

DFID's engagement with national PRSP processes

Synthesis Note 2

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Executive Summary

This is a synthesis of 20 country office responses to a questionnaire on DFID's engagement with PRSPs, distributed in September 2001. The topics covered by the questionnaire were: policy shifts, changing areas of involvement, aid modalities, donor coordination, IFI behaviour, and the future of national PRSP processes.

The main findings of this survey are:

- DFID is actively engaged with the PRSP process at both corporate and country level. A range of policy guidance is available to staff (led by the two White Papers) supporting PRSP principles and their mainstreaming in DFID assistance.¹ Recent moves to replace the CSP and APPR process with a Country Plan are indicative of continuing corporate efforts to find effective ways to support national PRSP processes.
- The majority of country offices engage with national PRSP processes through support for official processes (Government participation) and through direct support for civil society. Some offices also work with national policy think tanks and research institutes; at the time of the survey only one office indicated active engagement with parliamentary processes (but not directly on PRS issues).
- Most offices provide capacity-building support to national and sectoral planning and budgeting activities linked to the PRSP. Strengthening poverty data, poverty analysis, monitoring and evaluation are also key areas of support.
- There is a trend towards greater provision of programmatic support, particularly in Africa and Latin America, which largely predates the PRSP. The PRSP has nevertheless provided further justification for a more programmatic approach. In Africa, the shift towards general budget support is, for some offices, directly linked to the PRSP.
- Country offices regard the quality of fiduciary arrangements and the governance environment as key considerations in the decision to move towards budget support.
- The majority of DFID offices take part in joint donor activities around the PRSP. Most acknowledge that there is considerable room for improvement in donor coordination arrangements and the adoption of harmonised procedures.
- There is evidence of a change in IFI behaviour, but progress is uneven and there is still room for improvement in country-level relationships with bilateral donors. IFIs should do more to respect national ownership of the PRSP process. This includes placing less emphasis on the formal PRSP document, encouraging civil society participation, and supporting government capacity to engage.

¹ See for instance 'DFID Corporate Expectations Paper' (Lucia Hanmer, IFID), revised June 2001; 'From HIPC debt relief to poverty reduction' (Marcus Manuel, HMT, for IFID) and 'How to respond to PRSPs', APD.

- A number of offices raised other concerns with the PRSP process, including the likely impact on formal political processes, resource flows and the link between other lending instruments, national planning exercises and the PRSP.

Some regional differences in responses are apparent:

- In Africa, PRSPs are widely seen as an opportunity for donors and governments to engage in new ways of doing business. There is considerable enthusiasm for the PRSP approach, and in some cases it appears to have made a substantial difference to aid delivery and coordination.
- In Latin America, DFID is actively engaged in the PRSP process and is using the opportunities available to lobby for shifts in donor behaviour. There are some early signs of changes in aid modalities.
- In transition countries, EU accession demands are currently a higher priority for governments than PRSPs, and country desks have expressed some difficulty in maintaining synergies between the two processes. Desks are actively engaged with PRSP developments, but currently opportunities for addressing donor behaviour and ways of working are limited.
- In Asia, the PRSP process is not yet well. DFID offices are engaged and taking advantage of some of the opportunities it presents for improving coordination, but these are currently limited. To date there has been little programmatic assistance in the region, but there are signs of a gradual shift led by the recent experience of Vietnam's PRSP process.

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Introduction

Background and context

1. This survey is a by-product of a study of bilateral donor engagement with PRSP processes commissioned by the Strategic Partnership with Africa (SPA). In managing the implementation of the survey, the PRSP Monitoring & Synthesis Project took the opportunity to survey a cross-section of DFID country offices in Africa and elsewhere on their engagement with national PRSP processes. This report is a synthesis of DFID's responses to the survey.

Methodology

2. The survey was conducted primarily by email questionnaire (Appendix 1) in August and September 2001. The questionnaire asked primarily yes/no questions with room for comment. The topics covered were: policy shifts, changing areas of involvement, aid modalities, donor coordination, and IFI behaviour.

3. Responses were synthesised as far as possible to provide a thematic overview of DFID's engagement with national PRSP processes. It is worth noting that country offices or relevant departments reported their activities in varying degrees of detail and analysis, and that there were at times slightly differing perspectives in relation to the same country.

4. PRSP processes have moved on since the time of the survey. Country offices were therefore given the opportunity to comment on a draft report in February 2002 and their comments have been incorporated where possible.

Coverage

5. Questionnaires were sent to all country offices (or relevant London-based departments for countries without substantial in-country presence). An interview was also conducted with Mark Lowcock, Director (Finance and Development Policy). In places, we also draw on a recent DFID brief on PRSPs in transition countries.

6. Twenty-three email responses were received from 20 country offices or departments. In the synthesis, the total number of country offices or departments is counted as 20, and fractions or percentages are based on this total. The responses cover DFID's engagement with the PRSP process in 30 countries. It is worth noting that the survey does not cover India, China or Pakistan, and as such comments on Asia are drawn from a limited sample.

7. The responses were from: Albania, Bangladesh, Bolivia, CSEED (for Albania, Bosnia Herzegovina, FRY, and Macedonia), EECAD (for Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova and Tajikistan), Ethiopia, the Gambia, Ghana, Guyana, Honduras (partly answered in a regional capacity for Central America, but also received separate response from Nicaragua), Kenya, Lesotho, Mozambique, Nepal (2 responses), Nicaragua, Rwanda, DFIDSEA (for Cambodia, Thailand, and Vietnam), Sierra Leone, Tanzania (2 responses), Uganda, and Zambia. The Albania and CSEED responses have been treated as one response, although country-specific illustrations have been used where available.

Structure of paper

8. This paper falls into six sections following the major themes of the survey: DFID's policy and PRSPs, DFID's support for PRSPs, aid modalities, donor coordination, IFI behaviour, and the future for national PRSPs. Where countries are referred to, the reference is usually to the DFID country office or DFID department responsible for that country.

DFID policy and PRSPs

General policy engagement

9. At a corporate level DFID is clearly working to support national PRSP processes. A range of policy guidance is available to staff (led by the two White Papers) supporting PRSP principles and their mainstreaming in DFID operations.² At the time of conducting the survey the main corporate focus was aligning Country Strategy Paper (CSPs) goals and objectives with PRSPs and using the Annual Plan and Performance Review (APPR) process to track strategy progress and performance over time. Now the decision has been made to replace CSPs and APPRs with a Country Plan (CP), essentially a business plan setting out the main areas of DFID assistance and performance assessment in support of goals and objectives set out in a country's PRSP. While some of the responses from DFID staff are superseded by these changes, most of the issues raised on the detail of DFID engagement with PRSPs remain highly relevant and are likely to be important in charting the transition to the new Country Plan.

Organisational issues

10. There are a number of ways in which engagement with national PRSP processes might impact on the organisation of bilateral development assistance. First, by influencing the geographical focus and allocation of resources i.e. more support and interest in PRSP countries. Second, by encouraging more decentralised working in support of national and sub-national PRSP processes. Third, by influencing the level and composition of human resources needed to support the broader and more complex dialogue accompanying PRSPs.

11. At the time of conducting the survey, the PRSP approach had not substantially affected DFID's **geographical focus**. DFID is keen to gear up its activities in PRSP countries, there are a number of other considerations to be taken into account, including the quality of the wider policy framework, the track record of DFID funding in the country, and the prospects for DFID to 'add value'. A recent APD paper on 'How to respond to PRSPs' suggests that more attention needs to be paid to sorting out what DFID should do in countries with strong PRSPs.

12. In a minority of cases PRSPs have made a difference to resource allocation.

- ⇒ 'DFID's rationale for its presence in Honduras and Nicaragua has been highly influenced by the HIPC process.'
- ⇒ DFID is continuing to provide direct country assistance to Lesotho (despite a move to a regional approach for other southern African countries) as a direct result of the PRSP process there.

13. The PRSP initiative has not materially affected DFID's moves towards **decentralisation**. Almost two-thirds of country offices or departments suggest that the PRSP has not affected decentralisation plans or that decentralisation predates the PRSP. A minority indicate that there are some (expected) changes to decentralisation, including the Central American offices as above.

² See for instance 'DFID Corporate Expectations Paper' (Lucia Hanmer, IFID), revised June 2001; 'From HIPC debt relief to poverty reduction' (Marcus Manuel, HMT, for IFID) and 'How to respond to PRSPs', APD.

14. Guyana and Mozambique both specify that the opening of a country office in these countries is 'in part a response to the demands of the new ways of working implicit in the PRSP approach.'

15. There are however indications of changes in human resource needs at country level. A few offices indicate that they require or expect to require **more staff** at country level as a result of the additional demands of the PRSP process, while others indicate that changes are likely to be more evident in **staffing profiles** rather than staff numbers – in particular they expect a greater need for staff with negotiating and influencing skills and those able to handle dialogue on poverty and budget issues across a number of sectors.

Box 1 Human Resource Implications

Some of the activities that the PRSP demands from country staff are:

- providing technical/analytical input into the PRSP process
- developing complementary activities around implementation, PRS monitoring and evaluation
- actively participating in joined-up collaborative donor approaches with government
- encouraging government ownership and embedding of the PRSP process
- encouraging CSO engagement and public accountability from below

PRSPs and CSPs³

16. Country offices are actively engaging with the PRSP process, but the unevenness of the process across countries and regions means that the nature and pace of that engagement differs across the organisation. In some cases (e.g. Guyana), support for the PRSP on the ground is active but is yet to find its way into formal programme goals and objectives. In other cases (e.g. Tanzania, Uganda) the APPR process has been used to retrofit CSP objectives in line with the priorities of the PRSP.⁴ In other cases it is still not clear how far and how fast the DFID programme can align with the PRSP but support for PRSP formulation is active and ongoing (Kenya, Bangladesh).

Box 2 Kenya: The current APPR proposes that the national PRSP be seen as 'providing the foundation for focussing DFID's efforts'. However, 'the degree of alignment [with the PRSP] will depend on continuing political commitment to the PRSP and performance against its objectives.' In this case, DFID wishes to 'retain the possibility of doing other things which, although not necessarily reflected in the PRSP, would serve to move delivery of its objectives forward.'

17. There are a few countries where the full extent of DFID's engagement with the PRSP process is not yet formalised. This is the case in the Gambia, Sierra Leone, and Zambia. This does not mean that DFID staff are not engaging with the PRSP process in these countries, but that the full extent of this engagement and alignment is not yet set out in a CSP and plans to do so are not yet clear. It may also reflect the realities of the PRSP process – in the Gambia, it is felt to be early days in the PRSP process.

18. In EECAD, CSEED and Lesotho, DFID supports the PRSP process underway there. It is important to note that in the CSEED region, European accession

³ CSPs have now been replaced with Country Plans. Please note that this section is based on responses from September 2001. Many offices stated an intention to review these activities in the light of the evolving PRS process.

demands (SAAs) are a priority and the PRSP is seen as a secondary, sometimes complementary, initiative.

19. In the majority of countries, the PRSP process provides the primary foundation for DFID's engagement in country. This is the case in Bolivia, Honduras, Mozambique, Nepal, Nicaragua, Rwanda, Tanzania, Uganda and Vietnam. DFID's CSP in these countries is already effectively a business plan in support of the PRSP, with activities framed by the priorities set out in the PRSP.

Box 3 Uganda: 'With our focus now on supporting the Government's PEAP/PRSP, our decisions at country level are increasingly (or should be) guided more by local issues than wider organisational preferences or priorities. Activities supported by DFID Uganda must be within the PEAP/PRSP. This is currently strongly articulated in the DFID Uganda Country Brief and APPR, and will be strongly articulated in the next CSP.'

DFID's support for national PRSPs

Support for civil society engagement and participation

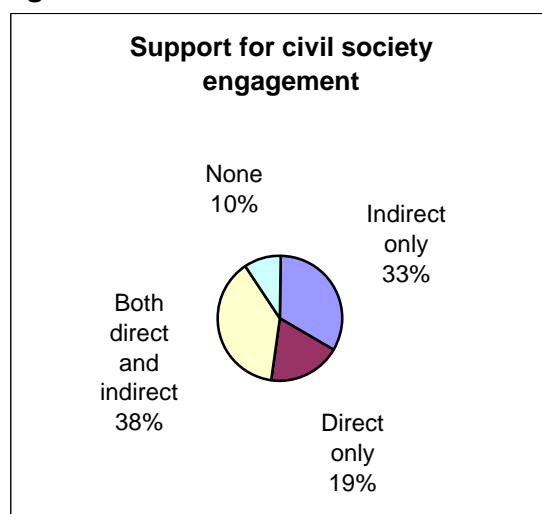
20. Most country offices provide one or both of two types of support to the participatory process, as Figure 1 and Table 1 show. 'Indirect support' to the participatory process is conducted via the partner government; it includes those activities that support national governments' own participatory process and activities such as encouraging national governments to consult more widely with civil society. 'Direct support' to civil society engagement includes those activities in which DFID supports civil society or the general population in its participation with the PRSP process.

Table 1

Examples of indirect support	Examples of direct support
Nicaragua – technical assistance to GoN consultation process	Tanzania – funding CSOs in their shift to poverty policy work
Kenya – DFID SAIC Civil Society Advisor seconded to PRSP Secretariat as joint donor representative	Kenya – coordination of the emergence of a high-level private sector group to participate in consultations
Mozambique – supporting a review of civil society participation in the PRSP formulation process with a view to identifying ways of strengthening CSO participation in implementation and monitoring	Tanzania, Uganda – 'popularising' the PRSP: translating the PRSP into easy-to-understand versions in local languages and funding nation-wide dissemination costs
Nepal – helping GoN develop a consultation 'road map'	Ethiopia – supporting a number of NGOs to stimulate public debate and assisting the coordination of civil society response(s)
Rwanda – urged the National Poverty Reduction Programme to be more pro-active in including CSOs and co-funded the PPA process	Zambia – providing information, analysis, funds for regional networking, and vehicles direct to CSOs
Tanzania – lobbying for inclusion of civil society representatives on Poverty Monitoring Committees	Central Asia, Central America – joint DFID/WB workshops on participation

21. Over two-thirds of DFID country offices are explicit about providing some form of indirect support to the participation process. Almost two-thirds provide direct support – most of these are in Africa, although in Ghana DFID is keen to support civil society engagement but civil society itself has apparently been 'slow to recognise the opportunities of the PRSP process.' In Sierra Leone, ways to support civil society engagement are under discussion. Offices in Moldova, Uganda and Rwanda found that **short deadlines** were extremely problematic in their attempts to provide direct support to the participatory process.

Figure 1



22. Most offices indicate that the PRSP process has altered the nature of their work with CSOs, with more attention given to capacity building, engagement in policy discussion and with government.

Parliaments

23. Few country offices report that they engage directly with **parliaments** as part of the PRSP process, although some are indicating future interest in this area.

- ⇒ Only Bangladesh gives substantial support to parliaments – this is focussed on their financial oversight role but includes efforts to improve links between Parliament, civil society and the media.
- ⇒ In Albania, there is evidence of consultation with cross party MPs.
- ⇒ In Kenya, DFID has had occasional contact with (initially sceptical) parliamentarians.
- ⇒ In Ghana DFID have indicated that they are willing to support efforts to engage MPs.
- ⇒ In Bolivia, engaging parliamentarians has been attempted although few appear to be motivated by the PRSP process there.

Support for wider governmental engagement

24. There is some work on encouraging **local government engagement** with the PRSP process. Just under a third of DFID country offices provide some support in this respect, although the type of support varies.

- ⇒ In Bolivia, Bangladesh and Ethiopia, DFID is supporting the government's own consultation plan which includes local bodies.
- ⇒ In Rwanda, 'DFID support has helped to create movement for the Ministry for Local Government to more fully own and take forward participatory aspects of the process.'
- ⇒ In Albania, DFID works to support links between local governments and local CSOs, although this may not be directly linked to the PRSP process.

25. Almost two-thirds of DFID offices provide support to **sectoral governmental engagement** in the PRSP process. Again, the means of supporting such engagement varies. A few offices support the official consultation plan that includes participation by line ministries, but offices commonly use existing sectoral contacts to encourage sectors to engage constructively. Several offices indicated that line ministry engagement presents a serious problem for the PRSP process.

⇒ In Guyana, DFID has a lead donor role in the water sector, and is using this position to encourage the relevant line ministry to engage.

26. Other offices work with sector officials on specific capacity building issues that relate to the PRSP; this is seen partly as an attempt to engage them more fully in the PRSP process. Sector-related capacity building initiatives are outlined more fully in the following section.

Box 4 Working with Line Ministries

In Rwanda, DFID has funded consultancies on gender and the environment in an attempt to bring line ministries on board.

Support for capacity-building

27. Support for governmental capacity is the main focus of support for the PRSP. Nearly all DFID country offices provide support for national capacity by a variety of means.⁵ It is not clear whether this was so prior to PRSPs, but the PRSP process has added new concerns, such as costing the PRSP itself, and has provided a focus for capacity-building activity.

28. The most common forms of PRSP-related **capacity support** are outlined in Table 2 below. There are no major differences in focus across the regions, apart from a few special cases. For instance, only in Central Asia did staff report specific capacity building work on social protection. Also, Kenya has a particular focus on the private sector. Otherwise, country offices are concentrating on much the same types of capacity support. National planning and budgeting work is most common, followed by sectoral level work. Information, poverty analysis and monitoring form the next largest category of support, followed by governance and civic engagement.

Table 2

Activity	Countries supporting at present	Countries planning to support
National planning		
Budgeting and expenditure support, MTEFs, MTBFs	Albania, Armenia, Bangladesh, Ghana, Kenya, Mozambique, Lesotho, Nepal, Rwanda, Tanzania, Uganda	
PFM, PEM, PER, expenditure tracking	Bangladesh, Ethiopia, Ghana, Kenya, Nepal, Rwanda, Tanzania, Uganda, Vietnam, Zambia	Mozambique, Sierra Leone
Linking PRSP and MTEF	CSEED, Rwanda, Tanzania	
Costing of PRSP	Rwanda, Tanzania, Uganda	
PRSP implementation		Lesotho, Nicaragua, Rwanda
Pro-poor planning	Mozambique, Tanzania	Lesotho
Coordination	CSEED, Tanzania	Lesotho
Sectoral planning		
Sector planning and costing	Bangladesh, Ghana, Guyana, Kenya (private sector, legal sector, financial sector, rural development, health and education), Mozambique (health), Nepal (health), Uganda (water, rural), Tanzania	
Sectoral PERs and sectoral expenditure analysis	Bangladesh, The Gambia (health, education), Tanzania (health and social protection)	The Gambia (agriculture), Sierra Leone
Linking PRSP and sectoral lending operations	CSEED	
Improved private sector enabling environment	Kenya, Tanzania	
Social protection (benefits, pensions, insurance)	CSEED	
Information, analysis, M&E		

⁵ Only Nicaragua indicated that they do not yet provide capacity building support due to lack of enthusiasm from GoN.

Poverty information and analysis (including PPAs, surveys, statistics)	CSEED, The Gambia, Guyana, Rwanda, Uganda, Tanzania, Vietnam	Kenya, Mozambique
Monitoring and evaluation	Central America, Ghana, Rwanda, Tanzania, Uganda	Kenya, Nicaragua, Mozambique
Impact analysis (ex ante and ex post)		Bangladesh, Honduras, Mozambique, Rwanda
Governance		
Anti-corruption support	Kenya	
Governance	Kenya, Sierra Leone, Tanzania	
Civil service reform	Armenia, Kenya, Lesotho, Tanzania	Guyana, Mozambique
Decentralisation	Bolivia, Uganda	
Civic engagement		
Civic education	Kenya	
Civil society advocacy	Kenya, Tanzania	
Consultation process	Guyana, Lesotho, Mozambique	

Note that country offices replied in varying degrees of detail so these categories are not always exclusive. Also, note that most countries plan to continue their existing forms of capacity support, so only new plans have been noted in the right-hand column.

Aid modalities

29. Responses from country offices reveal a move away from predominantly project support to more programmatic support. This is evidenced both in the number of offices already engaged in programmatic support (about fifty percent, and in the general willingness of offices to move farther towards programmatic support. PRSPs have provided important impetus in this direction, although there are concerns about whether the presence of a PRSP is a sufficient condition for programmatic support in all cases.

30. At country level, almost half the offices are participating in some form of **SWAp**. Just over half of the African offices and half the Latin American countries already participate in SWAps, with plans also being finalised in Honduras. SWAps are also present in CSEED countries (to what extent is not clear). There are currently almost no SWAps in Asia, but there is a willingness to move further in this direction.

⇒ Bangladesh is an exception – a SWAp is already in place in the health sector, with plans for SWAps in transport, education, and livelihoods (encompassing natural resources and fisheries work).

⇒ In Nepal, the adoption of a PRSP would apparently provide the key impetus for DFID (and other donors) to move towards sectoral programmatic support.

31. There is also evidence of a move towards **general budget support**, although such operations are not yet widespread. A third of offices indicate some form of general budget support and all of these are in Africa. Most (but not all) of these offices also participate in sector programmes.

⇒ In Vietnam, the endorsement of the I-PRSP has motivated DFID to co-finance the PRSC and there is a willingness to provide more programmatic support if such operations are successful.

32. Almost half of the survey respondents indicated that they are currently not engaged in **programmatic support**. In Asia, project work remains the norm, although it is clear that projects have changed their complexion considerably in the last twenty years. There is a willingness to embrace more programmatic modalities in Asia (see Table 3 below). Even outside of Asia, it may take some time to move away from projects: 'it takes longer to gear down existing activities than it does to gear up new ones.'⁶

Table 3

Presently participating in all forms of programmatic support	(Willing to) participate in programmatic support (mainly SWAps)	As yet, limited engagement in programmatic support
Mozambique, Tanzania, Uganda, Ghana, Rwanda	Bangladesh, Bolivia, CSEED, Guyana, Honduras, Kenya, Lesotho, Nepal, Nicaragua, Sierra Leone, Vietnam, Zambia	Albania, EECAD, Ethiopia, The Gambia

⁶ Some country offices (Uganda, Tanzania, and Bolivia) believe there is a need to retain other aid modalities in addition to budget support, although the use of these modalities may be limited to support for non-governmental activities.

33. Over a third of respondents state that the shift towards programmatic support pre-dates the PRSP, although it has undoubtedly complemented the trend. There are some exceptions, including Nepal and Vietnam as above.

⇒ In Mozambique, Uganda, Rwanda, and Tanzania, general budget support is provided specifically for the implementation of the PRSP.

Box 5 Tanzania Budget Support

In Tanzania, a Performance Assessment Framework has been agreed with a range of donors as the primary basis for continued budget support – this Framework reflects key issues constraining implementation of the PRSP. The aim is to develop a joint policy matrix with the World Bank which will cover both budget support and the PRSC.

Conditions for the move to budget support

34. Although there is a general willingness to move further towards the provision of general or sectoral budget support, there are a number concerns, including:

- Quality of the fiduciary framework
- Quality of governance
- Partner government's capacity to absorb and manage aid
- Specific policy concerns
- The attitude of other donors
- Lack of clarity in DFID's internal procedures

35. The **fiduciary framework**, and related governance issues such as transparency, corruption and accountability, are the primary concern of country offices. Over half of country offices cite these as a reason for caution, sometimes even in cases where they are generally willing to move further in the direction of programmatic aid. More information would be required to clarify why some offices perceive these issues as hurdles while others do not. Two country offices (Nepal and Mozambique) mention an ongoing debate within DFID on flexibility in fiduciary requirements: there is some indication that resolution of this debate will assist their decision-making.

36. Concerns with the fiduciary framework and governance issues are common across **regions**.

- ⇒ Africa: in Ethiopia and Sierra Leone, these concerns are primary reason preventing the provision of greater programmatic support.
- ⇒ Africa: In Uganda, a move to greater general budget support is conditional on an acceptable fiduciary framework and levels of accountability.
- ⇒ Asia: both Vietnam and Nepal mention the fiduciary framework as a concern in the provision of programmatic support.
- ⇒ LAC: Honduras is concerned about corruption and Nicaragua mentions transparency issues.

37. There are also concerns over the technical capacity of government to **absorb and manage** aid. This is most pronounced in Africa.

- ⇒ These concerns have prevented moves to budget support in Lesotho. 'Budgetary support has been discussed and rejected on the grounds that the GoL does not currently have the capacity to absorb such assistance.' A move towards greater programmatic aid would depend on the GoL's continued commitment to public sector reform and correlative evidence that the capacity had been developed to absorb such aid/budgetary support. This would assist the GoL in making concrete pro-poor policy choices that it is hoped will be articulated in the finalised PRSP.

38. Implementation of **PEM** (Public Expenditure Management) reforms is also a concern.

- ⇒ In Mozambique, further moves towards programmatic aid are conditional on progress in the PEM process, especially the pro-poor planning and budgeting aspects.
- ⇒ In Guyana, there is a particular difficulty with the need for adequate systems to account for donor expenditures.

39. There are a range of concerns around **specific issues** such as decentralisation (Sierra Leone), sector policies (Guyana), and monitoring and evaluation.

- ⇒ In Mozambique, there is a need for progress in improving the quality of poverty assessment, analysis, and monitoring systems and government capacity to manage these.
- ⇒ In Uganda, the country most advanced in the PRSP process (of those responding), there is also an emphasis on final outcomes such as poverty results and growth.

40. A small number of offices indicate that there is difficulty with moving towards budget support when **other donors** are not 'on board' or when there are conflicting messages between donors in-country.

- ⇒ This is felt to a particular issue in Asia (Bangladesh and Vietnam) and Latin America (Honduras and Guyana).

41. Programmatic support in the Central Asian **transition countries** is thought to be inappropriate for DFID due to resource constraints and an unfamiliarity with the budgeting systems in these countries. There is presently little impetus (amongst donors in general) towards a shift in aid instruments in the transition economies, but DFID are hoping to initiate a debate on this. CSEED indicate that they participate in SWAps, but it is not clear that they are ready to move to general budget support in the near future.

Technical assistance

42. Over half the respondents expect the PRSP process to change the way that they provide technical assistance. The role of TA is still considered important, and there is no evidence that its role is declining.

43. Those offices that expect change highlight the following:

- There is a general (though not universal) move away from technical assistance as part of individual projects towards assistance to government for capacity-building activities and more general reform needs
- Some country offices have stated that they would be likely to resist requests for TA that did not fit with PRSP defined priorities.
- Donors are expected to collaborate more in their provision of TA, co-financing TA activities through a partnership fund or otherwise pooling resources.

44. Currently the **financing of TA** is in transition. Most offices were not explicit on this matter, but there was some indication that financing could change.

- ⇒ In Nepal, TA is currently 'off budget', and it is expected that this will change as the PRSP process continues.

⇒ Similarly, in Tanzania the provision of technical assistance is expected to closely complement the provision of budget support.

45. Some **regional patterns** emerge: Asian (including Central Asian) and African offices expect that TA will alter as above as a result of the PRSP approach, while Latin American offices currently do not expect such changes. In CSEED countries, most TA is provided in support of WB lending operations – it is expected that the PRSC approach will do more to change TA in the region.

Donor coordination

46. PRSPs are not a central driving force in donor coordination, but they provide a focus for activity, with joint donor efforts around PRSPs common. In almost two-thirds of offices surveyed, DFID has participated in **formal joint donor statements** on the (I)PRSP, while in some cases (Vietnam, Uganda, Tanzania, Bolivia) it has initiated or otherwise led this process. The donor group has varied, from coordination mainly with UNDP (as in Rwanda) to groups of bilateral donors.

47. In six of these cases, DFID is a member of an ongoing (or at least long-running) **joint donor group**.

- ⇒ In Bolivia, DFID established the Bilateral Cooperation Network to coordinate donor activity around the PRSP. This has now been disbanded but it successfully coordinated bilateral donor engagement in the PRSP process for over one year.
- ⇒ In Nepal, DFID chairs the Donor PRSP Support Group which ensures a coherent response from donors to the PRSP development and review process, as well as acting as a forum for engaging donors in the PRSP process.

48. In other cases, DFID has participated in informal donor networks around the PRSP, has co-funded Bank-led workshops, or has been active on PRSP preparation committees or working groups.

Harmonisation

49. A third of offices already adhere to harmonised procedures for **reporting** in some sectors – four of these indicated that this predates the PRSP. Offices distinguish between experience of harmonisation in relation to general budget support and in relation to sector support. In Tanzania, the Poverty Reduction Budget Support Facility (directly linked to the PRSP) has provided an impetus towards harmonised reporting, but there remain difficulties with harmonising existing sector programmes within the PRSP framework.

50. Four country offices give concrete examples of participation in a harmonised sectoral **review**.

- ⇒ In Bangladesh, DFID has participated in joint reviews of the Natural Resources sector, the fisheries sector and the Transport sector.
- ⇒ DFID Tanzania is extending its work in this area and supporting the MoF in a study on further donor harmonisation and synchronisation. DFID has played a key role in promoting harmonisation of health sector review with broader PRS/budgetary process and promoting greater donor co-ordination in education and health.

Box 6 Mozambique's G9

Mozambique's Ministry of Planning and Finance receives harmonised reporting on aid disbursements, and donors jointly review both budget support and accounting reform as part of the G9 budget support mechanism.

51. Offices are willing to move towards harmonised procedures, if for instance requested to do so by the national government, if other donors also make an effort or if a good PRSP is forthcoming. In South East Asia, DFID is currently discussing this

issue with the Utstein Group. Somewhat counterintuitively, some country offices indicated that harmonisation is difficult because DFID is one of few donors in that country.

Improving coordination

52. To improve donor coordination, a variety of suggestions are made. A third of country offices see a need for a change in the attitude of the international community and the behaviour of **other donors**. It is recognised that DFID alone cannot stimulate greater donor coordination and harmonisation, but that other agencies must also accept the basic principle at both HQ and country office level. This is seen to imply different things in different countries.

- ⇒ In Bangladesh, there is a perceived need for the donor community to provide more information on implementation using partner government formats.
- ⇒ In Guyana, there is a perceived need for greater mutual understanding of what the PRSP process is about.
- ⇒ In Lesotho, DFID have recruited a PRSP Support Officer to be based in-country to, inter alia, lobby for a donor concert focussed on supporting a nationally led PRSP.
- ⇒ In the transition countries, there are few shared assumptions among donors, and European accession considerations are important in shaping donor attitudes.

53. Another prominent comment is that the **national government** needs to provide leadership to the donor community in country, partly to clarify its needs.

- ⇒ In Uganda this principle is being realised, as the GoU is developing Partnership Principles to guide donor behaviour and coordination.
- ⇒ In Nicaragua, it is also recognised that this principle implies a need for capacity support to the national government in order for it to fulfil this function.

54. Other suggestions include clarifying the role of the UN at country level, clarifying the role of the IFIs in this respect, and harmonising the CDF and PRSP coordination mechanisms. There is some indication that the PRSP can provide impetus towards greater coordination, as has been seen in Nepal and Bolivia.

IFIs and DFID

55. The experience with the IFIs at country level is mixed. It is worth pointing out that where there is a positive assessment of IFI behaviour, there is very little detail. Critical comments were more particular.

56. Most country offices (two-thirds) are formally or informally included in IFI missions, though not always consistently. It is not always clear what 'included' means to different offices. Fewer (one-third) are included in IFI reviews of (I)PRSPs, either formally or informally. There are some indications that country offices felt that this kind of communication might happen at the HQ level, but there is also a desire for greater **transparency** on the part of the IFIs at country level.

57. There is some sense that the IFIs are too mission-based, and ought to place staff more permanently **in the field** in some cases.

⇒ In Bolivia, the presence of authoritative World Bank field staff is seen as a positive influence on relations with the donor community.

58. **Suggestions** for improvement included greater advance notice of missions, timely circulation of appropriate documentation, and a more formalised inclusion of bilateral donors in discussions. Some suggest that the IFIs need to include bilaterals in their discussions with national governments, though not all agree that this is a good idea: one country office points out that too much contact between the bilaterals and the IFIs could reinforce suspicions of external ownership. There is also felt to be a role for the IFIs to facilitate greater donor engagement with the PRSP process.

IFIs and Ownership

59. On the question 'Are current behaviours and attitudes amongst IFI staff consistent with the principle of a country-led, country-owned PRSP process?' experience is **mixed** in all regions. Experience is not systematically differentiated by institution, although both Bank and Fund behaviour are highlighted in specific instances.

60. There are some examples of IFI behaviour that are seen to undermine local ownership and the credibility of the PRSP process.

⇒ In Nicaragua, the PRSP was produced in English at the request of the IMF, and the final document was sent to Washington before the local population or civil society could see it.

61. There are also instances where their attitude is seen to have improved somewhat.

⇒ In Bolivia, the IFIs are seen to be 'very supportive' of a country-led process, and in Kenya they are seen to be more accepting of ownership now than previously.

⇒ In Albania, there was initially some difficulty as the Bank adjusted to the dominance of the EC, but this is seen to have improved.

62. Even where it is felt that IFI country staff behave in a manner consistent with country ownership, most DFID offices indicate that the IFIs need to do more to promote and respect **national ownership** in general. This is felt to specifically include accepting government formats and timing for the PRSP. To insist on a short

deadline and specific format for the PRSP places heavy burdens on limited national capacity and risks distracting from the task of implementation. This is sometimes seen to reflect a concern with IFI-internal drives and targets over local conditions.

63. Some country offices feel that the IFIs place too much importance on the formal PRSP **document** itself, at the expense of broader ownership or consultation. These concerns also apply to the annual reviews of the PRSP and sectoral review procedures.

- ⇒ Tanzania and Uganda commented on the IFIs' demands for a specific PRSP format when a national PRS was already in place or being formulated.
- ⇒ In Nepal, DFID has been proactive in establishing a donor group to help coordinate various development processes around the PRSP.

64. A few country offices commented that ownership does not stop at the government, and that **civil society participation** needs more attention from the IFIs. Even where the IFIs are working well with government and/or donors, they may not be encouraging civil society involvement quite as hoped.

65. There were, however, a few comments that pointed in the other direction.

- ⇒ The World Bank in Ghana, far from having too tight a grip on the national PRSP, is seen as almost too disengaged from the process.
- ⇒ In Zambia, government ownership of the PRSP is not strong allowing a more 'activist' role for the IFIs than might otherwise be considered constructive.⁷

IFIs and other issues

66. A few country offices commented on the **PRSC and PRGF**. The offices are concerned about the relationship between these lending instruments and the PRSP, and in particular hope that the PRSP will 'lead' the lending instrument rather than vice versa.

- ⇒ In Nicaragua, there is a perception that the PRGF is 'at odds' with the PRSP.
- ⇒ In Uganda, the PRSC process requires the prioritisation and sequencing of the PRSP; it is felt that this is being driven by the IFIs to the detriment of government ownership and PRSP implementation.
- ⇒ In Guyana, some slippage on the PRGF programme has delayed IFI endorsement of the PRSP, with possible damage to national ownership of the PRSP.
- ⇒ In Rwanda, DFID are currently exploring how to use the PRSP as the negotiating framework for the PRGF. PSIA (Poverty and Social Impact Analysis) is likely to play an important role.

67. In some places, there are difficulties with engaging the **regional development banks**.

- ⇒ In Asia, ADB is an important partner, but its commitment to the PRS process varies considerably between different countries and in some cases is very weak.
- ⇒ In Latin America and the Caribbean the IDB and CDB do not play a major role in the PRSP process.

68. Other comments on the IFIs include the perceptions that they do not respect local expertise, do not place enough importance on the quality of poverty information

⁷ The GoZ has changed since this survey was conducted.

found in PRSPs, and adopt a technocratic approach that does not take account of local political realities.

Outstanding issues

69. DFID country offices express a range of other concerns about future of the PRSP process. These include concerns with the embeddedness of the PRSP process, the impact of and on formal political processes, and the resourcing of PRSPs.⁸ There are also some regional differences apparent in the responses which are summarised here.

Embedding the PRSP

70. The most common cause for concern is a perceived lack of ownership of, and commitment to, the PRSP. This is seen as having two levels: ownership by and commitment of government, and ownership by civil society.

71. For most country offices, **governmental ownership** receives the most attention: in over half the countries the assessment is unfavourable.

- ⇒ In Bangladesh, the government has hired consultants to 'manage' the participation process and draft the PRSP.⁹
- ⇒ In Sierra Leone, DFID and other donors have expressed willingness to assist in the PRSP process, but the national government is unwilling to prioritise the PRSP.
- ⇒ In South East Asia, DFID feels that PRSPs (having been imposed from the outside) will usually sit 'uneasily' beside national development plans that command greater governmental ownership. This has also been experienced in Moldova.

72. Worries about **commitment** are also demonstrated.

- ⇒ In Zambia, the government may own the PRSP as much as it has owned other development plans, but shows no real inclination to implement the PRSP.¹⁰
- ⇒ In Latin America, commitment is felt to be a serious problem; furthermore, it is felt that the PRSP process may not address the root problems of corruption and accountability in the region.

Box 7 Political Commitment

'PRSPs need to be realistic... when donors have confidence that the PRSP is a genuine planning and delivery tool which Government disciplines itself to implement, they will surely revise their policies to support it.' DFID Kenya

73. In still other cases, only part of the government is seen to be engaged.

- ⇒ In Nicaragua, Uganda and Central Asia, the PRSP is seen as a technical document for the MoF.

74. Some countries have good prospects for governmental ownership, but the outlook for broader **national ownership** is poor.

- ⇒ This is felt to be the case in Ethiopia, Honduras, Kenya, and Rwanda. In Honduras, for instance, civil society has created its own parallel PRSP. In many countries there is general concern for civil society ownership.

⁸ Please note that this is not an objective assessment of the validity of these concerns.

⁹ The GoB has changed since this survey was conducted.

¹⁰ The GoZ has changed since this survey was conducted.

75. In Central Asia, governments are unfamiliar with the principles of openness and greater civic engagement; as a result there is felt to be a need to proceed gradually and carefully to embed these principles.

76. There are a few exceptions where ownership is felt to be strong.

⇒ In Albania, a very wide variety of actors were involved in PRSP formulation and the assessment of civil society ownership is generally positive.

Box 8 Depth of Understanding

DFID Tanzania supported a study on the 'Depth of Understanding of the PRSP' amongst government and civil society, 6 months after the PRSP was endorsed. It is proving to be a valuable tool for gauging change in terms of engagement and understanding of the PRSP amongst Tanzanians. A follow-up study is planned.

Formal political processes

77. Some DFID offices highlight the ways in which formal political processes affect the PRSP process: these include line ministries, elections, and historical political context.

78. In several cases, there is felt to be an issue with the involvement of **line ministries**. This is either because of a lack of involvement of the sectoral government in the PRSP process or because of ongoing tensions between the line ministries. The challenge is seen to lie in establishing an appropriate institutional framework that can work through these tensions.

⇒ In Rwanda, Ghana and Nepal, the tensions between ministries are felt to present a possible threat to the PRSP process as a whole.

79. The **electoral process** is expected to present a challenge in the following countries.

- ⇒ In Kenya, the PRSP challenges vested political interests, and upcoming elections may well see PRSP priorities overridden.
- ⇒ In Lesotho, there is a fear that upcoming elections could see the results disputed, with a potential repeat of the situation in 1998.
- ⇒ In Albania, there have been concerns that the PRSP process would be subverted to the (sometimes violent) ends of political opportunists.
- ⇒ In Moldova, elections have already provided a serious hurdle as responsibility for the PRSP moved between committees with varying levels of support from political figures. The process has been challenged by changes in personnel and high-level policy.
- ⇒ In Nicaragua, there is a hope that the upcoming elections will allow a new way of working that can 'rescue' the PRSP in the implementation stage.

80. The **historical political context** of the transition countries is seen to provide a variety of hurdles for the PRSP process. DFID has made a point of cultivating a politically aware approach in these countries, which is seen as a useful complement to the more technocratic approach of the IFIs. Key problems include the following:

- Transition countries have a history of policy implementation rather than evidence-based policy-making, and as a result have little capacity for the latter.
- International politics are crucial, particularly EU accession demands and enduring security concerns.
- There are concerns that mass consultation processes could be destabilising.

81. Finally, the formal political institutions in some of these countries fall outside the norm; in Bosnia-Herzegovina, for instance, there are a total of sixteen governmental systems with varying levels of autonomy while in FRY the status of the federation is unclear. This makes centralised planning difficult.

Resourcing the PRSP

82. Although not all countries commented on resourcing the PRSP, a number of responses raise interesting points. Some were relatively **positive**.

- ⇒ DFID Honduras: 'There is little worry about the availability of resources. Honduras is a donor crowded country.'
- ⇒ DFID Ethiopia: 'The government has very limited resources to support PRS but if conditions are right there could be considerable donor assistance available.'

83. Countries that are threatened by the wider **security** situation (such as Rwanda, the Balkans, and Central Asia) may be in danger of losing resources for the PRSP. In Rwanda, however, the PRSP sets out three funding scenarios; it is hoped that PSIA will help the GoR in making the arguments behind these scenarios.

84. **Macroeconomic** concerns also play a part. The prospect of a global recession will exacerbate such concerns.

- ⇒ In Ghana, the general economic climate is not favourable.
- ⇒ In Bangladesh, the government deficit puts a limit on resourcing.
- ⇒ In Guyana, it is feared that debt relief under HIPC may not be enough for fiscal sustainability under a pessimistic growth scenario.

85. In other countries, a general lack of government commitment means that the PRSP is unlikely to receive resources from the national government (Sierra Leone, for instance).

Regional issues

86. There are broad regional differences apparent in the engagement with PRSPs. These are summarised briefly here.

- ⇒ In **Africa**, PRSPs are (generally) seen as an opportunity for donors and governments to engage in a new way of doing business. There is considerable enthusiasm for the PRSP approach, and in some cases it appears to have made a substantial difference to aid delivery and coordination.
- ⇒ In **Latin America**, DFID is also on board with the PRSP process and using the opportunities for changes in donor coordination. There are some early signs of movement in aid modalities also.
- ⇒ In **transition countries**, EU accession demands are a higher priority than PRSPs, and there are sometimes difficulties maintaining synergies between the processes. Offices are generally abreast of PRSP developments, but the PRSP does not appear to have presented many opportunities for changing donor behaviour.
- ⇒ In **Asia**, the PRSP process is not well established and is not generally seen as a new way of doing business, although DFID offices are taking advantage

of some of the opportunities it presents for changing donor behaviour around coordination. There is some evidence that PRSPs may affect aid modalities also.