

**PRSP Annual Progress Reports
and Joint Staff Assessments
– A Review of Progress**



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PRSP ANNUAL PROGRESS REPORTS AND JOINT STAFF ASSESSMENTS – A REVIEW OF PROGRESS

BRIEFING NOTE 9

I. Why focus on APRs and JSAs?

The PRS approach is now four years old and firmly into the implementation phase. Forty one countries have a full PRS under implementation and a further eleven have an interim PRS. Four countries – Burkina Faso, Tanzania, Bolivia and Nicaragua – have reached the stage of formulating their second PRS, while Uganda is finalising its third.

Two elements of the PRS approach are of particular interest to those taking stock of early experience with PRS implementation – the annual progress report (APR) and the joint staff assessment (JSA) – because both play potentially pivotal roles in addressing outstanding challenges that are central to the success of the PRS approach.

- First, there is a need for donors to move beyond the rhetoric of Monterrey and Rome towards concrete action on PRS alignment at country level. An APR which is aligned with national processes and forms a single focus for donor reporting offers potentially significant gains in this area. How the JSA fits into this vision appears less clear cut.
- Second, as the deadline for meeting the Millennium Development Goals approaches, the case for increasing PRS financing appears ever more urgent. Questions are being asked about whether APRs and JSAs provide a sufficiently credible basis for the increased aid flows that are needed to help PRS countries realise the Millennium Development Goals.

To date, at least nineteen Annual Progress Reports (APRs) have been produced in a total of twelve countries. Burkina Faso and Uganda have each produced three APRs and Mauritania, Tanzania and Nicaragua have each produced two. Ethiopia, Malawi, Mozambique, Niger, Vietnam, Albania and Honduras have each produced one APR. Joint Staff Assessments (JSAs) have been carried out on at least sixteen of these APRs, bringing to one hundred the total number of JSAs produced to date. The other JSAs relate to twenty three Interim PRSPs (IPRSPs), twenty three Preparation Status Reports, and thirty eight JSAs of full PRSPs.¹

This paper has three aims: (i) to summarise Bank and Fund guidelines on the expected role and purpose of the JSA and the APR; (ii) to review country-level experience, and (iii) to identify emerging questions and challenges.

¹ Figures contained in this paragraph are the latest available from the World Bank website as at 31 May 2004.

JOINT STAFF ASSESSMENTS

2. What is the role and purpose of the JSA?

Four sets of JSA guidelines have been produced by the Bank and Fund.² They cover JSAs of IPRSs, preparation status reports, full PRSs, and Annual Progress Reports respectively. These guidelines offer a clear steer as to the expected role and purpose of the JSA in PRS processes:

1. JSAs are expected to act as a signalling device for the Executive Boards of the IMF and World Bank that the strategy produced by the government provides a sound basis for providing concessional assistance. A PRSP, IPRSP or PRSP Progress Report supported by the Boards within the preceding twelve months is a condition for:
 - a. reaching decision or completion point in countries eligible for HIPC;
 - b. approval or review of a Poverty Reduction Growth Facility (PRGF) arrangement;
 - c. high-case International Development Assistance (IDA) lending and IDA adjustment lending, except in special circumstances such as emergency or crisis situations.
2. JSAs of the IPRS and full PRS are expected to provide a review of the country context and comment on whether the PRS offers a credible framework within which the Bank and Fund can design their concessional programmes, but they are not expected to determine the detailed design and precise amounts of assistance provided. These decisions are taken through separate determinations for the Country Assistance Strategy (CAS) and PRGF respectively.
3. JSAs are expected to provide helpful feedback to countries as to how the PRS process might be improved over time. For example, the JSA of the IPRS “should indicate clearly to the government the staffs’ views on the key issues/questions to address in the preparation of the PRSP”.³ JSAs of the full PRS and the APR should both “provide constructive feedback to the country about how it might improve its strategy over time”.⁴

In the case of the IPRS, the JSA is also expected to comment on the kind of assistance the Bank, Fund and other development partners will offer to help the government improve their information base, undertake poverty analysis, support the participatory process, improve systems for financial accountability, and estimate the costs of priority public actions.⁵ If the authorities are seeking technical assistance to complete their PRSP, the JSA of the Preparation Status Report is also expected to take a position as to whether this assistance is likely to be forthcoming and provide a likely schedule for delivery.⁶ This ‘business plan’ approach to the JSA is not repeated for JSAs of the full PRSP or the APR.

² World Bank/IMF (2002a, 2001a, 2001b, 2000).

³ World Bank/IMF (2000).

⁴ World Bank/IMF (2002a, 2001a).

⁵ World Bank/IMF (2000).

⁶ World Bank/IMF (2001b).

3. What should the JSA cover and how should it be conducted?

The guidelines suggest that JSAs should range in length from three to ten pages and answer questions on a limited number of defined themes, with the exception of the JSA of the full PRS where a great deal more detail is required. The following table summarises the key questions to be covered and the expected length of each type of JSA.

Table 1: Expected Content of JSAs

Type of JSA and expected length	Questions to answer
IPRSP 3-4 pages	<ul style="list-style-type: none"> ■ How appropriate/adequate is the government's assessment of the country's poverty situation and its current strategy and policies to reduce poverty? ■ How realistic is the government's plan to produce a PRSP? ■ What kind of assistance will the Bank, Fund and other development partners offer to help the government?
Preparation Status Report	<ul style="list-style-type: none"> ■ Is the revised timetable and action plan for producing a full PRSP feasible? ■ Are the issues raised in the JSA of the IPRS being addressed? ■ If the authorities are seeking technical assistance to complete their PRSP, is this assistance likely to be forthcoming and what is the schedule for its delivery?
Full PRSP 10 pages	<ul style="list-style-type: none"> ■ 16 questions on the following themes: ■ Building country ownership through participation; ■ Poverty diagnosis; ■ Targets, indicators and monitoring; ■ Priority public actions; ■ Macroeconomic framework, fiscal choices and financing plan; ■ Structural and sectoral policies, policies for social inclusion and equity governance and public sector management.
Annual Progress Report 4-5 pages	<ul style="list-style-type: none"> ■ 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 monitoring and evaluation systems set forth in the PRSP? ■ Does the progress report propose any important changes to the strategy and if so, are these changes appropriate in the 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?

Sources: World Bank/IMF (2002a, 2001a, 2001b, 2000)

In general, the guidelines do not specify how the JSA should be conducted and whether or how domestic civil society and donor organisations should be consulted. The exception is the guidance on JSAs of APRs, which simply states “The JSA could draw on sources other than the progress report, including the views of domestic stakeholders and development partners”.⁷

4. How have JSAs been conducted?

In most countries, the JSA has been conducted within the space of a few weeks with the aim of completing it between receiving the relevant government documentation and the date of the next Executive Board meeting, whilst also allowing time for resolving differences of view between the Bank and Fund.⁸ In countries where there is little or no in-country staff presence, or where there have been difficulties with the timing of donor missions, the process has ended up being rather Washington-centred with limited involvement from other stakeholders.⁹

There has, nevertheless, been clear demand from other donors to be involved in the JSA process. The UK Department for International Development (DFID) and the European Commission (EC) have both actively lobbied for the views of other donors to be taken into account in either the main text of the JSA or through a separate joint donor assessment attached as an annex.¹⁰ As noted already, the guidance on whether and how other development partners should be consulted during the preparation of the JSA is somewhat vague and, as a result, different JSA teams have responded differently to donor efforts to be more engaged.

- In Albania, a highly committed Bank member of staff based in Washington arranged to meet with the core PRS donors group, circulated a draft JSA and collected written comments from individual donors which were incorporated into the main body of the document.¹¹
- In Vietnam, early and late drafts of the JSA were circulated to individual donors with substantive comments received from Japan and the like-minded donor group.¹²
- In contrast, in Ghana and Malawi the JSA was presented to donors at the last minute in a formal meeting, and they were effectively only given the opportunity to rubber stamp it.¹³
- In Kenya, the DFID country office had to work hard to secure agreement that the JSA team would meet with other donors, allow them to participate in discussions with government and provide opportunities to comment on drafts.¹⁴
- In Ethiopia, the JSA was prepared in Washington with only limited opportunity for discussion in country. The Development Assistance Group (DAG) of donors prepared their own Joint Partner Review (JPR) which was submitted to Government alongside the JSA. There is no reference in the JSA to the JPR or the views of other donors.¹⁵

⁷ World Bank/IMF (2002a).

⁸ Interview #9.

⁹ Driscoll (2004).

¹⁰ Interview #1, Driscoll (2004).

¹¹ Interview #2.

¹² Interview #10.

¹³ Interview #4 and #5.

¹⁴ Driscoll (2004).

¹⁵ Driscoll (2004).

Initial experience suggests that involvement of the broader donor community in the preparation of the JSA has several advantages, not least contributing to donor co-ordination and harmonisation in some countries, and improving the quality of the JSA by drawing on the specialist knowledge of individual donors about country context or particular sectors. On the other hand, some governments have expressed the concern that the more the JSA becomes a collective document the more it risks becoming a backdoor means of re-introducing conditionality, not only from the Bank but also from other donors (Box 1). Some donors, for example, have attempted to use the JSA of the APR as a way to lever their special interests - projects, targets or indicators – into the PRS, even though they were rejected by government when the PRS was first formulated.¹⁶

Box 1: The case of Madagascar

The JSA of Madagascar's full PRSP proved to be an interesting experiment in joint donor involvement with unexpected consequences. The joint staffs fully engaged the broader donor community in the development of the JSA, both in consultations about content and comments on drafts. The process helped to foster discussion and forge closer relations between donors, with active participation from those based at headquarters and in-country.

Despite attempts to ensure the JSA remained sharp and focused, the end product was extremely long and detailed. Donors proved incapable of prioritising their concerns and the JSA consisted of a lengthy list of recommendations on matters such as choice of indicators and particular sector reforms.

Six months after the publication of the JSA, the World Bank and EC discovered at a meeting that the government had unexpectedly produced a detailed report for donors on which of these recommendations it had implemented to date, and how it planned to implement the remainder. The government had considered each and every one of the recommendations to be a conditionality, because donors had failed to clarify the purpose of the JSA or the relative importance of each recommendation.

Source: Chiche (2004)

Beyond donors, relatively little or no attempt has been made to consult domestic stakeholders such as civil society organisations and parliaments in the preparation of the JSA. Minor exceptions include Vietnam where a draft was circulated to NGOs for comment, and Ghana where urban-based policy think tanks were sent a copy. Equally, however, there appears to be little effective demand from such stakeholders to participate in JSAs, either because of the lack of a transparent process (they are unclear what is happening when) or because of broader challenges around PRS 'participation fatigue' and capacity constraints.¹⁷

¹⁶ Interview #3, Driscoll (2004).

¹⁷ Interviews #2, #3, #4, #5, #6, #7.

5. Is the JSA fulfilling its expected role and purpose?

As currently implemented, the JSA process has a number of ambiguities:

Signalling

- a. As a signalling device for the Boards to provide concessional finance for the PRS the JSA lacks candour. JSAs invariably state that the PRS represents “a suitable basis for concessional lending” even when there are clearly numerous unresolved issues, including those which are effectively dealt with through separate negotiations towards a CAS, Poverty Reduction Support Credit (PRSC) or PRGF. These issues can include weaknesses in costing and prioritisation, overly optimistic macroeconomic frameworks, sensitive political topics and weak links to public expenditure management frameworks. Rarely are JSAs entirely candid about the full implications of these weaknesses or how they might influence the choice or timing of concessional lending instruments. In many countries, the JSA has been viewed as a stage that must be passed before separate negotiations on lending instruments can be completed¹⁸. One exception is Vietnam, where the JSA was explicitly seen as a step towards a PRSC co-financed by seven donors and therefore included the necessary technical assessments.¹⁹
- b. The fact that budget support donors rely on an on-track PRGF as an explicit condition for budget support and are looking to harmonise reporting with PRSC policy matrices, means that the JSA functions not only as a signal to the Bank and Fund Boards but also to a broader group of donors. Some donors, including DFID, encourage staff to include the assessment from the JSA in their Country Assistance Plan (CAP).²⁰ This raises the stakes for governments engaged in a JSA process and risks placing the emphasis on ‘passing the donor test’ rather than reporting to domestic constituencies or improving performance in poverty reduction. The ambiguities surrounding the role of the JSA can prove especially problematic in this context. In Tanzania, for example, overstretched government officials felt obliged to focus on fulfilling donor reporting needs in relation to both the JSA of the APR and the PRSC, leaving little time for examining how the APR could be used to improve government performance²¹ or domestic accountability.

Feedback

- a. The role of the JSA in providing constructive feedback to governments aimed at improving the PRS process has proved to be a highly politicised one in many countries. Most JSAs do attempt to provide constructive feedback to governments and in Uganda and Vietnam, a fruitful technical collaboration resulted between the joint staffs and government officials.²² In countries such as Tanzania and Ethiopia, where national sovereignty appears to be a more sensitive issue, the joint staffs have faced some resentment from government and civil society about perceived Bank and Fund interference in what is supposed to be a country-led process.²³

¹⁸ Driscoll (2004); IMF (2004).

¹⁹ Interview #10.

²⁰ DFID (undated).

²¹ Interview #6.

²² Interviews #7, #10.

²³ Interview #6, Driscoll (2004).

- b. The behaviour and approach of the joint staffs around the JSA and the broader PRS process plays a crucial role in determining whether or not this feedback role is fulfilled effectively. In Ethiopia and several other countries, the JSA has been approached in a rather mechanistic way and provided prescriptive feedback based largely on Bank and Fund reporting needs.²⁴ In Tanzania, the JSA appeared to replicate feedback already provided through the PRSC process and so was seen as a waste of time by overworked government officials.²⁵ Bank staff appear unsure about whether they are permitted to share drafts of the JSA with the government as a means of opening dialogue before it is sent to the Boards of the Bretton Woods Institutions (BWI).²⁶

JSA's do fulfil a signalling role with the Boards, nevertheless there is clearly confusion amongst stakeholders over how far this signalling role should extend and the basis on which it is prepared. The lack of candour in the JSA undermines its role in providing clear, constructive feedback to country authorities (and other donors) regarding the soundness of the PRSP. The vision of mutual PRS accountability on the part of donors and governments is also not being realised because JSAs do not match assessment of government performance with firm financial commitments from donors. The government is therefore asked to fulfil its size of the PRS bargain, without donors being required to do the same in return. Uganda has recognised this missing link in the PRS process and donors there are working with government to develop a Joint Assistance Strategy which brings together the World Bank's CAS, DFID's CAP and other donor processes into a single operational response to the APR.²⁷

6. What could an improved JSA look like?

Experience to date calls into question whether the JSA is adding value to the PRS process. The JSA currently appears to be falling between three stools as it attempts to function simultaneously as a signal to the Boards, a feedback mechanism for governments and the basis for broader donor support for the PRS process. Looking ahead, there may be a case for re-examining its role in the PRS process. Two immediate options emerge:

- I. One option would be to tie the JSA more closely to Bank and Fund concessional lending instruments, instead of aiming for a general assessment of the broader PRS process. In practice, this would mean merging the JSA with existing reporting requirements for the PRGF, PRSC and CAS. Potential advantages of such an approach would be:
 - Greater clarity on all sides as to expected purpose and content;
 - Less external intrusion into a country-led PRS process;
 - Reduced duplication of government effort in reporting to the Bank and Fund;
 - Reinforced links between the PRS process and budgets/Medium-Term Expenditure Frameworks (MTEFs) because PRGF and PRSC requirements include a strong focus on macroeconomic frameworks, public expenditure management and costed, prioritised policies.

²⁴ Driscoll (2004).

²⁵ Interview #6.

²⁶ Interviews #9, #10.

²⁷ Interview #7.

There are also several potential disadvantages to this approach, however. The value-added of the JSA compared to existing processes for negotiating IFI instruments would remain unclear. Tighter links with instruments may reinforce attention to PEM issues, but it could also reinforce neglect of others such as growth or governance. Donor alignment with the national budget cycle would become crucially important in this scenario. It would also intensify the need for a separate joint donor review of the PRS, thus potentially maintaining high transaction costs on government.

2. A further option would be to turn the JSA into a joint donor business plan for supporting the PRS process along the lines of Uganda's Joint Assistance Strategy. In practice, this would mean a joint donor mission conducting the assessment and matching it with firm financial commitments, either for the medium term (linked to the full PRS) or for the forthcoming budget year (linked to the APR). Potential advantages here would be:

- Greater mutual accountability from donors for the PRS process;
- Co-ordinated donor feedback to government on how the process might be improved;
- More predictable PRS financing provided in a co-ordinated and harmonised way;
- Reduced duplication of government effort in reporting to individual donors;
- Increased peer pressure on donors to fully align with the PRS;
- In budget support countries, reinforced links between the PRS process and budgets/MTEFs because this instrument demands improvement in this area.

Clearly, this approach would only succeed if Bank and Fund operational decisions were effectively de-linked from the joint donor assessment and dealt with through separate negotiations. Otherwise, the joint donor assessment would likely become very IFI-driven as staffs sought to meet the demands of the Executive Boards. This approach would also need to be accompanied by proportionate efforts to reduce donor reporting demands in other areas (for example Consultative Groups, individual instrument reviews and sector reviews) Otherwise, it could result in increased reporting burdens on government.

The success of a reformed JSA in providing constructive feedback to government would continue to depend crucially on the behaviour and competencies of donor staff, and by extension on the institutional incentives they face. The feedback function appears to work best when:

- It is seen as part of an ongoing process of frank dialogue around the PRS;
- The starting point is the PRS principles, especially that of country ownership, rather than donors' own institutional requirements;
- Donors refrain from repeated attempts to insert their favourite policies into the PRS and instead pursue a prioritised shortlist of joint concerns;
- Donors are familiar with the country context and have developed relations of trust with the government and other in-country donors;
- Bilateral donor staff are able to match the technical skills of the IFI staffs.

Greater transparency and strategic efforts to engage a representative range of domestic stakeholders are also essential if the JSA is to be conducted with full respect for the PRS principle of country ownership. This could be achieved by drawing on existing national processes such as media, parliamentary and civil society reports and debates, and need not entail extensive new consultation processes.

ANNUAL PROGRESS REPORTS

7. What is the expected role and purpose of the APR?

Governments produce a Progress Report every year of PRS implementation to meet one or more of the following objectives:

- Enhance government performance on poverty reduction;
- Meet donor reporting requirements (for budget support, HIPC, other IFI and bilateral support); and
- Support enhanced government accountability to citizens.

There is no specific guidance on what an APR should contain, but guidance to Bank and Fund staff on what the JSA should address provides a fairly clear steer on their expectations about APR content:²⁸

- “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 set forth in the PRSP?
- Does the progress report propose any important changes in the strategy and if so, are these changes appropriate in the 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 APR to inform and/or involve domestic stakeholders and partners regarding implementation and to build support for its strategy?”

The first three countries to produce APRs were Burkina Faso, Tanzania and Uganda. These reports were fairly substantive. For example Tanzania’s APR filled gaps in education and rural development strategies and provided an update on crucial poverty data, while Uganda’s APR included details of a new national household survey. Governments nevertheless found the process to be extremely burdensome, mainly because (a) many of the results identified in the PRS were not monitorable on an annual basis; (b) the process of updating sector strategies involved complex coordination efforts across government, not unlike the PRS itself, and (c) civil society appeared to be suffering from an element of ‘participation fatigue’ one year after the full PRS consultations. Uganda led moves to press for a longer elapsed time between APRs to reflect different country traditions. Donors disagreed, preferring instead a streamlined policy matrix format.²⁹

The outcome of Uganda’s efforts to change the APR process was a compromise between the two positions, which is reflected in Bank and Fund guidelines for JSAs of APRs, published in July 2002.³⁰ These state that countries can decide the periodicity of the full PRS (between two and five years) but maintain the requirement for annual progress reports. A streamlined format for APRs is recommended, focusing on key results, implementation progress and appropriate revisions (to targets, indicators and policies, for example). The APR should also be integrated with existing government processes through use of a policy matrix linked to the PRS and integration with the national budget cycle.

²⁸ World Bank/IMF (2002a).

²⁹ World Bank/IMF (2002b).

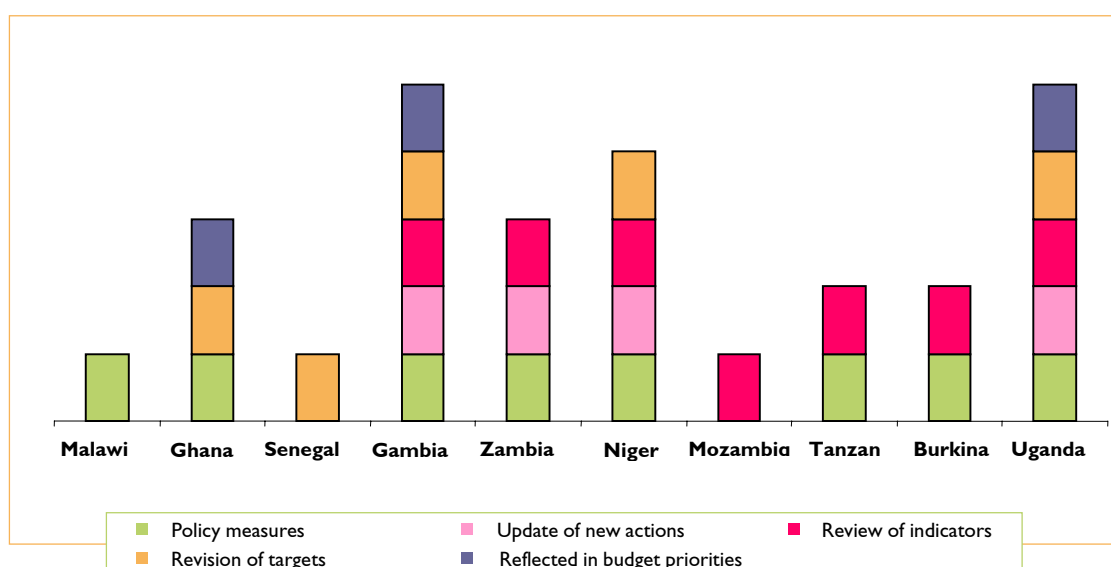
³⁰ World Bank/IMF (2002a).

8. Is the APR helping to improve government performance on poverty reduction?

For the APR to be used as a means of improving government performance, emerging thinking suggests that it needs to include both a backward look to PRS policies, targets and indicators and a forward look to possible revisions of those policies, adjustments to targets and indicators, and to budget allocations for the forthcoming year.³¹ Most APRs produced to date have tended to be narrative reports rather than operational documents of this kind.³² Figure 1, based on a survey of alignment of balance of payments and budget support published by the Strategic Partnership for Africa (SPA) Budget Support Working Group in January 2004,³³ examines the content of current APRs in ten African countries. It shows that:

- In Malawi, the APR was a list of policy measures which offered little potential to improve government performance.
- In Mozambique, the APR was a review of indicators despite other elements existing elsewhere in parallel donor reporting processes.
- Only in a small number of countries such as Gambia and Uganda does the APR appear to include all the basic elements of this forward and backward look.

Figure 1: Content of current Annual Progress Reports



Source: SPA (2004)

Where APRs have led to adjustments in the PRS, they have tended to entail the introduction of more realistic targets and revisions to macroeconomic frameworks and growth projections. There are exceptions, however, such as Uganda's APR which reviewed adverse trends in infant mortality and led to consideration of corrective action.³⁴

³¹ IMF (2003, 2004).

³² SPA (2004), World Bank/IMF (2003).

³³ SPA (2004).

³⁴ World Bank/IMF (2003).

Links between the APR and budgets have generally been weak. Experience to date shows that the APR needs to take place late enough in the year for the government to have had time to publish and analyse data about last year's performance, including budget execution and sector performance reports, but also early enough to influence the policy priorities and budget allocations for the forthcoming year. Predictably few APRs have managed to align with the national budget cycle in this way.³⁵

- Some APRs have taken place too late in the budget year to influence budget negotiations and their influence has been confined to small contingency funds rather than overall priorities and allocations. This applies in Uganda, where a contingency fund is held back until the APR and is used on priority sectors, and in Tanzania, where a similar contingency is retained for use in responding to shocks and unexpected results highlighted in the APR.
- Other APRs have been timed to align with donor reporting cycles, rather than the national budget cycle. This applied in Malawi, where the government was keen to access HIPC money and so produced its APR very early in the budget year and before many key government data sets had become available for analysis.

The objective of integrating the APR with the budget cycle has left some governments questioning the value added of the APR over existing government reports on budget execution and sector performance which are used to shape the forthcoming budget.³⁶ Value added may be unclear in countries which already have a functioning national planning and budget cycle but where this is not the case, which applies in the majority of PRS countries, the APR is beginning to play a useful catalytic role in efforts to unite disparate government processes:

- In Ethiopia and Kenya, governments are using the APR as a means of drawing together sector and sub-national processes into a single, national planning and budget process.³⁷
- In Vietnam, the APR brought together an unprecedented amount of data from across government in a single document and was seen as an important step towards a more integrated national planning and budget process.³⁸
- In Malawi, sector working groups re-engaged with the PRS process through the APR because they saw it as an opportunity to re-open debate about PRS policies, targets and indicators.³⁹ Here and in other countries, such engagement has been tempered by fears amongst some line ministries that they could end up with a reduced share of donor funding by joining a national budget process.⁴⁰

The precise path to a single, well-timed APR has varied enormously between countries to date. The APR process is not drawn onto a blank sheet of paper, but has instead developed out of a country-specific set of challenges and opportunities. Federal countries, for example, have found the process of aggregating backward looking information into a national budget and report very time-consuming. Some countries have had to develop the APR out of existing processes such as sector reviews or legislative frameworks for budget reporting. Elsewhere, overstretched capacity has made it extremely difficult to produce a single, comprehensive report at a set time.

³⁵ Driscoll (2004), Interviews #3, #4, #5, #6, #7, #10.

³⁶ Driscoll (2004).

³⁷ Driscoll (2004).

³⁸ Interview #10.

³⁹ Interview #5.

⁴⁰ Driscoll (2004).

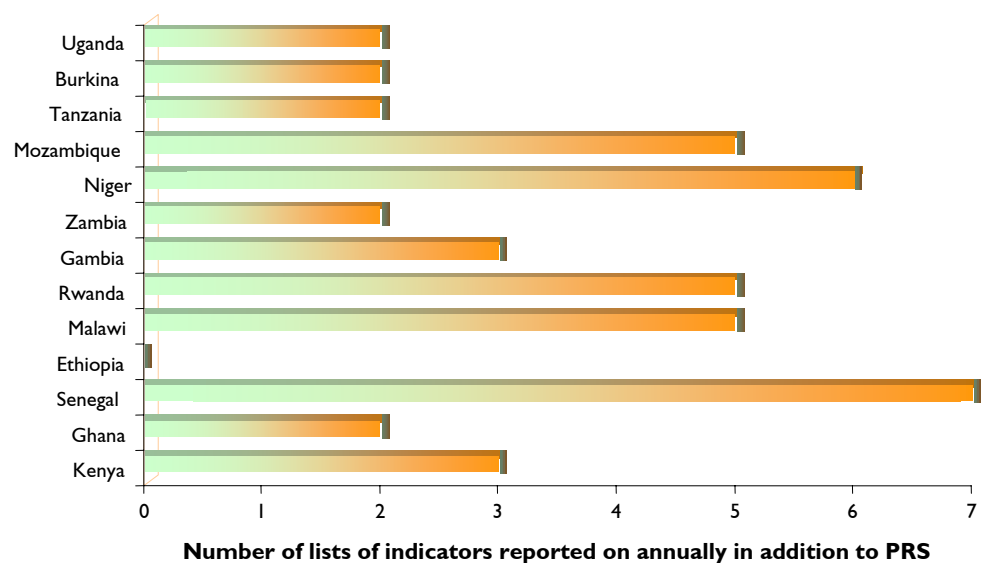
9. Is the APR meeting donor reporting needs?

A clear majority of donors continue to regard the APR as insufficient for meeting their reporting needs, although recent survey work undertaken for the SPA indicates that bilaterals and the EC are more likely than the Bank and Fund to accept it.⁴¹ Reservations about the APR are reflected in continuing ad hoc demands from external partners for additional information outside of that provided in the PRS review.

- Tanzania has to produce not only an APR but also annual and six-monthly reviews of its budget support programme, the Tanzania Assistance Strategy, the Public Expenditure Review (PER), the Poverty and Human Development Report, and annual MDG reports for UNDP.⁴²
- Albania and other Balkan countries have to produce not only APRs but also multiple reports relating to EU accession and annual MDG reports for UNDP.⁴³

Figure 2 below is based on data from a recent survey of alignment of budget support and balance of payments support in African countries.⁴⁴ It summarises the number of different sets of non-PRS derived indicators on which governments report to donors. Niger and Senegal were required to report on the highest number of different lists of indicators not taken from the PRS; Ethiopia was required to report on none outside the PRS (SDPRP) framework.

Figure 2: Donor demands over and above the PRS



Source: SPA Budget Support Working Group, 2004

In most countries, the main focus for additional reporting requests is a matrix of key policy actions, but it is not always the PRS policy matrix reported on in the APR. For the Bank, the PRSC matrix is usually the most important. This is often detailed and includes a range of prior actions as conditions for disbursement and the

⁴¹ SPA (2004).

⁴² World Bank/IMF (2003).

⁴³ Interview #2.

⁴⁴ SPA (2004).

renewal of the programme, as well as instruments for monitoring policy implementation across a range of sectors and cross-cutting themes. While aligned with the PRS, the format for reporting is not always the same as the APR. For other budget support donors, the focus is either the PRSC matrix or a Policy Assessment Framework (PAF) – which in some cases is harmonised with the PRSC matrix. In addition to these matrices, non-budget support donors and budget support donors with a mixed portfolio of instruments continue to demand reporting against projects, programmes and TA.

Efforts are being made to harmonise reporting requirements, but these are not straightforward in the context of weaknesses in the content of most APRs. A key challenge is ensuring that policy action matrices are either derived from the PRS policy matrix, or helping to strengthen that matrix over time, but this is not proving to be an entirely straightforward process:⁴⁵

- In some countries, harmonising policy matrices is providing opportunities for donors to rewrite PRS priorities to meet their own needs and thereby undermine country ownership.
- Donors continue to demand highly detailed reporting, including against specific sector or outcome targets and indicators, and are often unwilling to create a prioritised list that would reduce the reporting burden for government.
- Donors are not a homogeneous group and often organise around specific instruments, sectors or cross-cutting issues making joint working towards a single policy matrix difficult for them and government to co-ordinate.
- Governments are often unwilling to have sensitive political issues such as public financial management, corruption and transparency reported on in a public APR yet these are often crucially important for budget support donors and the Bank and Fund.

Box 2: Joint donor groups and APRs in Africa

- In **Ghana**, the PAF policy matrix is derived from the PRS policy matrix but streamlines it and includes additional information from sectors and sub-national government. The PRSC matrix is also derived from the PRS matrix but addresses politically sensitive cross-cutting issues such as public financial management, transparency, corruption and decentralisation. The government prefers these to be excluded from the PRS policy matrix reported on in the APR, making it difficult to reconcile the three processes over time.
- In **Ethiopia**, the budget support group is developing a policy matrix which is derived from the PRS policy matrix but much more detailed. It contains more than 100 indicators in an attempt to meet the reporting requirements of all donors. A deliberate decision was taken to exclude political governance indicators as these have been the subject of difficult debates between donors and government. The government now wants to make this budget support matrix the main PRS matrix, but some feel that this would skew the PRS process heavily towards meeting the reporting needs of a small number of donors rather than Ethiopian citizens or non-budget support donors.
- In **Tanzania**, there are currently two main matrices for government reporting to donors built around the PRSC and the Poverty Reduction Budget Support Facility performance assessment framework (PAF). Work is underway to harmonise these and report using a single APR. Moves are also underway for the government to report using a single APR. The risk, as in Ethiopia, is that the APR will focus exclusively on donor reporting needs at the expense of the broader policy framework

⁴⁵ Driscoll (2004).

contained in the PRS, thereby undermining country ownership.

- In **Malawi**, there are two main mechanisms for donor reporting. The budget support group is developing a PAF intended to meet reporting needs in a streamlined way. The Bank recently approved a structural adjustment credit with links back to the PRGF and a strong focus on macroeconomic and fiduciary conditions. Neither is derived from or linked to the APR, which suffers from the extremely weak prioritisation of the PRS itself and has few links to budget allocations. DFID and other donors have attempted to avoid overloading the PRS and APR with their own reporting requirements in the hope that government would take the lead in shaping it, but this has yet to happen so consideration is now being given to a package of TA to bring this about. There is commitment to develop the APR as a tool for evidence-based planning and budgeting at the official level but at political level there is little commitment to force sector line-ministries to bring their funds on budget and engage in discussion of national priorities. Donors are reinforcing this problem by maintaining large parts of their portfolio off-budget.

Sources: Driscoll (2004), Interviews #4, #3, #6, #5.

10. Is the APR contributing to enhanced government accountability to citizens?

The APR was expected to be an open exercise involving not just government and donors but also other stakeholders, yet a recent survey of twelve African countries⁴⁶ showed that:

- Only three governments engaged both parliament and civil society stakeholders (Uganda, Burkina Faso and Niger)
- Four presented the APR to civil society stakeholders only (Ethiopia, Malawi, Mozambique and Rwanda)
- Four governments presented it to neither group.

These patterns were not explained by the relative age of the PRS process in these countries, and anecdotal evidence suggests that they are replicated across other regions.

Weak engagement by parliaments and civil society organisations in APR processes can be explained in part by broader challenges around PRS participation such as resource and capacity constraints and weak traditions of transparency and accountability amongst government and politicians. Another key factor appears to be signals from donors to governments about the fact that accountability to citizens is not a primary purpose for the APR. For example:

- In Malawi, the government was keen to ensure the APR entailed a fully participatory process but donors advised against this and in favour of a much lighter consultation. In the end, the government organised a large-scale consultation to respond to high demand for PRS reporting amongst civil society organisations such as the Malawi Economic Justice Network, and DFID has since agreed to fund a programme to build the capacity of parliamentary committees to engage in budget scrutiny activities.⁴⁷
- In Ghana, there was some debate about whether the APR should be presented to Parliament or Cabinet first because it was produced by the National Development and Planning Commission which

⁴⁶ SPA (2004).

⁴⁷ Interview # 5, Driscoll (2004).

includes several academics working for the government and is therefore semi-independent. In the end, the APR was a frank and open assessment which was sent to Cabinet first and has yet to be released to Parliament. Donors have applied little pressure for public release yet have been willing to include in PRSC conditionality a requirement that Parliament pass legislation in support of freedom of information and whistleblowers!⁴⁸

11. What could an improved APR look like?

Experience so far points to a series of tensions between the three roles of an APR – improving government performance, fulfilling donor reporting needs and contributing to government accountability to citizens.

Given that APRs were introduced in part to satisfy the need for continued donor support of the PRS, it is not surprising that the first round of APRs have seen governments prioritise its role as a report to the external community. Yet even in this respect, their efforts have not been fully matched by progress on the part of external partners to co-ordinate and harmonise their reporting requests, align with the national budget cycle, and match annual results with predictable disbursements of budget support. Matching the APR with a reformed JSA of the kind outlined above could perhaps catalyse essential donor efforts in this area.

Although seen as a secondary objective, some APRs have functioned as important inputs to improved government performance. Moves are now afoot to ensure that the APR takes place at the right moment in the budget cycle to enhance links between PRS planning and budgeting. The APR has catalysed better inclusion of sector line ministries and sub-national governments in the national PRS process. Over time and provided constraints in data, capacity and resources can be addressed, the quality of APR content is likely to improve and allow it to be used as a means of shaping budget allocations and improving PRS policies, targets and indicators.

Whether the APR could replace the PRGF and be used alongside MTEFs as a means of signalling expenditure ceilings and catalysing increased aid flows merits further research. The prospect of the donor community accepting the APR as a substitute for IMF assessment of macroeconomic prospects remains remote at present.

The third and implicit objective behind the APR of contributing to enhanced government accountability to citizens appears to have been the loser in the first round of APRs. This is understandable given broader challenges around PRS participation but again, donors are failing to play their part. If the APR and by extension, the broader PRS process is ever to meet its implicit objective of ensuring government delivers for and is held accountable to its citizens, donors must recognise and fulfil their responsibilities to avoid undermining country ownership. This entails recognising and managing their own role as political actors in the national context through ensuring efforts to improve accountability to donors are matched by and complement efforts to strengthen existing national processes involving parliaments, the media and representative civil society organisations.

The challenge appears to lie in ensuring all three objectives can be met over time, even if short-term trade-offs have to be made between prioritising one over the other at a given moment in the process. Clearly it is not realistic to expect the APR to monitor progress towards PRS targets, the MDGs and provide a running scorecard for external finance for the whole of the PRS period. In managing the potential trade-offs between the objectives of the APR the following elements are likely to be crucial in the short-run:

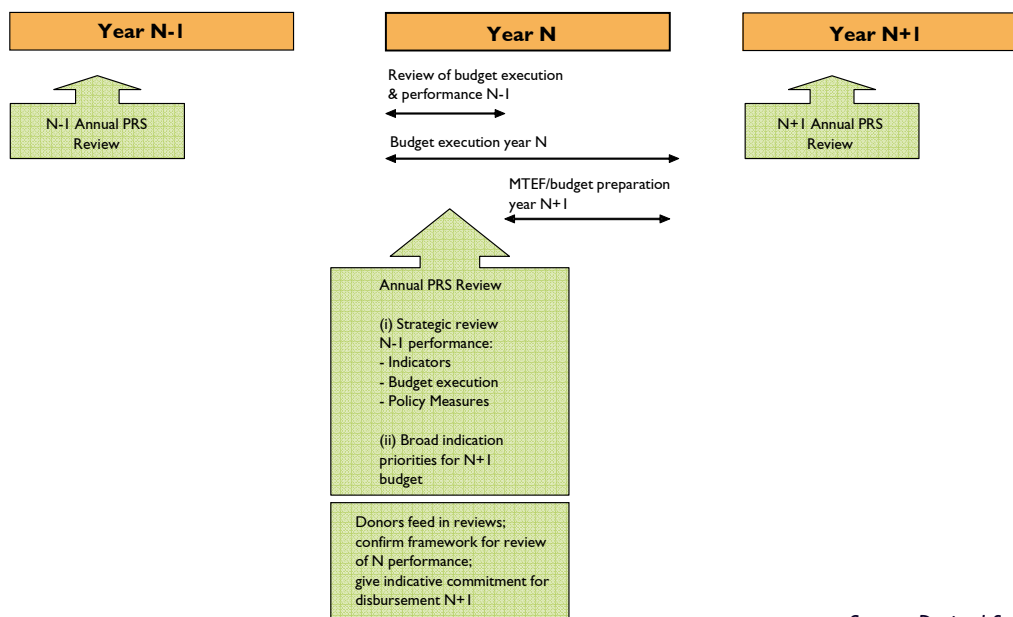
- A 'light' touch process that engages openly with crucial stakeholders but does not seek to repeat extensive PRS-type consultations;

⁴⁸ Interview # 4.

- A strategic overview of key indicators (which could include relevant ‘intermediate’ MDG indicators) plus a forward plan of priorities for guiding key budget decisions;
- An annualised policy matrix with clear read across to donor policy matrices;
- Timed to fit with the annual budget cycle – late enough to accommodate reporting from sector ministries and treasury, but early enough to provide a guide to future resource allocations;
- Donors to schedule their reporting and disbursement with the same APR and national budget cycle. The APR also provides an opportunity to take an overview of other reviews (such as Country Financial Accountability Assessment (CFAA) and PER) so as far as possible these reviews need to be harmonised with the APR cycle.

Given the difficulties of timing the APR, there may also be a case for donors, and particularly the IFIs, to adopt a less mechanistic and more flexible approach. Instead of insisting on a single, comprehensive document delivered at a certain point in each budget year, they could demonstrate a willingness to accept other, multiple national processes which together fulfil the same objectives of donor reporting, enhanced national accountability and improving government performance over time. These could include existing sector review, parliamentary or budget reports, delivered separately or simultaneously, and either more or less frequently than once a year. Uganda is moving in this direction already by pressing donors to accept a lighter APR in alternate years, rather than a comprehensive one every year.

Figure 3: Possible phasing of APRs and the annual budget cycle



Source: Derived from SPA (2002)

Decisions about the respective roles of the JSA and APR must be taken as part of a broader examination of the PRS architecture and the role of donors within it. While the principle of aligning donor cycles with an integrated APR/budget cycle is well established in donor circles, practice is still lagging behind. Donors continue to engage in multiple missions throughout the course of the year and to make additional, ad hoc requests for information outside of PRS reporting.⁴⁹ They generally fail to make firm commitments and predictable

⁴⁹ SPA (2004).

disbursements of budget support in time for inclusion in annual budget and MTEF negotiations, and they continue to provide substantial amounts of off-budget sector support, often through projects and programmes rather than general budget support.⁵⁰

If donors are to live up to their promises on alignment, more pressure needs to be applied both at headquarters and country level to ensure all donor support becomes aligned with the APR and national budget cycle as soon as possible. At country level, budget support donors have begun to develop innovative ways of catalysing progress in this area, such as including non-budget support donors in their discussions with government, holding open days aimed at enlisting wider support for an alignment agenda, and leading by example through moving their own off-budget support into the national budget process. This needs to be matched by expanded advocacy at headquarters level targeted at the worst offending donors. Without it, the incentives facing donor staff at country level are likely to remain unchanged and the donor side of the PRS bargain is likely to remain unfulfilled for some time to come.

⁵⁰ Driscoll (2004).

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Interviews

Interview #1	Peter Rundell & Mailan Chiche	European Commission	16/02/04
Interview #2	Robin Milton	DFID Albania	24/03/04
Interview #3	Peter Kerby & Stuart Tibbs	DFID Ethiopia	24/02/04
Interview #4	Paul Walters & Kirsty Mason	DFID Ghana	17/02/04
Interview #5	Andrea Cook	DFID Malawi	16/02/04
Interview #6	Gerard Howe	DFID Tanzania	18/02/04
Interview #7	Arthur Van Diesen	DFID Uganda	03/03/04
Interview #8	Elene Makonnen	UN Economic Commission for Africa	24/02/04
Interview #9	Katrina Sharkey	World Bank Poverty Reduction Group	15/04/04
Interview #10	Carrie Turk	World Bank Vietnam	04/03/04