own methodology (PSIA) but activity “*has been extremely piecemeal and ex post*” in the sense that it has not supported decisions yet to be made. With regard to monitoring processes with the IDA/IMF progress report 2003 found:

- The treatment of monitoring and evaluation in PRSPs has generally focused on improvements in data availability and quality, and institutional arrangements have received much less attention.
- Since the 2002 Joint Review, much has been done to improve data availability and quality—especially on poverty outcomes and impacts—through better, more regular, and timelier surveys.
- Most PRSPs set out the proposed institutional arrangements for monitoring in only general terms
- Challenges commonly encountered by countries in setting up and implementing PRSP monitoring systems include lack of coordination and collaboration between actors, overlapping responsibilities, and delays in the flow of monitoring information.
- There has been limited progress in setting up systems to *evaluate* the impact of poverty reduction strategies

### **Reporting and Utilization:**

Dissemination of actions and results is essential if the process is to result in adequate transparency and accountability. It will also facilitate greater utilisation of the information gained from the implementation process. Utilisation of the information is a key issue and efforts need to be made to ensure that the systems are being used to generate policy reform and reorientation. The APRs are potentially important tools not only for reporting and accountability but also for utilisation including amendment of strategies. The 2003 IDA/IMF Progress Report sets out the status of progress reporting, noting that such reports are “*a key element of the architecture of the PRSP approach to ensure a focus*

*on implementation and ongoing results orientation*". In reflecting on the PRs produced at the time of writing (September 2003) it notes the following:

- To date, the content of many PRSP-PRs has been largely limited to providing narrative overviews of implementation, with limited analysis or reflection.
- In reporting on results in PRSP-PRs, household surveys are the primary source of poverty data, with qualitative studies and, less often, administrative data also being used.
- There is evidence that some countries are using their PRSP-PRs to inform national decision-making processes, although there remains scope for improvement.
- In terms of serving the needs of development partners, PRSP-PRs have been presented at donor meetings to good effect.
- There have been lags in preparing PRSP-PRs in a number of countries.

According to the 2003 IDA/IMF Progress Report the average country progress report is produced 15 months after the approval of the PRSP. This is a relatively small period of time given the complexity of the process. It may also be due in part to the development of parallel reporting mechanisms even though they should be integrated into mainstream systems.

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### 3. ISSUES THAT EFFECT PRS IMPLEMENTATION

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#### 3.1 WHAT ARE THE FACTORS THAT EFFECT PRS PROCESS IMPLEMENTATION?

While the previous chapter sets out the features of a PRSP that will facilitate implementation of the PRS process, this chapter examines the factors that determine and/or influence implementation (directly or through development of the features). Specifically it examines a number of issues or constraints to the implementation of the PRSP. These issues/constraints are distinct from the “features” in the previous section as they are not PRSP specific i.e. they are general issues that impact on the features. The project Terms of Reference identifies the following sets of constraints<sup>5</sup>:

- institutional framework – what are the key weaknesses, if any, in the institutional set-up which hamper the implementation of the PRSP (including annual and medium-term budgetary processes)? How does the institutional set-up facilitate or challenge the identification of priorities for implementation?
- political commitment - what is the level of will among the political leadership to support the implementation of the PRSP, and to what extent is this commitment effectively translated into action? How broad is the ownership – is it centralised or broad across central and local government as well as the private sector and civil society?
- intra-governmental coordination – what has been the level and quality of interaction between different governmental bodies, and has this been adequate given the scope of the PRSP? What have been the actual and potential roles of local government (regional and sub-regional) in implementation of the PRSP?
- capacity – where are the key gaps in financial and human resources available to national governments for implementing priority reforms, and is the PRSP process sufficiently relayed at sub-national political and/or administrative levels
- consultation with other stakeholders (such as parliament, NGOs and donors) – what has been the level and quality of the interaction between different stakeholders, and has this been adequate and effective given the scope of the PRSP? What role does parliament play in prioritisation of PRSP interventions through its discussion and subsequent approval of medium-term budget instruments (for example a MTEF)? To what extent are key donors willing and/or able to draw on the PRSP

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<sup>5</sup> The issues listed are based on the Terms of Reference but expanded following consultations with the EC during the inception period.

framework in their own programmes and how key donors in this region are – or will be – supporting the implementation of the PRSPs.

None of these issues or groups of issues can be examined in isolation and there is significant overlap between them. At the same time addressing each set of issues may be necessary for PRS implementation, addressing one set alone will not be sufficient in itself. For example, strong political commitment at the highest level may be necessary for PRSP implementation but implementation will not occur if the capacities (or indeed the right context as discussed in the previous chapter) are not in place.

### **3.2 INSTITUTIONAL FRAMEWORK**

*what are the key weaknesses, if any, in the institutional set-up which hamper the implementation of the PRSP (including annual and medium-term budgetary processes)? How does the institutional set-up facilitate or challenge the identification of priorities for implementation?*

Although the institutional arrangements for the PRS process vary considerably across countries, three elements are commonly found: (a) A Core Unit or Secretariat responsible for the management of the PRS process or elements of it, (b) A Coordinating/Steering Committee structure that brings together different stakeholders (or at a minimum different government agencies), and: (c) a number of Sectoral/Thematic Working Groups. These elements are often newly established specifically for implementing the PRS process and developed in parallel to existing systems of development planning and management. This section will focus on the first of these elements, the organisational unit responsible for the management of the PRS process. The other elements of the organisational framework will be examined in the sections on intra-government coordination and consultation. The institutional framework will have an impact on all three features examined in the previous chapter.

*Integration into the budget system* – the institutional set up is extremely important especially the relationship between the organisation responsible for the budget system and public expenditure management (usually the Ministry of Finance) and the PRSP management unit. A management unit in a rival ministry may find it more difficult to facilitate integration of the PRS process in the budget.

*Sector strategies* – links between PRSP unit and ministries, planning agency, etc will ensure greater coordination of the strategies and their integration into the PRS process While there is no model that seems to work best for all countries but it is clear that the positioning of the institutions will help determine whether the PRS process is integrated into the existing planning framework or is at the centre of a parallel one.

*On Monitoring* – links with sector ministries, planning agency etc will facilitate the development of a single monitoring system as opposed to a parallel PRSP system and a mainstream one.

### 3.3 POLITICAL COMMITMENT

*What is the level of will among the political leadership to support the implementation of the PRSP, and to what extent is this commitment effectively translated into action? How broad is the ownership – is it centralised or broad across central and local government as well as the private sector and civil society?*

Although political (and other) commitment will influence the 3 features/challenges, each of these is also an indicator of commitment. In other words the best indicator of commitment is implementation. The importance of political commitment will also depend to a large extent with the nature of the state in the country and where true power rests. It will also depend on the degree of dependency on external assistance and in turn the importance of IFI lending to the country. Commitment also needs to go beyond rhetoric to implementation of actions in the PRS process.

Without political commitment it is unlikely that the PRSP will be implemented (in either of the two senses described in the previous chapter (a) actions (b) reformulation). To a large extent the three features described in the previous chapter are largely technical systems and procedures that can be established by a willing government over time. While having these features in place may be necessary for effective implementation, they are by no means sufficient. There still needs to be political commitment at a number of different levels. In this sense broad political commitment is necessary to ensure that the features are in place. For example:

- On *integration into the budget* – if seriously committed then this will be ensured. Integration will also indicate commitment by parliament or other budget approving authority not just government.
- On *Sector strategies* etc – commitment will ensure that sector strategies reflect the true priorities and do not just pander to the donor wants.
- On *Monitoring* – will make a better system but more importantly will ensure that the stakeholders really utilise the information provided.

It is, however, a broad concept and one raises a number of questions. First, *commitment to what?* There may be commitment to preparing a PRSP as it seen as necessary to get funds but does that commitment extend to implementation? Is the commitment to the whole process and its principles or just some of them? For example, is there commitment to the development of a pro-poor national planning tool but not to the principles of consultation and transparency? Second, *commitment by whom?* Internal power plays and rivalries and the structure of the state may be important in determining the degree of implementation. For example, the central government may be fully committed to the PRSP but the Parliament may not be and as a result may not approve the budget that would ensure its implementation. Equally, government at the local level may not be so committed, an important factor in situations of high degrees of decentralisation. Where central government has a high

level champion (for example a President) then this may play an important role in motivating the process (WBOED2004). WBOED2004 (p11) found that

- Commitment is strongest in the organisations closest to the PRS process (for example the Ministry of Finance or Planning) and those ministries and agencies that will benefit most from the process for example through increased resource allocation
- Commitment fades with sectoral ministries, especially ministries with low PRSP priority, and local government
- Civil Society commitment depends on how the PRSP accommodates the specific interest of the organisation (and to how they perceive it is being owned – co-opted by the WB etc)
- Parliaments not well involved in the process (see section 3.6.)

WB OED 2004 notes that government commitment is different from country commitment.

*Third, change in commitment:* A problem not anticipated, at least explicitly, in documents about the PRSP is its status with regard to change in governments. On the one hand, a requirement of PRSPs is that they be government owned; on the other hand, one finds no explicit discussion of their status when governments change (as in Bolivia and Moldova). One can argue that if the PRSP arises from a process of broad consultation, it's legitimacy may transcend any particular government. However the reality is that few participation processes have been sufficiently broad based to qualify as bestowing a trans-government legitimacy on the PRSP. While a change of government may present a potential problem for BWIs as it is the basis for their multi-year lending programmes, it poses no particular difficulty for the European Union because while it may align with the PRSP, its engagement in a country is not dependent upon the PRSP. On the contrary, if a government wishes to substantially revise its PRSP, EU can provide the assistance in designing alternative policies.

### **3.4 INTRA-GOVERNMENT COORDINATION**

*What has been the level and quality of interaction between different governmental bodies, and has this been adequate given the scope of the PRSP? What have been the actual and potential roles of local government (regional and sub-regional) in implementation of the PRSP?*

Related to institutional structures above, the degree of intra government coordination affects both central and local levels. It also depends on the scope of the PRSP, which sectors it covers or if it is intended to be a comprehensive strategy covering all government activity. At the central level the introduction of working groups and other institutional structures have supported greater intra-government coordination. WB/OED (2004 box 3.1) notes that the PRSP has raised awareness about exploring synergies across sectors. Intra-government coordination does not only refer to issues at the centre. It also relates to problems of coordination between the different levels of government.

### 3.5 CAPACITY

*where are the key gaps in financial and human resources available to national governments for implementing priority reforms, and is the PRSP process sufficiently relayed at sub-national political and/or administrative levels*

OED Capacity (2004) uses a UNDP definition of capacity - “*the ability of individuals, institutions, and whole societies to solve problems, make informed choices, order their priorities and plan their futures, as well as implement programs and projects, and sustain them*” - and goes on to distinguish the three levels identified:

- Individual: the ability of skilled administrative, managerial and technical personnel with the incentive to perform effectively
- Organizational: development ministries and agencies with clearly defined objectives, and structures and processes which contribute to the achievement of those objectives
- Societal: the ‘rules of the game’ are clear and observed so that individuals and organisations gain more from playing according to them than from trying to circumvent them.

Preparation and implementation of PRSPs have, in many cases, been delayed by limited capacity (human resources/technical support), specifically the shortage of qualified personnel in Government to manage the process (although often delays are in relation to deadlines set by the IFIs and not related to the capacity constraints that exist). It also may concern the rapid turnover of government officials and relates to both central and local levels. But capacity issues are not limited to Government (at central and local level) and for effective implementation of the PRSP capacity is also needed in the private sector, parliament and within civil society (Kavalsky 2004). In the context of the PRS process it affects all the features required for implementation related to integration in the budget, sector strategies and monitoring and evaluation systems. It also affects all stages of the PRS process and while there are capacity issues related to the preparation of the PRSP, implementation highlights even more serious capacity issues (Kavalsky 2004). A number of specific issues have been identified:

- Conflict between promoting ownership and providing technical assistance when necessary. Concern has been raised about heavy involvement of donor (WB/IMF) personnel in the preparation of PRSPs. But where the PRS process is considered part of an IFI funding mechanism then the recipient may not be too concerned about outside involvement.
- The PRS process itself may damage organisational capacity through the burden of its implementation especially in the preparation of the PRSP documents themselves (including the consultation process). Donors may burden government with their support if inappropriate and/or poorly designed, weakly owned.
- Capacity building takes time and cannot be completed in the timeframe of developing the first PRSP.



- Capacity building needs to be included in the PRSP itself both for direct capacity building and for indirect (i.e. things that would need to be done without the PRSP process in place)

WB/OED (2004) states that most of the case study countries examined have limited monitoring and evaluation capacity at the national and local levels. Moreover, a large share of the capacity that does exist is associated with Project Implementation Units (PIU) for donor supported projects. While it is clear that most countries face capacity constraints during implementation of PRSPs, it is also necessary to note the direct effect of the PRSP process on capacity itself. Kavalsky (2004: para 20) notes two areas where the PRSP process has increased capacity. First, in relation to allocation of government resources where the need for targeting resources towards poverty reduction has become clearer. Second, consultative processes have resulted in greater transparency in government programmes and expenditures. But it also notes that the PRS process entails significant costs in terms of capacity: It is a very heavy exercise taking up much time of technical staff including key senior officials. In this respect donors need to reallocate resources to those priority capacity building activities that use official's time in the most productive manner.

### **3.6 CONSULTATION WITH OTHER STAKEHOLDERS**

*Consultation with other stakeholders (such as parliament, NGOs and donors) – what has been the level and quality of the interaction between different stakeholders, and has this been adequate and effective given the scope of the PRSP? What role does parliament play in prioritisation of PRSP interventions through its discussion and subsequent approval of medium-term budget instruments (for example a MTEF)?*

Participation: The complexity of participation requires a brief analytical discussion for background to our conclusions. The PRS process and the associated shift towards budget support by many donors and lenders has important implications for the nature of consultation and participation. The approach that the 'direct beneficiaries' of an development activities 'should have their voices heard' arose in the context of project assistance. The shift to programme support makes the concept of direct beneficiaries non-operational. Under programme assistance, participation becomes part of the general process of the relationship between the government and civil society, rather than as *ad hoc* consultations over specific products and services. Stakeholder participation would be satisfactory or unsatisfactory depending on the extent to which, and mechanisms by which, government is responsible to civil society. Depending on the strength and nature of formal representative institutions, *ad hoc* participation mechanisms may or may not be necessary or appropriate.

A positive outcome is that the implementation phase has opened up space for local actors to work together in new ways around poverty and development issues (Sanchez and Cash 2003) as illustrated by the example in Box 1 below.

**Box 1: Consultation in Nicaragua:** In the municipalities studied in Nicaragua, monitoring of the implementation has for the first time given space to members of the community organized under the Municipal Development Committees to propose alternatives for the development of their own municipalities. It has also resulted in participative poverty assessments, which have allowed the various social actors to identify the main poverty problems and vulnerabilities (including cultural, ecological and environmental aspects) and to evaluate the factors that could contribute to reducing poverty levels in their municipality. Some of the proposals that have come up through working on the implementation of specific ERCERP (PRSP) projects provide a useful basis for proposals that could in future be integrated in Local Development Plans.

Source: Sanchez, Diana and Katherine Cash (2003) *Reducing Poverty or Repeating Mistakes: A Civil Society Critique of Poverty Reduction Strategy Papers*. Church of Sweden Aid, Diakonia, Save the Children Sweden and the Swedish Jubilee Network

Building ownership and effective participation continued to be a challenge. Preparation of PRSPs has tended to be time consuming due to the amount of time required to consult stakeholders. The quality of participation has also been criticised for being broad rather than deep.

- stakeholders are only consulted when a draft has been prepared
- government may be selective about the civil society/NGOs that are consulted eg urban based elite NGOs and Chambers of Commerce who tend to be more vocal
- some technical aspects of the PRSP, such as the macroeconomic framework have, in many cases, not be presented for discussion beyond the finance ministry
- As the PRSP moves to the implementation phase, considerations have to be made as to how non-government actors will continue to participate in the implementation, monitoring and evaluation process.

In a study looks at the 28 countries in Sub-Saharan Africa currently involved in the PRS process GTZ (2003) found that the position of parliaments vis-à-vis the executive is traditionally weak in the PRS countries of Sub-Saharan Africa and that Parliaments in the region have so far played only a marginal role in the development and implementation of Poverty Reduction Strategies (PRS). *“This contradicts democratic principles and in some cases even breaches explicit constitutional rights. In addition, the potential offered by parliamentary involvement is not being harnessed. Practice in current PRS*

*processes is thus not only undermining the long-term institutional development of parliamentary democracies in Africa, but also wastes opportunities for effective poverty reduction.”*

### **3.7 THE SPECIAL ROLE OF DONORS**

*To what extent are key donors willing and/or able to draw on the PRSP framework in their own programmes and how key donors in this region are – or will be – supporting the implementation of the PRSPs.*

In many countries the PRS process is seen by some as a tool of the donor community, either as a method for obtaining additional funds or as a tool for improving coordination and possibly alignment. While these may be outcomes of the PRS process, they are not the primary objectives of the process. Nonetheless donors have a special role to play in the PRS process – either positive or possibly negative – and it will be examined here in the context of what the PRS should be – an integral part of a national planning framework.

In broad terms, there are four ways in which the donors can support the PRS process and implementation in particular:

- (a) Direct Support to the management of the process e.g. through supporting the PRSP management unit or supporting specific interventions such as consultation processes.
- (b) Indirect support to the management of the process e.g. development of M&E systems, MTEFs, and other systems or instruments essential for effective implementation (these may themselves be public actions and included in (d) below)
- (c) Policy support and advisory services (related to the design of the PRSP and also reform measures included in the PRSP itself)
- (d) Support to implementation of other elements of the PRSP itself – aligning their programmes to the PRSP and actually supporting implementation of the priority actions identified in it.

As time goes on donor interventions in (a) and (b) may become the same if the PRSP process becomes the focus of the national planning framework and is fully integrated into mainstream government processes. As noted in the earlier section on capacity building, the impact of donors can also be negative including on the PRS process that they are trying to support. By creating an artificial distinction between (a) and (b) there is a risk of perpetuating a parallel system of planning.

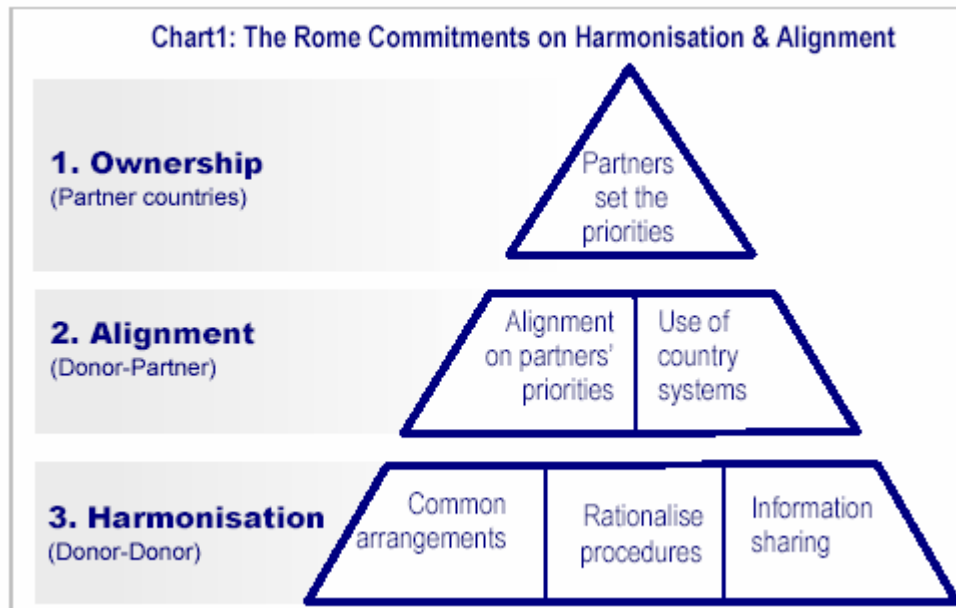
Some donors have developed PRSP-specific instruments (for example the World Bank’s PRSP Trust Fund), while others have developed and/or adopted instruments that are suited to countries with good PRSPs (e.g. Direct Budget Support or a more specific example, UNDP’s Poverty Thematic Trust

Fund). WB/OED 2004 p19 Neither donors nor the Bank have defined specifically whether or how they should change the content of their programmes to reflect PRSPs. Changes in donor processes are more readily evident

A key issue is the move towards greater harmonisation of donor procedures and practices and alignment of donor programmes with national strategies. In support of implementing the Monterrey Declaration, Ministers, Heads of Aid Agencies and other Senior Officials representing 28 aid recipient countries and more than 40 multilateral and bilateral development institutions endorsed the Rome Declaration on Harmonisation in February 2003. The Declaration committed signatories to the following activities (among others) to enhance harmonisation:

- Ensuring that development assistance is delivered in accordance with partner country priorities, including poverty reduction strategies and similar approaches, and that harmonisation efforts are adapted to the country context.
- Reviewing and identifying ways to amend, as appropriate, our individual institutions' and countries' policies, procedures, and practices to facilitate harmonisation. In addition, we will work to reduce donor missions, reviews, and reporting, streamline conditionalities, and simplify and harmonise documentation.
- Developing, at all levels within our organisations, incentives that foster management and staff recognition of the benefits of harmonisation in the interest of increased aid effectiveness.
- Providing support for country analytic work in ways that will strengthen governments' ability to assume a greater leadership role and take ownership of development results. In particular, we will work with partner governments to forge stronger partnerships and will collaborate to improve the policy relevance, quality, delivery, and efficiency of country analytic work.

Chart one below sets out the framework for ownership, alignment and harmonization (OECD DAC).



Source: OECD DAC

But while the donors are making the right noises about alignment and harmonisation the reality on the ground is often different. The IDA/IMF Progress Report 2003 notes the following:

- The principle that donor support should be aligned around, and follow from, country-owned poverty reduction strategies is now widely accepted.
- While PRSPs do appear to provide an impetus for enhancing donor coordination, the implementation challenges remain significant.
- Low-income countries see uncoordinated, restrictive, and frequently changing donor procedures and policies as imposing a significant burden.
- Donors, on the other hand, point out that progress in achieving harmonization is limited by national systems of procurement and financial management that do not meet international good practice standards.
- Country implementation experience is at an early stage although evidence suggests that a diversity of approaches are being used and the recent emergence of some concrete cases of good practice at the country level is promising.
- There is also more openness and transparency of dialogue with partners on goal-setting, resource allocation and outcomes monitoring.
- Bank and Fund staff have proposed a framework for the coordination of donor budget support and its alignment with the PRSP.
- Looking ahead, public expenditure management and national systems for managing aid require strengthening.

World Bank (2004) sets out a clear recommendation for addressing alignment problems. *“The Bank, in concert with other donors, should assist the country in defining a partnership framework under the*

*PRSP, with more explicit reference to prioritisation and the expected role of external partners.”* p49. This supports the earlier reference to the importance of clarity of the PRS process especially with respect to the role of the various stakeholders in its implementation.

The PRSP can help donor coordinate budget support and streamline performance monitoring (WB/OED 2004), for example (box 2.4 p19):

- Tanzania: A Poverty Reduction Budget Support Group coordinates member's conditionality using a single monitoring instrument (the Performance Assessment Monitoring or PAF). The PAF uses Tanzania's PRSP as its guiding framework, and monitoring is synchronised with the PRSP progress reports. With its
- Mozambique: The G-11 donors that provide budget support are also developing a PAF which is intended to better align with the PRSP and harmonize donor conditions (including alignment with the PRGF and a Bank PRSC in the pipeline)
- Vietnam: A number of donors are delivering a significant share of their aid through the World Bank PRSC.

So while the donors are encouraging significant reforms in the way recipient governments work in terms of the PRS process, for many donors/lenders at the country level, it is business as usual. In fact for the PRS process to be effectively implemented the donors need to change as much as the recipients and in some cases the changes may even be more substantial. A set of donor reform measures parallel to those required by recipients can be identified. For example the need (for some donors) to move towards longer term financing horizons or towards results oriented management systems for greater accountability. Changes need to cover not only practices and procedures but the use of new instruments and most importantly a change in approach that will result in a completely different aid relationship, one that respects the CDF principles of national ownership and partnership. In addition it should also lead to greater accountability, not just of donors and recipients to their respective citizens (or in the case of multilaterals, their funders) but also mutual accountability between donor and recipient.

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## 4. IMPLICATIONS AND RELEVANCE FOR THE NIS

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### 4.1 SPECIAL CHARACTERISTICS OF THE NIS

#### **(a) Fundamental change in Economic System**

A characteristic of the newly independent countries, which they share with the countries of Central Europe and a few African and Asian countries (for example, Ethiopia, China and Vietnam) is that their PRS process coincides with a fundamental change in social and economic organisation, from central planning to market regulation. As a result, markets in the NIS tend to be underdeveloped, inefficient or absent altogether. An example of absence markets would be private institutions for financial risk management.

The underdevelopment of markets implies that the use of market mechanisms, in general and as tools for poverty reduction, may not generate the outcomes sought by policy makers. For example, programmes to provide credit to the poor may prove ineffective because of the absence of local banking institutions and financial. Thus, the construction of markets and broadening access to them can be more important than direct poverty reduction actions themselves.

#### **(b) No previous planning framework**

Unlike the Central European countries and the transitional countries in Africa and Asia, the NIS lacked the institutions of states, not only those of policy formation, such as ministries of planning, but also basic agencies of national management such as trade ministries. As a result, the NIS entered their transition to the market poorly equipped in terms of institutions to carry out the basic function of government, even if they did not suffer from human resource constraints. As a result, the PRS process involves the creation of relevant institutions in these countries, while elsewhere it merely involves the adaptation of existing institutions.

#### **(c) Limited participation**

With few exceptions, state institutions dominated the political space in centrally planned, single party systems. Without passing judgement on the relationship between the state and the citizenry, one can point out that in centrally planned systems all participation, however defined, occurred through officially-sanctioned institutions, usually controlled by the ruling party. Thus, the change in the economic system implied the creation of so-called 'civil society', organisations of workers, business people, and issue-focused groups formally independent of the state. While such organisations arise spontaneously in a market society, their relation to the state must be constructed. Especially important

in this context are 1) workers' organisations, which tended to be extensions of the ruling party under central planning, and 2) private employers, who did not exist to any substantial degree.

Therefore, the process of participation for the PRS process in NIS involves the creation of mechanisms for constructive and sustained interaction between the citizenry and the government. While an analogous process is occurring in some market societies emerging from extended periods of a tightly-constrained political system (for example, Indonesia and South Africa), the process in the NIS is much more basic and incipient. In NIS where the national legislature has limited legitimacy, participatory mechanisms become even more problematical.

#### **4.2 IMPLICATIONS OF SPECIAL CHARACTERISTICS FOR THE PRS PROCESS IN THE NIS**

The general implication from these points is that the PRS process in NIS is considerably more complex than in other countries, that has several closely linked levels:

- 'country-creation', involving the design of appropriate state institutions;
- emergence of 'political space' and the rules governing that space;
- evolution of the organisations through which people pursue their economic interests within the emerging political space; and
- the construction of markets through which the economic aspirations of households will be realised or not realised. How these four fundamental tasks are achieved will largely determine the process of poverty reduction.

On the other hand the NIS have a number of advantages:

- lack of planning framework means less intra-government conflict

#### **4.3 NIS ENGAGEMENT IN THE PRS INITIATIVE LEARNING PROCESS**

##### **At the Regional Level**

The World Bank has sponsored three forums on poverty reduction strategies in the Europe and Central Asia (ECA) Region in 2000, 2001 and 2002. The Bank made the following statement at the last meeting in Kazakhstan:

*The Forum is organized due to the strong demand for continuous support and annual meetings of the national PRSP teams of the Region to discuss and exchange experiences on issues related to drafting and implementing national Poverty Reduction Strategy Papers (PRSP).*



The World Bank also supported a series of Development Debates in Europe and Central Asia run from October 25, 2001, until the beginning of the ECA Poverty Forum in Budapest in late November 2001. The primary objective of the Development Debates series in ECA is to add value to national policies and strategies to effectively attack poverty, especially the PRSP process. In addition to facilitating information sharing within the region These fora allow access to experience of countries engaged in the PRSP process in other regions. The ability to scan globally apply locally is important where there is much to learn from outside the region but where a single model of the PRSP – one size fits all – is inappropriate.

### **The CIS-7 Initiative**

All the countries being examined are part of the CIS-7 initiative officially launched during the Ministerial meeting held in Washington on April 20, 2002. The initiative recognises the difficulties faced by the seven countries since the collapse of the Soviet Union and brings together the CIS-7 countries, bilateral donors, neighbouring countries and four international financial institutions (IFIs) to undertake a collaborative international effort to enhance the economic growth and poverty reduction prospects of the CIS-7 through greater ownership of development and reform efforts in the individual countries, with the continued strong support of the international community. The main objective of the Initiative is to assist the CIS-7 implement their Poverty Reduction Strategies through:

- Stronger reform efforts on behalf of the CIS-7. The key areas that are expected to have a robust impact on growth and poverty reduction and, therefore, should be targeted by the CIS-7 are:
  - improving the business and investment climate, especially for small- and medium-sized enterprises;
  - reducing serious spending distortions to ensure that social services and safety nets are efficient and adequately financed;
  - maintaining macroeconomic stability;
  - pushing forward on structural reforms, especially in energy and in financial sectors.
- Increased knowledge and partnerships support, as a key to enhancing the development prospects of the CIS-7. A set of seminars and events is planned in order to help countries articulate and develop the needed reforms, focusing on the areas enumerated above.
- Improved regional cooperation. The CIS-7 countries are encouraged to increase their coordination and cooperation efforts especially in the area of trade, energy and water sharing.
- Continuous support by international community of the reform efforts of the CIS-7, including in the form of debt relief (if needed), greater access to western markets, continuous concessional support of bilateral and multilateral institutions.

While the CIS-7 initiative seems to be playing a role in supporting inter-regional learning and experience sharing, a number of issues can be noted:

- It is an initiative driven by the international community, especially the IFIs
- Much of the work is being done through the World Bank Institute's Attacking Poverty Program (APP) which aims to build the capacity of poor countries to design and implement effective poverty reduction strategies. Customized "country learning programs" are used to leverage the resources of the development community to fight against the deprivation, vulnerability of powerlessness of poverty.

### **Issues with the lesson learning process**

At the global level, the main concern of many development organisations is the dominance of IFIs in the process of lesson learning. As already indicated there is a growing library of documents concerning the PRSP process, many produced by civil society organisations, but when it comes to supporting the kind of fora for discussion and experience sharing described above, the World Bank plays the major role. There are no country- or regionally-driven initiatives to undertake such activities. This raises some further questions:

- How can the regional (or even global) learning process be institutionalised (without outside help)?
- How can the civil society perspective be made available at the regional level?
- What is the best mechanism for supporting regional engagement with the IFIs on the PRSP process so as to result in truly country-driven processes?

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## ANNEX 2: GLOBAL PRSP IMPLEMENTATION STATUS

Countries with Full PRSP	Countries with PRSP Pending	Countries not yet at I-PRSP stage
Albania	Bangladesh	Afghanistan
Armenia	Bosnia and Herz	Angola
Azerbaijan	Burundi	Bhutan
Benin	Cape Verde	East Timor
Bolivia	Central African Rep.	Eritrea
Burkina Faso	Congo, D. Republic of	Grenada
Cambodia	Comoros	India
Cameroon	Congo Dem. Rep.	Kiribati
Chad	Cote d'Ivoire	Liberia
Ethiopia	Djibouti	Maldives
Gambia, The	Dominica	Myanmar
Georgia	Guinea Bissau	Nigeria
Ghana	Haiti	Samoa
Guinea	Kenya	Solomon Islands
Guyana	Lao, PDR	Somalia
Honduras	Lesotho	St Lucia
Kyrgyz Republic	Macedonia, FYR	St Vincent & Grenadines.
Madagascar	Moldova	Sudan
Malawi	Sao Tome and Pr.	Togo
Mali	Sierra Leone	Tonga
Mauritania		Vanuatu
Mongolia		Zimbabwe
Mozambique		
Nepal		
Nicaragua		
Niger		
Pakistan		
Rwanda		
Senegal		
Serbia and Montenegro		
Sri Lanka		
Tajikistan		
Tanzania		
Uganda		
Vietnam		
Yemen		
Zambia		

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Source: World Bank list of Board Presentations of PRSP Documents as at March 31, 2004

### ANNEX 3: ANALYTICAL FRAMEWORK

A number of issues have been raised regarding the basic analytical framework based on the project ToRs. These include the following:

- There is confusion between “implementation challenges” and “implementation issues”.
- There are other implementation challenges and issues that could be added to the list in the ToR
- The “implementation issues” themselves also overlap and need to be clarified

One of the key issues relates to our understanding of “implementation”. For the EU, the implementation of the paper (ie the PRSP document with associated action plan) is more important than implementation of the process (which includes a cycle of consultation, preparation, implementation, feedback, preparation of next phase, etc)

So they mean actual implementation of the actions set out in the PRSP whether they be related to policy reform (eg introduce user fees into the health sector), capacity building/institutional reform (strengthen the public administration, train more doctors) or physical investment (or build new hospitals) etc

Another issue relates to the need for a third category of analysis – the “implementation context”. Having the right features of the PRSP document and process is necessary but not sufficient for effective PRSP implementation. Also what is needed is the right context within which the PRSP is being implemented.

#### A. “IMPLEMENTATION CHALLENGES” – FEATURES OF A GOOD PRSP

The ToR list three major challenges for PRSP Implementation:

- a) The depth of integration of the PRSP in the budget process including both the annual budget and medium-term budget planning instruments (for example a medium-term expenditure framework).
- b) The existence of sector strategies/work plans with clear priorities in the PRSP framework and the extent to which the PRSP is the focus of the national development planning framework.
- c) The extent to which indicators, monitoring and feedback arrangements have been put in place and utilized effectively.

We agreed that it would be easier to understand the challenges if they were described as features instead. These could be re-written so that a good PRSP (ie a PRSP that can be effectively and efficiently implemented) is one that:

- is fully integrated into the budget process including the annual budget and medium-term budget planning instruments (for example a medium-term expenditure framework).
- is the focus of the national development planning framework and includes sector strategies/work plans with clear priorities in its framework.
- has indicators, monitoring and feedback arrangements in place and the information so produced is utilized effectively.

The challenges therefore directly relate to achieving this set of features. I think we would probably all agree that the above three features are appropriate but nonetheless we are making some big assumptions here. The comparative study we are preparing will help us understand if these assumptions are correct or if there are other features of a good PRSP (as defined above).

## **B. “IMPLEMENTATION CONTEXT”**

Nepal was used at the project workshop as an example of a country where the PRSP is extremely good (ie has the right features) but it will not be implemented because of the ongoing conflict. Like PRSP Features, the right “Implementation Context” is necessary but not sufficient to have effective PRSP implementation. What is needed is a combination of both features and context.

We can consider the implementation context as the factors outside the framework of the PRSP. For example the capacity of the government - is there capacity in line ministries, agencies, parliament, local government, CSOs, communities etc to implement the actions contained in the PRSP.

We need to think more about elements of the implementation context beyond lack of widespread conflict and sufficient implementation capacity. Elements of the context are also associated to risks eg natural disaster, contagion with external economic problems etc (although these can be taken into account within the PRSP)

## **C. “IMPLEMENTATION ISSUES” – FACTORS THAT AFFECT THE FEATURES/CHALLENGES**

The way we looked at the study in the inception report is to see how each of the factors below affects the three challenges/features above.

- a) institutional set-up – what are the key weaknesses, if any, in the institutional set-up which hamper the implementation of the PRSP (including annual and medium-term budgetary processes)? How does the institutional set-up facilitate or challenge the identification of priorities for implementation?

There is some confusion between this set of issues and the third set of issues related to intra-government coordination. I think in this set we examine the management structures i.e. surrounding the PRSP management unit (secretariat etc) and other management structures e.g. the PRSP steering group etc

- b) political commitment/ownership - what is the level of will among the political leadership to support the implementation of the PRSP, and to what extent is this commitment effectively translated into action? How broad is the ownership – is it centralised or broad across central and local government as well as the private sector and civil society?

This is difficult to identify but easier to understand – who is committed to the process. Should go beyond “political commitment” i.e. who is committed - the PRSP Secretariat or all government ministries.

- c) intra-governmental coordination – what has been the level and quality of interaction between different governmental bodies, and has this been adequate given the scope of the PRSP? What have been the actual and potential roles of local government (regional and sub-regional) in implementation of the PRSP?

This relates to the coordination of direct implementation of the PRSP actions eg how is what the Ministry of Health doing related to the PRSP (ie beyond the Minister of Health being a member of the PRSP Steering Group)

- d) capacity – where are the key gaps in financial and human resources available to national governments for implementing priority reforms, and is the PRSP process sufficiently relayed at sub-national political and/or administrative levels



Capacity to manage the PRSP process and to directly implement the priority actions identified within it.

Sufficient capacity may therefore relate to both the “features” as well as to the “implementation context”. It is an issue in that effects the 3 features above eg is there capacity to (a) cost the actions and select priorities (b) prepare a MTEF, or (c) to develop appropriate monitoring indicators.

- e) consultation with other stakeholders (such as parliament, NGOs and donors) – what has been the level and quality of the interaction between different stakeholders, and has this been adequate and effective given the scope of the PRSP? What role does parliament play in prioritisation of PRSP interventions through its discussion and subsequent approval of medium-term budget instruments (for example a MTEF)?

A number of other factors have been identified relating to the actual document itself (ie its contents and structure) as well as to the process of developing it.

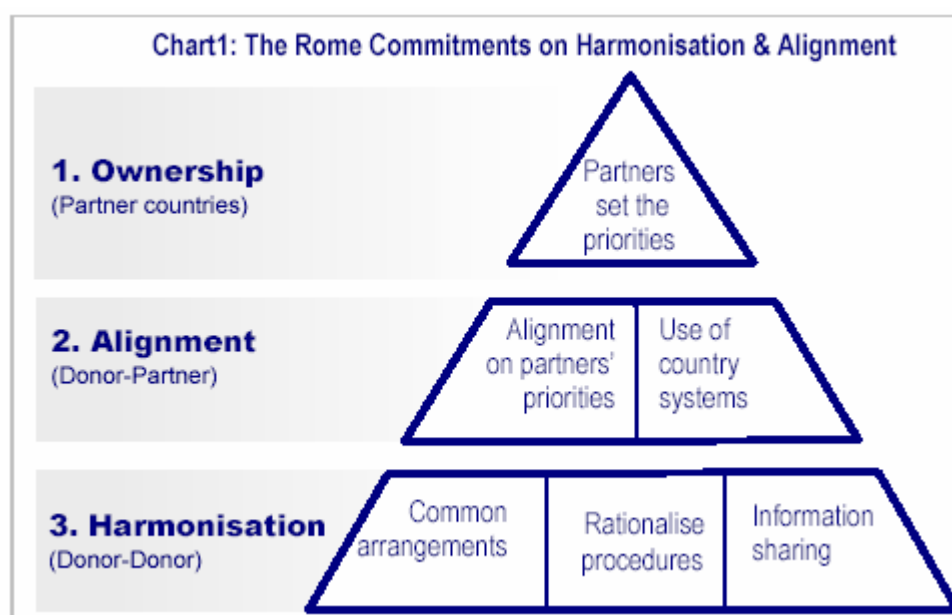
## ANNEX 4: DONORS AND THE PRSP

The purpose of this annex is to set out what donors can do in support of PRSP implementation and what their policies are in this respect.

A key issue is the move towards greater harmonisation of donor procedures and practices and alignment of donor programmes with national strategies. In support of implementing the Monterrey Declaration, Ministers, Heads of Aid Agencies and other Senior Officials representing 28 aid recipient countries and more than 40 multilateral and bilateral development institutions endorsed the Rome Declaration on Harmonisation in February 2003. The Declaration committed signatories to the following activities to enhance harmonisation (among others):

- Ensuring that development assistance is delivered in accordance with partner country priorities, including poverty reduction strategies and similar approaches, and that harmonisation efforts are adapted to the country context.
- Reviewing and identifying ways to amend, as appropriate, our individual institutions' and countries' policies, procedures, and practices to facilitate harmonisation. In addition, we will work to reduce donor missions, reviews, and reporting, streamline conditionalities, and simplify and harmonise documentation.
- Developing, at all levels within our organisations, incentives that foster management and staff recognition of the benefits of harmonisation in the interest of increased aid effectiveness.
- Providing support for country analytic work in ways that will strengthen governments' ability to assume a greater leadership role and take ownership of development results. In particular, we will work with partner governments to forge stronger partnerships and will collaborate to improve the policy relevance, quality, delivery, and efficiency of country analytic work.

Chart one below sets out the framework for ownership, alignment and harmonization (OECD DAC).



## 2. INTERNATIONAL FINANCIAL INSTITUTIONS

### 2.1 World Bank

Provides financial support to implementation of the PRSP using the Poverty Reduction Support Credit (PRSC). Provides technical support to the management of the process, from the start through implementation. Uses existing projects, special funds, especially the Poverty Reduction Strategy Trust Fund (PRSTF). Plus aligns the CAS – what is WB policy

(a) Poverty Reduction Trust Fund

In 2001, a new multi-donor trust fund was set up to support capacity building in low income countries that are undertaking poverty reduction strategies. The fund is intended to strengthen the preparation and implementation of national poverty reduction strategy papers (PRSPs), and in particular to focus on activities that are:

- Critical to the successful development and implementation of the PRSP;
- Build sustainable country capacity;
- And have the support of domestic stakeholders and external partners.

Each Poverty Reduction Strategy Trust Fund (PRSTF) grant is managed in-country by the World Bank, the United Nations, and the contributing donors. The fund is currently supported by contributions from Japan, the Netherlands and Switzerland which is to be allocated over a four-year period (October 2001- December 2005). Additional contributions are anticipated from other donors and the fund is expected to endure beyond this initial four-year timeframe.

(b) Poverty Reduction Support Credit (PRSC).

A PRSC program typically involves a series of two or three operations (individual PRSCs) that together support the country's medium-term development and reform program to implement its poverty reduction strategy. Its specific structure depends on country circumstances, including the objectives and nature of the country's reform program that it supports and the timing of the requirement for assistance.

- The medium-term program supported by a PRSC series (Medium-Term Program) principally draws from and elaborates on the country's PRSP and takes into account the JSA's analysis of the adequacy of that strategy. It is set out in the government's Letter of Development Policy (LDP) and multiyear matrix of policy and institutional reforms, with results-focused monitoring indicators and progress benchmarks. The time horizon of the PRSC series ideally corresponds to the PRSP and CAS periods.
- A PRSC series may include single-tranche as well as multi-tranche operations. It is expected that single-tranche PRSCs may normally be appropriate for countries with a relatively strong track record of performance, whereas two-tranche operations may normally be appropriate for countries without an adequate track record, or where close monitoring is useful in the implementation of the program.
- Each individual PRSC in the series is made based on (a) the receipt of an acceptable LDP; (b) a satisfactory macroeconomic framework; (c) the up-front completion of a set of specific social and structural reform measures ("prior actions"), agreed at negotiations and set out in the LDP/multiyear matrix, and focused on priority actions that are critical for the success of the Medium-Term Program and are expected to have a substantial impact on sustainable growth and poverty reduction; and (d) on satisfactory progress in carrying out the Medium-Term Program, based on a review and assessment by staff, against the CAS triggers and the overall set of social and structural actions set out in the LDP/matrix. In this review and assessment, staff also consider the results-focused indicators and benchmarks for monitoring the overall implementation of the poverty reduction strategy set out in the LDP/matrix.
- To the extent practicable, individual PRSCs are normally phased in line with the borrowing government's annual budget and policy cycle. The documentation for each individual PRSC clearly indicates how that operation is linked with preceding or subsequent PRSCs in the series (if any)—including the prior actions that have been completed, and the prior actions expected to precede and the policy areas expected to be covered in subsequent PRSCs. The second and any subsequent PRSCs in the series build on the previous ones; their prior actions (and any tranche conditions) are formulated and agreed when they are negotiated, drawing on the Medium-Term Program set out in the preceding PRSC. They each include an updated LDP and multiyear matrix, which reflect the evolving Medium-Term Program and specify the agreed prior actions and any tranche conditions. In moving from one PRSC to the next in the series, if progress is found to lag behind expectations, a judgment is made on whether to adapt the Medium-Term Program, to

reduce the amount of the subsequent PRSC operation, or to delay the next operation until further progress has been made.

- Some PRSCs may focus mainly on economywide policy or institutional issues, such as broad public sector reform; they are governed by the operational policies for structural adjustment credits. Other PRSCs may cover policy or institutional issues in key sectors such as infrastructure, health, education, or rural development; they are governed by the operational policies for sectoral adjustment credits. All PRSC series are also governed by the Bank's guidelines on programmatic adjustment lending.

### (c) World Bank Institute Attacking Poverty Program

The Attacking Poverty Program (APP) was established by the World Bank Institute (WBI) in early 2000 in response to two major developments in the field of capacity building for poverty reduction.

First, the release of "World Development Report 2000/01: Attacking Poverty" ignited a vigorous global dialogue on the key strategies for reducing poverty. To make the most of this renewed focus on poverty, the APP has moved to intensify the debate on regional and national levels and to help poor countries apply the main Report recommendations to their own national situations. The three core areas of the WDR2000/01 - opportunities, empowerment and security - are central to the APP approach.

Second, the emergence of Poverty Reduction Strategy Papers (PRSP) as a major tool for countries to define their development agendas has led to a number of new needs for capacity building. The APP was created by WBI in an effort to efficiently channel its resources in support of the PRSP process. As a result, APP has become the primary mechanism through which national PRSP Teams request and receive support from WBI.

Finally, given the growing use of PRSPs not just by the World Bank and IMF, but other multilateral and bilateral donors as well, APP has taken a lead role in coordinating WBI's poverty reduction programs more closely with other development agencies.

## **2.2 IMF**

The IMF in general does not provide direct TA to the management of the PRSP process but supports it through its usual assistance programme. Specifically it supports the establishment of the macro-economic framework for the PRSP and ensures that it is effectively implemented.

## **2.3 Regional Development Banks**

The Asian Development Bank: ADB adopted its own poverty reduction strategy in 1999 and the role of the PRSP process in this document is unclear. In November 2001, the Government of the Netherlands established the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies (NPRS), by making an initial contribution of 15 million Dutch Guilders (approximately \$6.0 million). The NPRS helps ADB's developing member countries formulate, prioritise, implement, monitor, and reformulate national poverty reduction strategies. It is doing so through

- technical assistance grants, i.e. collaborative work with stakeholders in the developing member countries and research support
- regional training and capacity building activities
- piloting of participation activities for poverty reduction and governance

ADB's final approval date for of NPRS-financed activities is 31 December 2005.

African Development Bank, IADB, IDB etc

### 3. MULTILATERAL DONOR AGENCIES

#### 3.1 United Nations System

The UNDG Guidelines on the PRSP (version 2 December 2003) are very clear on the role of UN Country Teams (UNCTs) in the PRSP process:

“All UNCTs should actively participate in the PRSP process, where it exists, as a platform to advocate a more holistic human development approach linked to human rights. With poverty reduction now firmly at the centre and forefront of the UN’s normative and operational work, the PRSP process presents a unique opportunity of strategic importance for active engagement of the UN system. To take advantage of this opportunity, UNCTs need to advocate for the MDGs as the long-term goals of national development and international development cooperation. The PRSPs should then serve as short term plans of action for achieving them, including nationally owned cross cutting issues.” (paragraph 1.6)

At the same time the UNDG promotes better harmonisation of the CCA/UNDAF with the PRSP and other national development planning cycles. The UNDG PRSP Guidelines state:

“Based on valid analysis, the UNDAF should result in agreement on a strategic and goal driven response of the UN system to country-led efforts to achieve the MDGs. The UNDAF should be derived *inter-alia* from the national poverty reduction strategy/PRSP and will be a contribution to implementing the strategies for reaching the MDGs, as reflected in the Poverty Reduction Strategy.” (paragraph 3.7)

For example, during the preparation of the CCA for Zambia in 2000, efforts were made to synchronise the analysis in the CCA with the national process of preparing the PRSP through the participation of UN agencies in Working Groups. This way, the collective programming by the UN System in Zambia would be directly related to the priority programmes of the PRSP. Nonetheless, there is much to be done for these efforts to bear fruit. Pressures at agency level: procurement procedures; accounting and reporting mechanisms work against donor aid coordination in general and therefore this might affect the PRSP as well.

Although a specific role for UNDP/UNCT in the PRSP process is not defined, there is plenty of scope for active UNDP/UNCT engagement and also in its role as UN resident co-coordinator, for coordination with the Bank, as has been seen in several countries. This is especially the case when the RR seizes a key opportunity where she/he sees that UNDP/UN can make a real difference in support of the PRSP formulation and implementation process. UNDP’s comparative advantages, its organizational mandate and its perceived role provide it with certain advantages which should be leveraged to the highest possible extent.

The cooperative partnerships between UNDP, and the World Bank and the IMF on the global level for support of the PRSP process can be problematical in practice at the country level. The tensions arise from a range of factors. One of the more common is short deadlines to meet the approval schedules of the multilateral agencies, which conflict with the outcome of broad based participation and ownership by a range of stakeholders. A second is the over emphasis on the macroeconomic framework, which can result in limited participation by government line ministries.

In the absence of clearly defined division of labour between the IFI and UNDP/UN system in the PRSP process, better partnership arrangements need to be articulated with clearly defined responsibilities for the BWI on one side and UNDP and the UNCT on the other.

Add UNDP Poverty Reduction Thematic Trust Fund etc as source of funds for helping with the technical aspects of PRSP preparation and implementation eg consultative processes, monitoring etc

### 3.2 European Union

## 4. BILATERAL DONOR AGENCIES

The OECD DAC Guidelines on Poverty Reduction (OECD 2001) are explicit on the matter: To translate their poverty reduction objectives into more effective programmes, agencies should use partner country strategic frameworks, a judicious mix of aid instruments and proven best practices.

- **Agency programmes should, first and foremost, build on partner country development frameworks.** In their various national adaptations, the planning frameworks promoted by the international community (such as the PRSP, NSSD, CDF, and UNDAF/CCA) are strategic for translating the Millennium Development Goals into national policy and action. But these closely related, often interlocking frameworks must be rationalised to reduce the burden of having partner countries comply with multiple planning instruments. Ideally, the frameworks should coalesce into a single, comprehensive national strategy for reducing poverty that integrates economic, social and environmental priorities.
- **The emerging national poverty reduction strategies should be the point of departure for external assistance.** These strategies should be country-driven, participatory, comprehensive and results-oriented. Agencies should tolerate different formats and standards. They should be aware of – and accommodate – often over-stretched country capacity, and allow time for local ownership to grow. They should set realistic targets, taking into account local capacity to implement strategies and recognising that sustained poverty reduction cannot be achieved overnight.

DAC guidelines on harmonization (Harmonising Aid Practices for Effective Aid Delivery) while recognising the suggestions of several recipients that aid be better integrated into the PRSP does not explicitly recommend this approach.

**ANNEX 5: MATRIX OF CHALLENGES AND CONSTRAINTS**