

WB/IMF PRSP Progress Report

In September 2002, the World Bank and IMF published their latest report on progress in PRSP implementation. The paper highlights the 'quality and commitment' that characterise recent PRSPs, but notes that countries and donors face a number of challenges:

- Opening the policy dialogue on the development of macroeconomic frameworks, sources of growth and alternative scenarios - IFI staffs should seek to enhance the quality and depth of dialogue on these issues.
- Aligning aid with PRSPs - donors, including the Bank and Fund, need to derive conditionality from PRSPs and accelerate progress on harmonisation. African countries felt that 'donors still placed undue emphasis on procedures and process and needed to shift their focus to be on impact and results.'
- Integrating national poverty reduction strategies into budgetary priorities and implementation - in particular, donors should work more effectively with authorities to strengthen their public expenditure management systems.
- Shifting beyond process to content and implementation concerns, with a need for a greater understanding of the link between policy and poverty reduction.
- Realism in setting goals and targets and managing expectations, both for authorities and development partners - to support this effort, IFI staff will be expected to base their own growth projections on a more thorough analysis of likely sources of growth.

The report also provides Guidelines for JSAs of PRSP Annual Progress Reports in Implementation.

Things to note

The report is explicit in several highlighting areas for improvements in IMF and Bank behaviour. In light of DFID's interest in engaging constructively with the IFIs, country offices may wish to use this paper as a resource. It can be found at www.worldbank.org/annualmeetings under 'Development Committee Papers'

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WB/IMF Evaluation of PRSP and PRGF approach

The IMF's Independent Evaluation Office (IEO) and the World Bank's Operations Evaluation Department (OED) will shortly begin separate (but collaborative) evaluations of the PRSP/PRGF process. The IMF's evaluation will focus on two broad sets of issues:

- What has changed in practice in the way the IMF interacts with member countries in designing adjustment programs and what helps them address the challenges of poverty reduction and growth?
- Are these two new instruments (the PRSP and PRGF process) well-suited to reach their ultimate objectives of promoting sustainable growth and poverty reduction - or are changes in their design and/or intermediate objectives called for?

A meeting at ODI on the 25 November allowed participants to provide input to the terms of reference for the IMF's evaluation. Please see www.odi.org.uk/ meetings for more details.

PRSP update

Yemen completed its full PRSP in May 2002, and a JSA was published in July 2002. It went to the Boards in August 2002. Tajikistan completed its full PRSP in June 2002 and it has recently been made available on the Bank's website, although the JSA is not yet available. Ethiopia has also published its full PRSP. The total number of full PRSPs presented to the IFI Boards now stands at 19.

Lao PDR, Chad, and Armenia have all published PRSP Preparation Status Reports recently. Burkina Faso has also produced its second Annual PRSP progress Report.

IMF Guidelines on Conditionality

The IMF has published new Guidelines on Conditionality (available on www.imf.org)

The Guidelines set out the results of a consultation process on streamlining Fund conditionality. The resulting guidance places importance on several principles that are central to the PRSP initiative:

- the need for ownership
- due regard to individual members' circumstances, including attention to the total burden of conditionality facing a country
- the need to apply conditions parsimoniously - the IMF will only apply those conditions critical to the success of the programme and primarily within the Fund's core areas of responsibility
- the Fund being fully responsible and accountable for all conditions attached to the use of its resources

However, there are a number of important elements that are not adequately addressed in the guidelines:

- transparency of the Fund and member governments
- the need for predictability of financing
- the need to reduce the burden of program review mechanisms or coordinate these reviews with other actors

Things to note

The new guidelines make several commitments for the Fund that country offices should be aware of:

- IMF staff reports and the documents of national authorities should clearly specify which elements are program-related conditions on which the Fund's financial support depends
- all program documents should state clearly the roles of other international institutions and any relevant conditionality
- the Fund should operate in a flexible 'lead agency' framework with the Bank, although it is not clear that the Bank has been considering its own role in streamlining conditionality

MTEFs and PRSPs

Preliminary findings from ODI/DFID's study of MTEF development in PRSP countries point to a number of interesting lessons for Government and donor practice:

- Having the budget basics in place facilitates implementation of an MTEF but there is also evidence that implementation of an MTEF can provide an impetus to the building of these basics, as in Uganda.
- Realism in forecasting/estimating the aggregates (growth/fiscal) is critical to an effective MTEF process.
- Providing space for a strategic phase to budget preparation and separating it from the detailed preparation and consideration of the budget estimates is at the heart of MTEF implementation.
- Political engagement in strategic management is central as is clearly distinguishing between the resource allocation choices that are made collectively at the centre (by Cabinet/Committee of Ministers) and those that are made individually by sector/agency Ministers.
- Early evidence suggests that the explicit focus on poverty reduction generated by PRSPs is beginning to put some backbone into recent and/or faltering MTEFs. In particular where the MTEF is not yet providing a disciplined framework, the PRSP has injected a much needed focus on priorities in the resource allocation process.
- There is the added risk however that this will further unbalance relative attention to priority and non-priority expenditures in the budget process. There is some evidence that this is already happening. The Tanzania case notes that the analysis of expenditure priorities in the MTEF process should be extended to cover all sectors and not just the priorities of the PRSP.
- The MTEF/PRSP link is beginning to generate demand for higher quality information at all phases of the budget cycle, although a considerable amount of work is needed to meet this demand. South Africa and Uganda illustrate that improving the quality of information holds the prospect of transforming both governmental processes and the understanding of what does and does not work and where the money is going. The best precaution against the use (or misuse) of resources is a rigorous focus on the results of government expenditure.

PRSPs and Political Development

The PRSP approach can be seen as revolving around a number of intentions that are fundamentally political, including:

- shifting the focus of government's accountability for poverty reduction from external donors to citizens;
- increasing the breadth, scope and depth of participation in the formulation of public policy for poverty reduction;
- promoting a model of policy making where accountability is focused on poverty reduction outcomes, rather than the delivery of benefits to particular social groups.

There is nevertheless a tendency for the policy and methodological guidance around PRSPs to adopt a broadly technocratic and apolitical stance. Addressing the tensions between the technical and political nature of the process is going to be critical if the PRSP initiative is to deliver the major change in the effectiveness of international development co-operation that is hoped.

In this context the PRSP Monitoring & Synthesis Project is conducting a monitoring/research study of the political dimensions of the PRSP process with a view to summarising and disseminating early lessons within DFID and the development community. The study is beginning with a background concept paper examining some of the issues identified above, followed by four country case studies – Uganda, Bolivia, Vietnam and Georgia – and a synthesis report which will be available in March 2003. Main areas to be covered by the case studies are:

- The PRSP process and engagement by different political actors
- Interactions between the PRSP process and the political context/system
- The politics of resource allocation processes
- The political implications of the poverty reduction strategy
- Donor analyses of the PRSP process and political change

For more information please contact us.

SPA Action Learning Missions

The Strategic Partnership with Africa has recently carried out three pilot Action Learning Missions to 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 sought to elicit from donors and government an agenda for change, and determine specific constraints to improved alignment.

Pilot missions have now been carried out in Ethiopia, Senegal, and Rwanda. These missions found that 'the aspiration of a government-led process for implementing the PRS, with a nationally-led process for monitoring, review and renewal of objectives, has yet to be realised. Instead, donors have continued to focus on their own timetables, their missions, their conditions, and have demanded information to suit their requirements.' The report goes on to make a number of recommendations for government and donor action in realising the potential of the PRSP process.

Governments will need to:

- translate medium-term indicators, targets and policy commitments into annual goals against which progress could be measured;
- clarify the link between the PRS annual review and national budget and planning cycles, in terms of timing and content, and ensure consistency between the MTEF and sector allocations.
- clarify the link between PRSPs and sector strategies

Donors will need to:

- refrain from anticipating Government's work on operationalising the PRS, and instead support institutions of Government with capacity building and appropriate technical assistance;
- notify Government, in advance of the annual PRS review, the specific information they would like to see included in the annual review, and stop making additional ad hoc requests for information. Information demands should be kept to a minimum, and to the extent possible, should be harmonised among donors.

Donors and Governments together need to clarify the role, content and calendar of PRS reviews. It would also be appropriate for donors to provide an independent review of their own progress in meeting their commitments to the PRSP process.

PRS Monitoring in Africa

ODI and the Synthesis Project recently facilitated a workshop for African SDAs on PRS Monitoring. Participants were asked to consider four key questions:

- Are PRS monitoring systems engaging with the real politics of poverty reduction?
- Is PRS monitoring connecting with the budget?
- Are we getting donor alignment with national systems?
- Are we getting the right information to the right people for the right purposes?

There were also presentations and discussions on ODI's experience of supporting the creation of PRS monitoring systems and the role of TA, the new Civil Society Budget Initiative, and a number of country office experiences. Presentations and workshop reports will shortly be made available on <http://insight/prspproject>.

One background note for the workshop was a Synthesis Note from the Project, reviewing PRSPs and monitoring plans from 8 African countries (currently in draft form). Findings include:

- Most plans heavily focus on poverty (final outcome) monitoring but there is some evidence of more links with monitoring of intermediate elements and processes.
- Although 'middle' indicators are better specified, there is still a noticeable absence of a 'monitoring chain' that can help to direct policymaking.
- Although there are intentions to draw on a wide variety of monitoring instruments, integration of these is not well specified.
- Budget monitoring work is not well linked to poverty monitoring work, although more can be done to spell out expectations in this area.
- Although some systems provide CSOs with a 'seat' in working groups or oversight mechanisms, CSOs do not always take up these seats for a variety of reasons.
- Most donor assistance for monitoring activities is not well coordinated. There are some early conversations around the relationship between PRS monitoring systems and donor performance assessment requirements.

PRSP Monitoring: Zambia

From DFID Zambia: The Zambian PRSP was approved by the Cabinet in mid-2002. Since then, DFID Zambia has facilitated the dialogue between the Ministry of Finance and National Planning and other donors, to agree a more systematic approach to PRSP monitoring and to reduce over-laps between (disconnected) donor initiatives.

The MoFNP has requested DFID financing for two connected consultancies, the outcome of which will be a single 'framework for priority actions' to strengthen PRSP monitoring processes. One consultancy is looking at the National Statistical System, and will include a strategic plan to strengthen this system. The other (broader) consultancy will integrate this plan, and other stakeholder views and roles, into the 'framework'. The final report from MoFNP on their PRSP monitoring 'framework' is expected by mid-December.

A recent government workshop showed a renewed commitment to a coherent approach that can support greater harmonisation. However, the MoFNP appears to be faced with a choice of requesting support from a small core group of donors or adopting a more inclusive approach. The former will be easier to start, and to harmonise arrangements for; but may not create a broad acceptance of PRSP monitoring plans amongst the wider donor community. The latter will be more time-consuming and slower, but may bring longer-term benefits. It may ensure wider support for the PRSP in the future, and help realise the logical extension of such support: direct budgetary contributions from more donors.

In practice, some compromise is going to be needed, such as a core group of funding donors with an agreement to keep other donors informed. DFID Zambia is assisting MoFNP to liaise with other donors so that this compromise can be agreed in the coming months.

For more information, contact Richard Montgomery or Julia Bunting of DFID Zambia.

PRSPs in Latin America and the Caribbean

A recent synthesis note from the PRSP Monitoring and Synthesis Project explored experience with PRSPs in LAC countries. Findings include:

- Governmental ownership of PRSPs is improving although concerns remain. There are often several national policy documents that play an overarching strategic role, and the role of the PRSP is sometimes unclear.
- The involvement of local governments will need to be monitored as decentralisation continues in some countries (Bolivia) or as governments tend towards centralisation (Honduras and Nicaragua).
- LAC countries have developed interesting ways of including civil society in PRSPs, but there are important challenges ahead particularly with respect to indigenous populations in Latin America.
- All three Latin American countries are currently off-track with their PRGF and Guyana's PRGF was only recently agreed after protracted negotiation. The IFIs need to open up discussion around the relationship between the PRSP and PRGF and HIPC conditionalities.
- There are presently no MTEF systems in place for budget prioritisation in line with PRSPs. There are concerns over the realism of the targets in PRSPs, with attendant concern over the feasibility of the strategies as planning instruments.
- DFID's engagement in LAC has been primarily focused on influencing other actors, given their relatively small budget.

For copies of the paper, see www.prspsynthesis.org

SIDA: Latin America PRSP monitoring

SIDA is supporting the Dutch Institute for Social Studies (ISS) in a five-year project to monitor PRS implementation in Latin America. The ISS will produce annual reports on each PRS country, annual thematic reports, and a regional report with comparative perspectives. This initiative is not intended to replace official monitoring of PRS implementation by the governments themselves, and will work closely with national donor coordination mechanisms. For more information, please contact the ISS (www.iss.nl)

New resources

The World Bank has recently added a chapter on 'Strategic Communications' to its Sourcebook. The ~~chapter is available online at~~ <http://www.worldbank.org/poverty/strategies/sourctoc.htm> or contact Masud Mozammel at mmozammel@worldbank.org

PSIA Documents (including background papers and draft country studies) are now available on the DFID intranet at <http://insight/prspproject> Please contact us with PSIA queries in future.

Honduras PRSP: DFID's support

DFID provides support to a number of PRSP-related activities in Honduras:

- **Facilitation initiatives.** Government-led PRSP workshops to bring together different stakeholders and to give momentum to the PRSP process.
- **Decentralisation.** Support to the Ministry of Governance and Justice to develop its action plan for participatory decentralisation (other donor funding is supporting decentralisation through support to public services, legal and institutional framework, fiscal reform). A recent workshop was hosted by GOH with participants from civil society, local and central government and the G15 donor group to discuss how to advance the decentralisation programme (GTZ and DFID funded).
- **Rural poverty dialogue.** DFID are funding a series of workshops in Honduras to bring voices of the poor into the discussions of rural poverty and of how to work together through the PRSP to address it.
- **Development of local PRSPs.** DFID will fund Honduran CSOs to coordinate the development of four regional PRSPs. Trocaire (an INGO) are responsible for monitoring this initiative and channelling the funding. A Swedish NGO is planning to support the development of another four regional PRSPs.
- **PSIA.** Through IFID, DFID is supporting a PSIA pilot on Stabilisation and Macro-Economic Adjustment Pro-grammes in Honduras in collaboration with civil society.

PRS Monitoring in Asia

A recent workshop on monitoring and evaluation of poverty reduction programmes brought together planners and statisticians from 21 Asian and Pacific countries (both developing and middle-income). Although discussion tended towards the technical, there was some focus on:

- the considerable new demands placed on National Statistical Systems (NSSs) through the need to monitor the MDGs and PRSs - including the need to produce social statistics using decentralised approaches
- the (potentially considerable) changes in institutional and financing arrangements required to do this;
- the realignment of capacity-building action plans to address the requirements and skills necessary to monitor and evaluate MDGs and PRSPs.

It was also apparent that there is presently little recognition of the need to link PRS monitoring and monitoring of the MDGs - these were generally considered separate exercises. Furthermore, there is room for much work in raising awareness of the need to link PRS monitoring with the iterative process of PRS formulation.

For more information, contact David Pedley of ASREP.

World Summit on Sustainable Development

The World Summit on Sustainable Development took place in Johannesburg in early September, covering a range of development issues and accompanied by much media attention. Prior to the Summit, DFID engaged other UK Government Departments in dialogue about the PRSP approach, an effort which eventually bore fruit. Instead of calling for a range of initiatives to implement the Summit's agreements, the UK Government (led by the Department for Environmental Food and Rural Affairs) stressed the importance of working through country-owned strategies. Writing in the Guardian after the Summit, Margaret Beckett said: "the actions identified in Johannesburg will shape the progress of individual countries' strategies for poverty reduction and sustainable development." This is a welcome sign of increased understanding across Whitehall of DFID's agenda in general, and the PRSP approach in particular.

Pakistan: I-PRSP to full PRSP

From DFID Pakistan: After discussions with a diverse set of stakeholders that included the federal and the provincial ministries/departments, academia, NGOs and the general public, Pakistan finalized its IPRSP in November 2001 (a JSA was produced in December 2001).

The next steps call for consultations to move towards a full PRSP. The full PRSP would amalgamate the PRSPs of the Provincial Governments (which they are preparing in consultation with District Governments and which are intended to be ready by December 2002) and would also reflect the new initiatives taken by the Federal Government since November 2001. The PRSP is expected to be ready by March 2003. It would be consistent across provincial and federal government plans and targets, relying on the Medium Term Budgetary Framework for costing. Its coverage would be restricted to the federation and the provinces.

Achieving PRSP targets and objectives requires a monitoring and evaluation system that regularly measures the PRSP's implementation and impact. For this purpose, the Government has institutionalised a mechanism for the quarterly tracking of federal and provincial anti-poverty budgetary expenditures. In addition, a comprehensive set of indicators has been developed to capture the efficacy of poverty reduction expenditures and initiatives. Health and education indicators were prioritized and finalized in September 2002 in a DFID-funded consultative workshop.

DFID is an active international development partner in Pakistan's PRSP process, and is supporting the process through:

- Working closely with the Government and other multilateral and bilateral donors to strengthen the PRSP process
- Designing and implementing the Communication Strategy of PRSP process to reach out at the grass roots level
- Developing a comprehensive set of intermediate and outcome impact indicators
- Facilitating a process to help better integrate environmental sustainability into the PRSP
- Playing an active role in Donors Core Group on Gender (INGAD) to ensure that gender issues are mainstreamed within PRSP

