

## Malawi: full PRSP

Malawi's full PRSP has recently been seen by the IMF Board during a discussion of its macroeconomic program. Two features of the PRSP process are noteworthy.

- Civil society representatives such as the Malawi Economic Justice Network not only participated in technical working groups during PRSP preparation, but were members of the drafting team, unlike in other countries.
- The costings for the first draft of the MPRSP exceeded the resource envelope by 100%. With the help of an external consultant, working groups and line ministries participated in a prioritisation process. Considerable effort on this stage has paid off, with a PRS that is relatively well-prioritised, well-costed and linked to the available resource envelope. In addition, it ensured that PRS costings were linked to existing budget classifications, meaning that MPRSP expenditures can be easily tracked through the budget.

### Things to note

Malawi must implement its PRSP for one year to reach HIPC completion point. However, it is not clear whether this period starts from the date that Malawi launched its PRSP nationally (April 2002) or from the date the Boards view the document (August 2002). This is a particularly important issue for several countries that have experienced a delay between PRSP completion and presentation to the Boards.

## WB Policy on JSAs

Following pressure from the UK and other bilaterals, the World Bank has made two important commitments on harmonisation:

- Joint Staff Assessments of PRSPs should include a discussion of harmonisation issues. This is an important opportunity for key concerns about donor behaviour to be flagged.
- The Bank's Country Assistance Strategies will include a discussion of harmonisation issues.

### Things to note

Given UK objectives to promote harmonisation of instruments and alignment with PRSPs, country desks may want to work closely with the Bank to facilitate the discussion of harmonisation in JSAs.

## PRSP Update

60 countries are involved in the PRSP process at present. Of these, 11 countries have not yet produced a Board-endorsed I-PRSP, and as such are at the 'beginning' of the PRSP process. These are: Angola, Bangladesh, Burundi, Congo (Republic of), East Timor, Eritrea, Indonesia, Nepal, Nigeria, Sri Lanka, and Togo.

16 countries have drafted a full PRSP that has an associated JSA, and has been presented to the IFI Boards. These are: Albania, Bolivia, Burkina Faso, The Gambia, Guinea, Honduras, Mauritania, Malawi, Mozambique, Nicaragua, Niger, Rwanda, Tanzania, Uganda, Vietnam and Zambia.

A further 5 countries have completed a full PRSP (or have reached the final stages of drafting) but have not yet presented it to the IFI Boards. These are: Ethiopia, Ghana, Guyana, and Kenya.

The remaining 29 countries are at varying stages of the process of developing their I-PRSP into a full PRSP. Of these, the Democratic Republic of Congo, Yugoslavia, Yemen, and Bangladesh are recent additions.

## Albania: full PRSP

Albania's full PRSP (the Growth and Poverty Reduction Strategy) went to the IFI Boards in June. DFID has made an important and sustained contribution to the GRPS process, achieved through:

- funding the IDS stakeholder analysis that mapped out the participatory process
- funding local consultants to assist with drafting the final document
- support for the set up of the GPRS Technical Secretariat
- taking a leading role in supporting the development of an MTEF
- helping to improve the technical quality of the GPRS in the areas of environment, rural livelihoods, and poverty mapping
- support to the World Bank's Living Standards Measurement Survey, which will strengthen M&E
- active membership in the Donors' Core Group on GPRS
- a bilateral programme that is closely aligned with GPRS and World Bank priorities
- advocacy of greater EC involvement in the PRS process

### Participation in Ghana

Ghanaian civil society and government recently took part in a DFID-funded workshop on participatory approaches to monitoring and PEM for poverty reduction. It was the first such workshop to have near-equal representation from government and civil society. The workshop was action-oriented and was designed in part as an input to the development of the official M&E plan for the PRSP (the Ghana Poverty Reduction Strategy). For copies of the workshop report, contact us.

### Lesotho: PRGF

The PRGF in Lesotho appears to be fulfilling several of the 'Key Features' promised by the IMF.

- Government ownership of the PRGF is high, with all negotiated structural benchmarks included in the budget speech as government policy.
- Broader national ownership is currently lacking, due in part to the complexity of macroeconomic negotiations - however, the DFID office feels that as sector consultations get underway and the private sector becomes more involved, this may be reviewed.
- The full PRSP is not yet complete in Lesotho (expected December 2002), and it will be necessary to ensure that PRGF benchmarks take into account issues arising from PRSP consultations.
- The budget appears to be pro-poor and pro-growth in that it is prudent but not austere, with commitments to provide key social services. There remain challenges ahead, particularly in delivery of politically sensitive commitments such as privatisation and public sector reform.
- The IMF team have shown flexibility and sensitivity in dealing with fiscal targets and structural benchmarks, and have been more selective in their conditionality. They have also coordinated well with bilateral donors.
- PSIA is not currently on the agenda due to weak capacity of GoL.

Severe capacity constraints within GoL mean that patience is needed while the new agenda takes hold. However, successful elections earlier in the year have paved the way for deeper donor support to the PRSP process. While IMF behaviour is felt to be good in this instance, there are some concerns over the behaviour of the World Bank and its willingness to coordinate with other donors.

### Tanzania: Poverty Monitoring

Tanzania's Poverty Monitoring Master Plan was produced in December 2001. The Poverty Monitoring System (PMS) is intended to monitor poverty reduction outcomes. DFID funded an independent review of the system in January 2002. The PMS is recent and still evolving, but as one of the first to be established in a post-PRSP context it has a number of interesting lessons and features for consideration elsewhere:

- early agreement was reached between stakeholders on the institutional framework for poverty monitoring based on an assessment of national information needs and existing monitoring capacity
- early agreement was also reached on a core set of PRSP/poverty monitoring indicators that would form the foundation of the system
- the PMS is built around a number key interfaces between producers and users of data within the government system; attention is paid to demand as well as supply side issues through the creation of a Research and Analysis working group and a Dissemination and Advocacy working group involving CSOs, researchers and academics as well as donor representatives and government officials.
- The PMS seeks to integrate quantitative and qualitative methodologies
- Donors have worked well together behind government leadership of the PMS and have sought to reduce transactions costs by pooling funding wherever possible and prioritising coordinated work

The challenges ahead include:

- Putting into operation the fairly complex institutional framework under the stewardship of the Vice President's Office
- Generating usable data in the short term for PRSP monitoring and feeding this information into the policy process in a meaningful way
- Finding ways to encourage broader participation by CSOs in the system
- Generally improving the upward and downward flow of information in government, particularly on routine data issues
- Deepening the use of qualitative and participatory PRSP monitoring

### Bangladesh: I-PRSP

Bangladesh's draft I-PRSP is now available on the web ([www.Bangladesh-Bank.org](http://www.Bangladesh-Bank.org)). DFID has:

- advocated for greater participation by women in consultation groups, funded gender focused workshops, and participated in the PRSP Gender Working Group
- funded a regional workshop for members of the private sector to discuss their varying involvement in the PRSP process

## MTEFs and PRSPS

DFID has commissioned ODI to undertake a study of Medium Term Expenditure Frameworks (MTEFs) and their linkages with poverty reduction strategies in Africa.

Together with some EC funding, the study has commissioned 10 country case studies that will review progress with MTEF implementation and identify issues and challenges in developing more effective links with poverty reduction strategies. The countries covered by the study are: Benin, Burkina Faso, Cameroon, Ghana, Guinea, Malawi, Rwanda, South Africa, Tanzania and Uganda. The country studies are based on a common questionnaire so that findings can be directly compared across the 10 countries. Country studies are now underway and the Synthesis Report will be available in early November.

ODI hope to organise a Regional Workshop to discuss the findings and identify recommendations for strengthening the MTEF-PRS process by the end of the year. For more information contact Dr. Alison Evans on [a.evans@odi.org.uk](mailto:a.evans@odi.org.uk)

### Things to note

To ensure compatibility between the objectives of the MTEF review and the priorities of the Tanzanian government, DFIDEA(T) negotiated with the Tanzanian Ministry of Finance (and other stakeholders) that the MTEF country study should feed directly into the PER process. The ODI consultant met with the PER working group, worked closely with the MoF throughout, and produced short preliminary outputs to feed into the budget round. While negotiating this kind of cooperation takes time, the Tanzanian case provides an important example of how country offices can work with centrally-driven research initiatives to the benefit of a wide range of stakeholders.

## World Bank Development Policy Support Loans

The World Bank intends to rationalise its lending instruments and to streamline its procedures through its new Development Policy Support Loans (DPSL). The Bank is conducting an in-depth consultation which will continue for some time (guidelines will probably not appear for over a year). In a recent roundtable discussion with DFID and others, some important points emerged.

- Structural adjustment loans in their current form will disappear, although PRSCs will remain. There will be a recognition of and support to ongoing change processes, rather than 2-year SALs.
- The Bank will no longer be required to apply explicit policy criteria, as the policy content in each case will be determined by the PRSP and CAS.
- There are concerns that DPSL review mechanisms should not undermine or sideline the PRSP review process, particularly if bilateral donors align their instruments with the Bank.
- Although PSIA is appropriate in the context of DPSL, some cautioned that it should not be allowed to become a vehicle for proliferating conditionality.

The background issues paper for this topic is available on the World Bank's website (from [www.worldbank.org](http://www.worldbank.org) go to Consultations: Adjustment Lending)

### Mozambique: the G10 and the PRS

The Joint Programme for Macro Financial Support to Mozambique (the G10) is considering a shift in focus. The programme, a joint donor framework for the provision of general budget support, has until now focussed primarily on macroeconomic issues and has been extremely successful in improving information flows and dialogue with GoM. To capitalise on this process and move to a broader dialogue with the GoM will require a fundamental rethink about the nature and scope of the conditionality attached to budget support provided through the Joint Programme.

As co-chair of the G10 with Denmark, DFID will be taking forward the group's commitment to explore the development of three-year rolling agreements, harmonising conditionality (focused on the PRS), and establishing transparent mechanisms for dealing with non-compliance. This links closely with DFID's more general move towards long-term MoUs with partner governments.

## Indonesia: draft I-PRSP

Indonesia has recently completed a first draft of its I-PRSP. The status of the document remains contentious. The presentation of an I-PRSP is one trigger for high-case WB lending, but donors have been lobbying for a broadly owned framework for poverty reduction. This has been accepted by GoI as an important goal, as expressed during CGI meetings.

The drafting process is under the auspices of the Poverty Reduction Committee, and is led by the Minister of Peoples' Welfare, although much of the work is being carried out by the national planning agency. There are serious concerns over the capacity of this group to deliver a strategic, mainstream plan of poverty reduction that is regionally relevant and goes beyond an income-based, welfarist approach to poverty reduction. However, there are some encouraging signs of progress and the DFID office views the PRSP process as an opportunity for dialogue.

To date, DFID has supported the process through:

- funding an NGO network to enter into dialogue with GoI and maintain pressure for a consultative process - so far, CSO engagement with the national planning department has helped to strengthen government interest
- funding a consultant in the national planning department to encourage the GoI to engage in a deeper consultative process
- emphasising the importance of a fully consultative and regionally relevant approach
- working closely with the ADB and WB in the context of a Poverty Reduction Partnership

DFID is also funding a Poverty Strategy Support Programme, which will provide funds for a variety of initiatives:

- work with the World Bank, including a trust fund and DFID staff (poverty specialists) appointed into the Bank
- co-financed TA with the ADB, supporting service supply and poverty monitoring
- broader support for civil society
- support to an independent Indonesian research body, with the aim of embedding PSIA skills

Contact us for more information.

## New Resources

**Parliaments and PRSPs:** The National Democratic Institute has started the PRSP International Resources Group to discuss the involvement of legislatures in the PRSP process. See [www.ndi.org](http://www.ndi.org)

**Vulnerability and Social Protection:** The Childhood Research and Poverty Centre has published its first working paper, entitled 'Whose Poverty Matters? Vulnerability, Social Protection and PRSPs' See [www.chronicpoverty.org](http://www.chronicpoverty.org)

**Participation:** Christian Aid has published a short paper on participation in Bolivia, and a synthesis note on participation in Bolivia, Rwanda and Malawi. See [www.christian-aid.org.uk](http://www.christian-aid.org.uk)

**Budgets:** New ODI report available. 'How, when and why does poverty get budget priority? Poverty Reduction Strategies and Public Expenditure in five African countries (Uganda, Tanzania, Ghana, Malawi, and Mozambique)' See [www.odi.org.uk](http://www.odi.org.uk)

**Participatory monitoring:** World Learning has recently started a pilot program in East Africa supporting civil society in monitoring PRSP implementation. For more information, contact [ann.hudock@worldlearning.org](mailto:ann.hudock@worldlearning.org)

**Bolivia:** *Finance & Development*, the quarterly magazine of the IMF, recently ran a feature called 'Crafting Bolivia's PRSP: 5 Points of View'. The article includes a contribution by Rosalind Eyben, ex-Head of DFID Bolivia. See [www.imf.org](http://www.imf.org)

### Moldova I-PRSP redrafted

The new Moldovan Government has redrafted the pre-existing I-PRSP - it is now available on the World Bank's website. The Moldovan Government has also drafted its plan for participation in PRSP formulation, but this is still in progress. DFID has provided support to the PRSP process by:

- funding the participation of the Moldovan delegation at the regional PRSP forum last year
- funding further development of the MTEF
- supporting a unit that will provide advice on a communications strategy for the PRSP
- supporting the development of a linked network of 120 social sector NGOs

DFID has recently been selected as a member of the National Committee for Participation. It is also looking to link its work on statistics more closely to the PRSP monitoring process.

## Rwanda: full PRSP

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Rwanda's full PRSP recently went to the IFI Boards. DFID has been closely involved with the PRSP process throughout, and in particular funded the National Programme for Poverty Reduction, the unit that amongst other things coordinated and drafted the PRS. With completion of the PRS, this unit has now merged with the Strategic Planning Department to form the Strategic Planning and Poverty Reduction Department (SPPRD). The SPPRD will be responsible for implementation and monitoring of the PRS. DFID is supporting this change process over the course of the next year through workshops and ongoing dialogue.

In addition to the PSIA work mentioned overleaf, DFID has:

- assisted with a variety of statistical exercises
- provided consultancy support for the World Bank's CFAA and PER
- provided TA for a number of activities including the MTEF, civil service reform, and governance-related activities

## Vietnam: full PRSP

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Vietnam's full PRSP (the Comprehensive Poverty Reduction and Growth Strategy) recently went to the IFI Boards. DFID has supported the CPRGS process in various ways:

- support to the participatory poverty assessment that was a key foundation for the CPRGS
- support to the poverty analysis and advice project (PAPAP) which aims to increase GoV capacity and includes seconding poverty specialists to work in the World Bank office in Hanoi.
- support to and participation in the multi-stakeholder Poverty Task Force
- coordinating comments on PRSP drafts with a group of 7 like-minded donors ('Utstein plus')

A series of papers on the Vietnam Development Goals has been drafted and will inform the development of CPRGS monitoring systems. It is worth noting that the next iteration of the CPRGS will be scheduled to coincide with the 5-year planning cycle. In addition, both DFID and Japan (JBIC) have stated that their new country strategies will be based on the CPRGS.

## Bolivia: elections

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During the run-up to the recent elections, DFID Bolivia examined the plans of the three main parties to analyse their compatibility with the pre-existing full PRSP (the Estrategia Boliviana de Reduccion de la Pobreza, agreed in March 2001) and to assess any changes in priority or emphasis. The recent Bolivian elections were a close-run contest resulting in a coalition between two of the main parties and strong opposition from the third main party. Only one party, the MIR (now part of the coalition), explicitly stated its compliance with agreements reached in the National Dialogue and with PRSP targets, although it did not explain how it would achieve this or the relationship with the rest of its plan. This and other plans contained a number of elements that were compatible with commitments under the PRSP.

Since the election, DFID has also examined the Plan Bolivia put forward by the new coalition to reflect their development agenda to August 2007. Although the Plan makes no explicit mention of the EBRP (or its monitoring plan), there are some areas of overlap, especially in agriculture, health, education, infrastructure, rights and inclusiveness, and anti-corruption measures. The Plan is also wider than the EBRP, including measures such as the reform of the constitution and measures to promote ecotourism.

The EBRP, as an operational plan, has not transcended the change of government wholesale, although there are areas of overlap. Donors will need to be flexible in identifying and supporting the policies derived from the PRS to maintain the momentum and spirit of the process and keep the spotlight on key reforms. To this end, DFID has put forward a paper arguing for the establishment of a common 'development path', shared by donors and the government.

## PSIA pilots

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DFID is supporting Poverty and Social Impact Analysis (PSIA) pilots in several countries. The policy under examination is different in each country.

- Uganda - agricultural export
- Rwanda - fiscal deficit (see right)
- Armenia - water privatisation
- Honduras - electricity privatisation
- Mozambique - petroleum tax

PSIA work is at an early stage in Indonesia and Pakistan. DFID Ethiopia is also considering supporting PSIA work on falling commodity prices. Most of the studies will be completed at the end of September and DFID-wide dissemination events will be arranged.

The need for PSIA to inform PRSs is increasingly being recognised. JSAs for both Vietnam and Gambia noted the need for PSIA to inform the implementation of Comprehensive Poverty Reduction and Growth Strategy (Vietnam) and the Strategy for Poverty Alleviation II (Gambia). In the case of Gambia staffs proposed that progress on PSIA should be monitored in the annual PRS implementation report.

### Things to note

Discussion of PSIA at the DFID Economist's retreat also indicated that DFID offices have concerns that macro and structural policies are going through without PSIA being done. This will be raised by DFID at the IFI Annual Meetings. Please note any examples of Bank- or IMF-supported macro/structural policies that have provoked national concern due to their expected poverty impact, and yet have gone through without PSIA. Send examples to Lucia Hanmer or Barbara Hendrie before September 20th.

### Rwanda: PSIA

Rwanda's PSIA work focuses on the size of the fiscal deficit, which has been a contentious issue in the negotiation of Rwanda's PRGF. A scoping report outlines the differing approaches of the IMF and the GoR. Roughly, the GoR derives the desirable fiscal deficit from an estimation of the expenditure needs and revenue base. In this view, the role of international assistance is essentially to fill this gap, and assistance should in general be accepted. The IMF's view, on the other hand, is based on a normative conception of deficits and debts as ratios of GDP. In this view, Rwanda already has excessive ratios of deficit and debt to GDP, and the urgent task is to address these imbalances. While the PSIA work will not be able to settle the issue definitively, it will be able to articulate the logic of both positions and begin to explore possible social impacts.

DFID is supporting this pilot, and lobbied hard for the PSIA work to be reflected in the PRGF agreement. It is expected to feature in the annual review of the PRGF.

## SPA: Action Learning Missions

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The Strategic Partnership with Africa recognises that in order to enhance the effectiveness of aid, attention will need to be given to changing donor practices in support of national PRSs. The SPA intends to become more action-oriented in promoting genuine changes in on-the-ground donor behaviour in support of national PRS processes.

The SPA plans to carry out pilot action learning missions to Ethiopia, Rwanda, and Senegal. These missions would discuss with governments and in-country donors the possibilities for an annual PRS cycle whereby aid financing, procedures and practices line up behind a national review process and budget cycle. The missions would then elicit from donors and government and agenda for change, and determine specific constraints to improved alignment. The SPA will consider how to follow up the missions in terms of monitoring progress against the agreed action plans for changes on the donor side. Contact us for more information.