

In this issue

- 1) PRSP Update, OED Review of HIPC Initiative
- 2) PRSs in transition economies, Kyrgyz Republic
- 3) Governance, Results-Oriented Budgeting
- 4) PRSs and conflict, Angola, DRC
- 5) Pakistan, Bangladesh, Malawi
- 6) Trade and PRSPs, Honduras, Vietnam

PRSP Update

Since the last newsletter, Mali, Cambodia, Ghana, Senegal, the Kyrgyz Republic, Tajikistan, Sri Lanka and Benin have completed their full PRSPs. All are available on the World Bank website. In total, 26 PRSPs have now gone to the Boards - a complete list is available on the World Bank website.

- Mali completed its PRSP in May 2002 and a JSA was completed on 13 February 2003. It is not clear why there was a delay of this length - the macroeconomic framework may have been reworked or an election in late April 2002 may have contributed. It went to the World Bank Board on 6 March 2003.
- Benin completed its PRSP in December 2002 and a JSA is not yet publicly available. It went to the Boards on 20 March 2003.
- Cambodia completed its PRSP in December 2002 and a JSA was completed in January 2003. It went to the Boards on 20 February 2003.
- Senegal completed its PRSP in November 2002 and a JSA was completed in December 2002. It went to the Boards on December 23, 2002.
- The Kyrgyz Republic completed its PRSP around January 2003 and a JSA was completed in January 2003. It went to the World Bank Board on 22 February 2003.
- Tajikistan completed its PRSP in June 2002 and a JSA was completed on 13 November 2002. It went to the Boards on 5 December 2002.
- Sri Lanka completed its PRSP in December 2002 and a JSA is not yet publicly available. It went to the Boards on 1 April 2003.

OED Review of HIPC Initiative

The World Bank Operations Evaluation Department has published a review of the HIPC initiative and Bank Management have responded to this report. Major recommendations of the report and the Management response to these recommendations are as follows.

Recommendation: The purpose and objectives of the HIPC Initiative should be clarified and the design made consistent with these objectives. These should be communicated clearly to the international community.

Response: The Bank will ensure that the objectives of the HIPC Initiative are clarified and communicated consistently.

Recommendation: Debt sustainability analyses should be made more transparent in methodology and modelling. The economic growth forecasts in debt sustainability analyses should be made more realistic.

Response: Staffs of the Fund and Bank are being asked to improve the realism of long-term projections and apply stress tests that assess risks to the baseline scenarios.

Recommendation: Standards for policy performance should be maintained, and when the established criteria are to be relaxed there should be a clear and transparent rationale to minimise the risks to achieving and maintaining the Initiative's objectives.

Response: An earlier decision point means greater engagement of the international community and greater likelihood of reaching completion point. Management will seek to include fewer - and the most strategic - triggers in completion documents.

Recommendation: Focus more on pro-poor growth and provide a better balance among development priorities relative to the current emphasis on social expenditures.

Response: Management will continue to ask that future Decision Point cases follow this approach. Accordingly, it will work to determine Completion Point triggers for pro-poor growth on a case-by-case basis in accordance with the PRSP or I-PRSP.

NOTE: This newsletter is produced by the PRSP Monitoring and Synthesis Project (for more about us, see www.prspsynthesis.org). The newsletter is intended primarily for DFID staff, to share information on DFID's experience of the PRSP process internationally - it is not an official statement of DFID views or policy.

PRSPs in transition economies

The PRSP Monitoring and Synthesis Project has recently published 'Synthesis Note 6: Experience with PRSPs in transition countries'. This Note is available on our website (as is Synthesis Note 5: Experience with PRSPs in Latin America and the Caribbean').

There are a number of low-income transition countries that are nearing completion of their PRSPs and will shortly be moving into the implementation and monitoring phase. There are familiar limitations on broad governmental ownership, consultation exercises and parliamentary involvement. Some of the findings particular to the transition countries include:

- Approximately half the countries have chosen the Ministry of Finance to lead PRSP formulation and most of the remainder have chosen a unit close to the President or equivalent. It is not yet clear what impact these differing choices will have on implementation.
- Links between the PRSP and the budget/MTEF will require considerable support given weak institutional links between policy, planning and budgeting. The PRS process has stimulated some attempts at prioritisation and costing.
- Civil society capacity for engaging with the various phases and elements of the PRSP process is extremely low and there are specific difficulties arising from the Soviet legacy. There are few exercises that combine participatory elements with data collection or monitoring objectives, such as PPAs. However, a number of governments have disseminated PRSPs in languages other than English and there have been public roundtables and some civil society involvement in working groups.
- In the near future, JSA processes and the links between the CAS and the PRSP are likely to loom large as PRSPs are completed.
- The question of how to resolve EU Stabilisation and Association processes and PRSP processes is proving very difficult, and will remain critically important in South Eastern Europe. There have been high-level commitments to strengthen links between these processes and operationalising these will be crucial.
- Bilateral donor coordination structures are currently weak, but the PRSP process appears to have stimulated some donor groups to meet in-country for the first time. Coordination will also become increasingly important if aid instruments remain project focused.

Kyrgyz Republic: full PRSP

The Kyrgyz Republic has recently completed its PRSP (the National Poverty Reduction Strategy or NPRS) and it is now available on the World Bank website as the JSA.

The PRS process in the Kyrgyz Republic has built heavily on consultative and planning efforts for the Comprehensive Development Framework (CDF). The PRSP Working Party had a high-level political mandate supporting their work. Drafts of the documents were prepared in Russian first and then translated into English.

DFID provided support for a consultancy to finish the PRSP after the participatory and consultative process had been carried out. The consultant spent much time ensuring the quality and consistency of the drafts prepared by the Working Party and states in an exit report, 'Throughout my involvement with the Working Party, there was a strongly demonstrated - and fully understandable - desire on their part to produce a "national" report that was prepared by Kyrgyz nationals, reflecting Kyrgyz values.' DFID has also provided support for the development of social statistics for monitoring PRSP and CDF implementation.

A regular newsletter is now published in English to update interested parties on development programmes and the PRSP. The December newsletter highlighted the first round-table meeting on the CDF, PRSP and MDGs. The January newsletter highlights a meeting between the EC and President Akaev. The President underscored the importance of EC assistance in elaboration and implementation of the CDF and PRSP. EC representatives confirmed that the key aim of new EC assistance strategy is to ensure stability and security in Central Asian countries and support economic development and poverty reduction efforts.

Georgia: Parliament

The PRSP Secretariat in Georgia organised a (second) seminar for MPs, to inform them of progress with the PRSP. There was high-level attendance on both sides. MPs were impressed with the work completed to date but were critical of the prioritisation of the strategy. Although there is interest from MPs in continuing discussions through parliamentary committees, the formal role of Parliament is not clear since there is no requirement for ratification. There is some tension between engaging MPs substantively at this stage and working to complete the PRS within a reasonable time frame.

Governance in PRSPs

Merilee Grindle of Harvard University has recently prepared a paper entitled 'Good Enough Governance: Poverty Reduction and Reform in Developing Countries' which, amongst other things, examines 20 full PRSPs from all regions for their treatment of governance.

Some of the major findings include:

- PRSPs typically indicate that governance is one of the pillars of the strategy and fundamental to the achievement of other goals.
- The most frequent governance issues mentioned are judicial reforms, civil service reforms, anti-corruption measures, decentralization, and public expenditure reforms.
- In many cases, the PRSP lists these specific governance issues to be addressed but treats them as goals in their own right rather than as means to poverty reduction.
- "Some governments facing significant challenges of political instability recognized the importance of establishing law, order, and stability as critically important governance conditions for poverty reduction." (p. 4)
- However, some issues are largely ignored in the PRSPs examined: checks and balances, legislatures, political (rather than technical) accountability mechanisms.
- JSAs are correct in stating that governments provide insufficient detail on reforms and fail to indicate how they will monitor their commitments. The question of designing suitable governance indicators remains thorny.
- "It is not surprising that the PRSPs were often disappointing in terms of how they addressed the good governance agenda... This problem is the result of the overdeveloped state of the governance agenda. Above all, this agenda is far too long for governments of poor countries to approach with clarity, commitment, or reasonable expectations. Indeed, the good governance imperative might be more reasonable if it were recast as good enough governance." (p. 7, 11)

The bulk of the paper then deals with the problematic nature of the good governance agenda and suggestions for how it might be made more feasible, given the wide range of challenges faced by poor countries. Full paper available on request.

Results-oriented budgeting

ODI's Centre for Aid and Public Expenditure has conducted a number of case studies on the use of results oriented budgeting in 7 PRS countries. Results-oriented budgeting (ROB) at its most basic is taken to mean a budget that relates expenditure to past and expected performance, and measures progress by indicators. Please see the (forthcoming) paper for a fuller discussion of the pros and cons of ROB and the findings in detail.

Some interesting conclusions include:

- Good budget practice is not a precondition for getting started with ROB - particularly in sectors with SWAps which give some assurance about financing even when the central budget is poorly managed and unpredictable.
- However, to generalise ROB there needs to be some well-managed, forward-looking, budget framework like an MTEF, that brings together, even loosely, money and results.
- Consistent and realistic strategies, objectives and targets are needed: at present PRSPs are superimposed and are not fully consistent with earlier national and sector plans (Ghana).
- PRSPs and budgets should be managed by the same central institution and closely associated teams (unlike Ghana, Bolivia).
- Performance assessment at the centre is currently weak (Bolivia) or very weak (Ghana). In line ministries performance assessment systems are usually inherited from SWAps.
- In line ministries, targets may proliferate, and may represent sectional agendas that are divorced from the PRS agenda.
- Results-specific MTEFs complement PRSPs at upper échelons in government; and provide financial validation for strategies. However, below the top échelons results improvements are due more to management than to any formal link with budget process (Uganda Bushenyi and Inganga districts).
- Progress to date has been driven from within the government and bureaucracy; the idea of and institutions for performance audit accountability vis-à-vis parliament and civil society remain weak, though they are beginning to strengthen.
- ROB is only a tool; it has to be in the service of the right policies. Without strong policy direction it is easy for vested interests to 'game' the system, eg by proposing self-serving targets.

PRSPs and Conflict

The PRSP Monitoring and Synthesis Project has published Briefing Note 6 on PRSPs in African Conflict Affected Countries (available on our website).

Ultimately the credibility and sustainability of the PRSP process will rest on its ability to support progressive change in the way policy is made, the ways that governments account to citizens for budget and service delivery decisions and the ways that donors coordinate their development assistance. In conflict-affected countries there is no *a priori* reason why this cannot happen, but it is still a major challenge.

The reason it is such a challenge lies in weak preconditions for a comprehensive PRSP process, the specifics of conflict-related poverty and vulnerability and the unpredictability of the political/conflict context. These present their own challenges to donors wishing to support the PRSP process.

- Donor decisions around engagement should be based on an analysis of the specific country context. In the short run there may be a tension between reducing poverty and reducing conflict or building sustainable peace. Country analyses consider must consider all these aims in order to find ways to minimise any possible trade-off.
- The prominence of conflict and governance issues means that the initial decision whether or not to engage is first and foremost a political decision for donors.
- In low-income countries PRSPs are being implemented with many of the basics taken for granted, such a credible political authority with control over territory; in conflict countries the PRSP is going to be one instrument of many contributing to the building of these basics.
- PRSPs cannot solve conflicts; they could even inflame a conflict. Ensuring that expectations are carefully managed is critical. There are inevitable pressures on a PRSP to balance, on the one hand, access to financial support with, on the other, support to long term development and conflict reduction.
- PRSPs are unlikely to be the sole means of engagement for donors in conflict/post-conflict settings, complimentary processes are also required, such as joint donor strategic conflict assessments.
- Coordination of multiple and overlapping donor/ NGO strategies ranging from peace keeping to peace building to emergency relief is vital if the PRSP approach is to get a chance to work.

Angola I-PRSP process

In Angola, government control was until recently limited to the coastal strip around Luanda. The conflict study referred to on the left states that there has been no material evidence of the government's commitment to poverty reduction and there are questions about basic institutional capacity. The key issue at present is what effect the April 2002 peace accord will have on the process.

Angola has been in the process of drafting an I-PRSP for some time now, since the IMF set the production of an I-PRSP as a benchmark in its April 2000 Staff Monitored Programme. The I-PRSP Technical Secretariat is located in the Ministry of Planning and is staffed by two part-time officials. Although several drafts have been sent to Washington, the I-PRSP has not yet been presented at the IFI Boards and it is not clear whether GoA intend to submit it to the IFI Boards. The MoP intend to complete the next version of the I-PRSP in May 2003.

Consultations with civil society are at an early stage. NGOs have now been given three months to provide comments on the draft I-PRSP although at first the MoP seemed to expect a 'rubber stamp' from NGOs. NGOs have carried out some participatory consultation exercises on behalf of government, but it appears that findings have not yet fed into the PRS process.

One of the greatest difficulties facing the I-PRSP process is that there is a low level of understanding of I-PRSP principles amongst government officials. There is a lack of clarity around whether the I-PRSP is intended as a prelude to a full PRSP, a strategy document in its own right or as a strategy and programme.

DRC

The I-PRSP produced by the Democratic Republic of Congo last year is more akin to a draft PRS than a roadmap for a PRSP process. Although a roadmap is central to ensuring a comprehensive and sustainable PRSP process, forward planning is challenging in the current climate. The priority actions set out in the I-PRSP relate largely to establishing minimum economic, social, governance and political preconditions to jumpstart a process of pro poor growth. There have been some efforts at participation in drafting the I-PRSP. Extension of the participation process and other forms of poverty assessment to complete a national poverty survey will evolve as the situation permits. The Government PRSP Unit is in the process of finalising a PRSP process timetable and roadmap, which will be presented to national stakeholders and donors at a workshop in the near future. DFID will be able to give more support to the PRS process when the transitional national government is in place.

Pakistan: Provincial PRSs

The recent PRSP Preparation Status Report from Pakistan provides some details on the development of provincial PRSs that will provide the basis for the full Pakistan PRSP. The Federal PRSP Secretariat provided the Provincial Governments with a tentative structure for the PRS, and drafts are now available. The experience across provinces has been uneven in terms of consultation and speed of drafting. The extent of ownership of the PRS process at provincial level is not yet clear, but has been somewhat deepened by involving provinces in the discussion of the monitoring framework. PRS priorities have been reflected in two provincial budgets.

The development of provincial PRSs is taking place within the context of devolution of power. The Status Report states that the devolution of political and functional responsibilities has been fully backed up by administrative authority and financial support. The JSA notes that rationalisation of the roles and responsibilities of the three tiers of government - federal, provincial and district - is a critical component of effective devolution. There is also a need to ensure that expenditure reporting is fully comparable across the provinces, and to build support in Parliament for devolution. The provincial PRSs may become important for donor coordination at the provincial level.

Bangladesh: PRS Monitoring

The GoB finalised its I-PRSP in March 2003 (though it has not yet gone to the Boards). Some thought has gone into monitoring implementation of the strategy. The I-PRSP clearly gives the General Economic Division within the Planning Commission the role of PRS Coordinator and Poverty Monitoring Unit (or focal point). Also, the I-PRSP includes an early plan for setting up M&E units in line ministries. It is also envisaged that the Prime Minister's Office will report on the PRS to the National Council of Poverty Reduction, chaired by the Prime Minister.

One key element that has been identified is the need for the GoB to clarify the role of the various institutions involved in the PRS process. An initial assessment has been carried out, looking at the Planning Commission's capacity to fulfil its PRS monitoring and coordination mandate. DFID, the UN, the WB and the ADB are hoping to collaborate in their support to the PRS process and poverty monitoring. It is noteworthy that Bangladesh is due to produce its first MDG progress report in 2004 - donors are aware of the need to harmonise PRS and MDG monitoring systems.

Malawi: PRS Monitoring

From DFID Malawi: Since the Malawi Poverty Reduction Strategy (MPRS) was launched last year DFID Malawi have been actively engaged in Government/multi-donor dialogue around the development and implementation of a monitoring framework. This framework is now being finalised and donors are gearing themselves up to help support this. In DFID Malawi, we have decided to include our support to MPRS monitoring within a broader programme for strengthening analytical capacity for evidence-based decision-making. The reasoning for this is that although our country programme is focused on supporting the MPRS we want to ensure that the legacy of informed decision-making has wider and longer-term applications. We envisage that this new programme will cover 5 broad areas of support:

- implementing the MPRS monitoring framework
- strengthening the national statistical system to ensure an appropriate supply of policy relevant information and analysis
- building capacity in national research and academic institutions for in-depth analysis
- working with civil society organisations to enable them to both feed information and analysis into the policy process and hold government accountable
- equipping parliamentarians with the analytical skills they need to understand government reports and perform their public scrutiny function

We are in the process of preparing a Project Concept Note for a programme over 5 years. We will then begin the design which will look at the most effective mechanisms for channelling this support. We hope to have a Project Memorandum approved by August so that the programme can begin in September 2003. For further information please contact Julia Bunting, Statistics Adviser, DFID Malawi.

REMINDER...

The PRSP Monitoring and Synthesis Project wants your PRSP information! Please send us your memos, trip reports, updates, and commissioned studies. We rely on country-level information to produce this newsletter and our briefing notes, and to be able to respond to information requests. We are security-cleared to receive confidential information at our secure email address prsp@dfid.gov.uk and treat all information with discretion. If you have any questions about what you should send us, please just ask. For more information, see our intranet site: <http://insight/prsproject>

Trade in PRSPs

Research carried out by ODI for Christian Aid finds that the extent and depth of trade coverage in completed PRSPs is limited, and that PRSPs tend to focus more on expenditure rather than economic growth. There is evidence that IFI loans are more outward-looking in their orientation (and as such deal with trade and liberalisation) while PRSPs pick up the more inward-looking aspects of redistribution.

Issues such as employment and wages are given more attention in PRSPs but the important linkages between these and production/trade have been omitted.

Even where PRSPs do contain a discussion on trade, trade policy choices are rarely underpinned by a holistic analysis of poverty in each country. PRSPs fail to consider the impacts of trade on different groups of poor and vulnerable people. Effects are not disaggregated between consumers, producers and employees, between urban and rural populations, or by gender. Dimensions of poverty beyond income - risk and insecurity, access to services, and empowerment - are almost completely ignored.

Within existing PRSPs, some trade policy choices have been considered, but few developing countries go beyond a simple discussion of standard export promotion measures. Christian Aid points out that the limited discussion of trade policy in PRSPs tends to use the simplistic language of wholesale and rapid liberalisation. Supply-side issues which facilitate trade and complement trade policy (e.g. infrastructure, marketing etc.) appear to be well covered in PRSPs and, therefore, require urgent donor attention and resources.

Christian Aid goes on to stress that these findings suggest that trade policy is not determined in a participatory way that draws on the perspectives and aspirations of different groups of people in each country. In the absence of ex-ante impact studies, there is also no reason to believe that trade policy has been designed to maximise its contribution to poverty reduction.

For the full paper, see the Christian Aid website (follow the link to the 'In Depth' section).

Things to note: The Integrated Framework on Trade and Development is a multi-agency initiative to mainstream trade within PRSPs or national development strategies and to prioritise trade related technical assistance requirements. DFID's International Trade Department is engaged with this initiative and can provide more detail on ways forward with this agenda at country level - contact Andrew Hall or Sue Bassett.

Honduras: the G15

DFID is currently the president of the G15 in Honduras, a group of 15 donors coordinating their development assistance. DFID feels that a number of positive steps have been taken recently:

- The G15 has entered into productive discussion with a broadened range of interlocutors, including the Presidency, the Ministers of Education, Security and Governance, all party leaders in Congress, the Anti-Corruption Council and Cardinal Rodriguez and civil society groups.
- The process has been assisted by effective cooperation between DFID and the FCO to keep the technical and political aspects of G15 work aligned and mutually supportive.
- A recent Government-G15 workshop on coordination advanced understanding of coordination and harmonisation issues and resulted in some modest but significant commitments to action.
- DFID has also mobilised the establishment of a new PRS working group within the G15 - this group has already identified a number of promising areas for cooperation with the Government and an interested group of NGOs. The group is helping to plan a national consultation process on the government's progress report on the first year of PRS implementation.

Vietnam: Like-Minded Donor Group

Vietnam's Like Minded Donor Group is an ad-hoc grouping of nine bilateral donors who are drawn together by a common commitment to:

Use the CPRGS as a framework for:

- promoting pro-poor growth (i.e. growth and poverty reduction)
- aligning ODA planning and delivery
- improving the coherence of the overall aid effort

Improve the quality of aid in Vietnam through:

- the harmonization of aid management practices
- participating in joint activities
- promoting the use of Government systems
- introducing new aid instruments that lower transactions costs and improve effectiveness

