

Executive Summary

The introduction of Poverty Reduction Strategy Papers (PRSPs) in 1999 was heralded by some as a significant innovation in aid policy and practice; others remain sceptical. The approach arose out of a number of trends and concerns during the 1980s and 1990s: a growing focus on poverty reduction; increasing use of participatory methods; and long-standing concerns over the effectiveness of both policy conditionality and project-based aid.

One of the hypotheses underlying the innovation was that if pro-poor strategies could be more firmly embedded within national policy-making structures, better policy implementation would emerge, resulting in more positive impacts on the lives of the poor.

This paper focuses on this hypothesis and synthesises the results of a number of reviews of progress. (A summary table of these results is on p.14) Most work so far has concentrated on the *process* changes advocated by the new approach rather than the *content* of documents. This is because this was felt to be the major innovation and that if processes could be got 'right', better content would follow.

Overall it is clear that some **progress** has been made under the new approach:

National **governments** now have poverty reduction higher on their national agendas as the location for PRSP development is most often in the Ministry of Finance. PRSPs are more comprehensive and wide-ranging than previous national plans for poverty reduction and improvements have been made in linking planning and budgeting processes, due to the central role of the economic ministries. There is widespread acceptance of a multidimensional understanding of poverty and increased focus on the need for better poverty monitoring.

Within **wider society** there have been positive reports of increased space for civil society engagement and input in PRSP processes. In order to maximally engage with the processes, civil society mobilisation and networking has received a welcome boost.

Donors are increasingly aware of the need for better alignment with PRS processes and are engaged in dialogue on how this can be achieved. There is also widespread acceptance of the need for harmonisation and coordination. Some progress has been made in these areas; joint donor groups have been established in some countries, for example.

Much work remains to be done, however. **Challenges** noted are:

Although national **government** Ministries of Finance are engaging with PRSP processes, wider involvement of line ministries and local government remains limited. Political ownership is also fragile in many countries and institutionalisation of the approach remains in only a very early stage. Public

expenditure management (PEM) reforms are crucial for the success of the PRSP approach as the PEM system provides the tools for governments to implement the strategies. Although such reforms have been underway in a number of countries for many years, systems remain poor. National monitoring systems also currently lack the capacity to adequately monitor progress towards poverty reduction and even where data is produced it is not often fed into decision-making processes.

Although some organisations have received a boost, **wider society** bodies such as parliaments and the media have yet to be involved in PRSP processes. For successful implementation such organisations are also required to be involved in monitoring; demand for results from such organisations and civil society organisations (CSOs) serve as downward accountability mechanisms for government commitments. This role has yet to be fully acknowledged and developed. CSOs are also concerned that without stronger embedding in government structures, space for dialogue may be only fleeting. CSO capacity to engage in complex policy dialogue is often limited but the accountability of the predominantly urban-based CSOs who have so far engaged with the process is also being questioned.

Much **donor** aid remains fragmented in myriad projects across multiple sectors. Off-budget aid also serves to undermine PRSP processes as ministry incentives to engage with the PRSP are reduced by sector-specific project funding. Aid predictability concerns by governments are often subservient to effectiveness considerations by donors, potentially undermining PEM reforms as governments are unsure of their long-term finances. World Bank and IMF Joint Staff Assessment (JSA) procedures throw into further doubt the ability of the approach to generate genuine national ownership - as PRSPs are checked by these organisations as a condition for loan approval.

Four **cross-cutting issues** are also emerging that are serving to further highlight the complexity involved in the PRSP agenda.

The first of these is that **politics matters**. The context and particular political system within which the PRSP is introduced is crucial for the success of the approach. Leadership commitment is also of overriding importance and changes in leadership can potentially serve to undermine advances made. The PRSP approach itself is a highly political agenda. The generally technocratic portrayal of the PRSP as an aid 'tool' has tended to obscure the fact that policy-making involves difficult trade-offs between policies that serve different interest groups. Poverty reduction is also highly political; the poor are not a homogenous group and do not have identical interests.

There is a need to **maintain momentum** under the approach for it to have a chance of success. As connection with debt relief wanes, donor alignment will be the crucial factor to maintain government interest. Many CSOs are also becoming disillusioned as they feel their contributions were not adequately included in final policy outcomes. Expectations of the new approach are high and must be managed in light of the fact that change is unlikely to be swift.

Sector specialists have highlighted poor policy content of PRSPs over many years but their concerns have not received much attention so far. This is now changing as wider acknowledgement of **content concerns** is emerging. Three issues in particular are being highlighted: the macroeconomic policy content of PRSPs does not appear to have been adequately discussed; policy content to produce 'pro-poor growth' is insufficient – the productive sectors in particular are not adequately incorporated; and discussion on policy choices can be improved by introducing Poverty and Social Impact Analyses (PSIA).

Donors need to **deliver on their commitments**. Despite high-level gestures of commitment to alignment and harmonisation, many donor practices are not yet supportive of the PRSP approach. Their involvement is crucial as donors exert large influences on in-country processes. Donors need to balance competing demands though. Two of these are: the pressure for short-term results while remaining committed to medium and long-term engagement; and the need for in-depth understanding of country political contexts as well as increased awareness of their own impact as political actors.

Overall experience remains limited with PRSPs so far. The hypothesis of the benefits of increased national ownership remains plausible but the process changes the approach is aiming for are not simple or linear and may not emerge for many years.

Much work remains to be done. Japanese experience and expertise on the Asian context and on growth and the productive sectors can be valuable contributions to the debate. The most important conclusion, though, is the need to maintain the commitment of all actors involved.