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I. Update on DFID's Engagement with the PRSP Process

The PRSP Monitoring and Synthesis Project has just completed its second survey of DFID's engagement with PRSP processes and with other development partners. The first survey was conducted in September 2001 (see <http://www.prspsynthesis.org/> for full details). The second survey provides a snapshot of how PRSP processes are progressing at country level and how DFID is engaging with them and with other development partners. It presents a picture of steady and incremental progress within DFID but also some important challenges

A selection of key findings from the survey include:

- **Political and institutional change** lies at the heart of the PRSP approach yet DFID staff appear unsure as to how they can account for political factors in their work and incentivise progressive change. Poor peoples representation remains weak in many countries, as does the involvement of legislators. Finding ways to engage these groups more effectively is crucial in building greater domestic accountability for PRSP processes. This is clearly an area where the Drivers of Change approach could add considerable value.
- **Links with annual budgets and MTEFs** remain underdeveloped in most countries, although signs of progress are emerging in some of the early adopting PRSP countries. Only a limited number of PRSPs demonstrate any serious shift towards prioritisation or detailed costing of

pro-poor expenditures. Unless both technical and political obstacles to reform can be addressed, these weaknesses could call into question future moves to increase the use of general budget support.

- **Monitoring and evaluation** of PRSPs is revealing in a systematic way a range of longstanding weaknesses in government capacity and systems. As PRSPs move into the implementation phase, M&E concerns have become more prevalent and staff point to low capacity as likely to jeopardise the successful delivery of even the best-laid M&E plans. DFID best practice suggests building on existing M&E systems wherever possible and using donor support to address key gaps in capacity and data, including amongst non-governmental organisations.
- **Alignment of budget support** is progressing but alignment of non-budget support instruments such as sector programmes, TA and projects has received relatively little consideration thus far by DFID staff. Addressing this issue might facilitate better inclusion of 'non-likeminded donors' in efforts to co-ordinate and harmonise aid and mitigate the risk of large aid flows into PRSP countries remaining outside of such efforts.
- **Predictability** of aid flows remains a major challenge for DFID and other donors. Experience with Memoranda of Understanding in Africa suggests they can provide a useful framework for developing more predictable, long-term partnerships.
- **Countries affected by conflict and/or weak governance** are making very slow progress on key dimensions of the PRSP approach. Staff note concerns about the demands of the PRSP approach exceeding the political and technical capacity of governments and institutions in these contexts.

The final survey report will be posted shortly at <http://prspsynthesis.org.uk>

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.

2. Next Generation PRSs: Issues Arising

Fours years on from its adoption by the Boards of the IMF and World Bank, the PRS approach is becoming more embedded. The PRS principles of country ownership, results-orientation, comprehensiveness, partnership and a long-term perspective are now widely recognised as crucial steps towards improved performance in poverty reduction and as key tools for galvanising the international aid effort around the achievement of the MDGs. Thirty-two countries have completed full PRSs (July 2003) while several countries are now embarking on or have produced second round PRSs (Bolivia, Burkina Faso, Nicaragua, Tanzania and Uganda). As countries move ahead with implementation, observers have been able to reflect on experience and highlight weaknesses and gaps in the formulation process and policy content of PRSs to date. What emerges are several ongoing, and new, challenges for future PRSs.

The PRSP Monitoring and Synthesis Project is working on a study (which will be completed by the end of March 2004) looking in more depth at the issues and challenges arising for countries reviewing their PRSPs. An initial list of issues include:

- **Deepening Government Ownership and Broadening Political Commitment**

Experience shows that the nature of political systems, and how state power is exercised across formal branches of government and within the executive is crucial for understanding 'ownership' or engagement with the PRS. Deepening government ownership requires a better understanding of how political systems are configured and operating in PRS countries, along with efforts to build capacity in government (such as strengthening the role of Cabinet), extend engagement beyond the centre through support for sub-national capacity, and expand public awareness through policy debate, monitoring and evaluation.

- **Parliamentary & Civil Society Participation**

Although there is no blueprint for how countries are to revise their PRSPs, the general understanding is that the revision process must be consultative in some way and, for many, the revision process is being seen as a chance to learn from the lessons of the previous experience and facilitate more meaningful

participation from a broad section of civil society and parliamentary bodies. Few PRSs, and even fewer Annual Progress Reports, have involved parliamentary discussion or validation, but there is growing recognition of the need for parliamentary involvement as a means of legitimising the strategy and for strengthening the country's commitment to pro-poor policies – see Uganda http://www.finance.go.ug/peap_revision/.

See the box on page 3 for information on a project led by the Parliamentary Centre in Ottawa on strengthening parliamentary engagement in the PRS process.

Tanzania – Strengthening Country Ownership

Tanzania is embarking on revising its current PRSP. The process is being undertaken by the Government of Tanzania, under President Mkapa's leadership, and the Government is aiming to have completed the review of the current PRSP and to have formulated the revision by September 2004.

There has been interest within the government to use the review process to institutionalise key PRS principles and develop them into a national development plan that has stronger Cabinet backing and greater public awareness. This presents an opportunity to widen ownership of Tanzania's national poverty reduction strategy, from the Ministry of Finance to all line ministries and local government.

The aim of institutionalising the PRSP process and developing it into a national development plan raises the broader question of whether an expected consequence of increasing country ownership is that governments move away from the current 'PRSP model' to their own political visions of national development. This would also bring up issues for donors on how they are to position themselves in relation to these processes, and how they are to react to possible situations where national development plans have significant country ownership but no longer have a strong poverty focus.

Next Generation PRSs - continued

Involving Parliaments

The Parliamentary Centre, Ottawa is running a programme on strengthening parliamentary engagement in PRS processes in Africa. The idea for the programme arose from one of Canada's key pledges at the Kananaskis G8 Summit, which focused on NEPAD. Their work involves strengthening the capacity of parliamentary committees, building networks for lesson-learning amongst parliamentarians, training for MPs and parliamentary staff and also pilot projects using citizen and community scorecards (borrowed from India). The Parliamentary Centre is already working with 15 African parliaments and will scale up to 5 more over the next 4 years.

More information can be found at: http://www.parlcent.ca/povertyreduction/index_e.php

■ Links to Annual Budget and MTEFs

To achieve a well costed, results-oriented poverty reduction strategy, the PRS needs to be linked into sector spending plans, which is only possible if the PRSP sits within the national budget cycle. Integrating the PRS and the annual budget and MTEF process remains an ongoing challenge in many countries with both technical and political dimensions. In some cases, the difficulty lies in the practice of linking PRSPs to special funds, which are often tied to HIPC funding but not treated as part of the national budget. While this has made the task of accounting for HIPC funds easier (politically and technically), in many instances the effect has been detrimental to wider efforts to improve public financial management. The extent to which donor aid instruments support or 'go around' domestic budgeting systems is a key factor in the successful linking of PRSs and resource allocation processes.

■ Monitoring and Evaluation

PRS monitoring and evaluation has become an increasingly live issue. As part of the PRSP process, countries are required to produce an Annual Progress Report (APR) for the Boards of the World Bank and IMF. The need for effective monitoring and evaluation to feed into the APR, and into the process of revising the PRS, has highlighted existing structural and capacity

weaknesses within many government systems. Donors wishing to base their disbursements, particularly around budget support, on PRS indicators, are taking a special interest in the development of coherent M&E plans (if we keep the Ethiopia box it should be linked here!). A key challenge is in coming up with a nationally embedded system for M&E that combines transparency and accountability domestically, with a system for reporting regularly to donors.

Bolivia's Revised PRSP: A CSOs View

Bolivia's revision process is a moving target. Comments by CEPAS-CARITAS on the proposal for the revised PRS 2004-2007 submitted by the Government to the Consultative Group Meeting (October 2003) illustrate some of the challenges arising in the second-round process:

- the Government has tried to take into account past criticisms of the former PRS and integrate them into the new strategy;
- the proposed strategy reflects the dilemma confronting the Government of whether to apply comprehensive anti-cyclical policies in order to reactivate the economy while under pressure from the IMF to reduce the fiscal deficit;
- the focus is on the short and medium term at the expense of a long-term oriented approach aimed at productive transformation;
- the document shows clearly that the MDGs cannot be achieved by 2015 without enormous (and in some cases negative) measures;
- there is risk that the PRS will not be financially sustainable should the highly optimistic scenarios regarding external financial flows not materialise;
- the macroeconomic framework which underlies the PRS was not included in the proposal. CSOs should have an opportunity to discuss it;
- a convincing answer to the existing institutional weakness is lacking which is essential if the proposed strategic approach to link and coordinate policies is to be successful;
- risks from political and social environment and their impact on the PRS are not included in the proposal.

This paper can be read in full at: <http://www.eurodad.org/articles/default.aspx?id=506>

The Political Dimensions of PRSs

A recent study commissioned by the PRSP Monitoring & Synthesis Project examines the interaction between political systems, PRS processes and longer-term political development. Two aspects of are particular interest. One is the way the politics of a country shapes the field of possibilities arising from the PRSP initiative – that is the opportunities for doing things differently or not. The second is the contribution that the PRSP process has made, for better or worse, to political change and the development of political institutions in the country. The study approach involved four country case studies – Bolivia, Georgia, Uganda and Vietnam (the completed study will be available on <http://www.prspsynthesis.org/>).

The case studies found examples of PRSs leading to improved policy making, mainly through more intra-governmental coordination, but insufficient evidence that this is leading to improved implementation, yet.. There is evidence of an opening of the policymaking process in each of the country cases, but unclear signs that this will be sustained. There are findings which suggest that local level systems of political accountability are weak and that the PRS could be an unhelpful distraction, but no real evidence that this is any worse, in fact it may still be better, than previous donor-led approaches. Finally, there are examples of donors trying to use their 'power' differently, particularly through partnership groups and their support for institutional development, but there are still major challenges for donors in reconciling their dialogue around PRSs and their dialogue in areas less obviously related to the aid relationship but still fundamental to national development, such as human rights, corruption and violent conflict.

The importance of a country's starting point and the political dynamics behind processes of change suggests that donors, rather than denying or resisting domestic political processes, need to understand them better and factor them into the design of their support behind the PRSP approach. Three possible recommendation areas for improving the synergy between donor engagement and the political context in which PRSs are being implemented are highlighted by the study:

- **The overwhelming importance of context.** Historical and conjunctural considerations play an important part in shaping the possibilities of the PRS process, and determining what can reasonably be expected from it. The process is unlikely to be linear nor produce clear outcomes within one or even two iterations. The implication is that donors need to be continuously updating their knowledge about the specificities of recipient politics and political processes at country level in order to refine their strategies for intervention.
- **Domestic strategies and domestic political cycles.** The country studies confirm an unresolved tension on the part of the international community between the wish, on the one hand, to adopt 'nationally-owned' strategies as the basis for international assistance, and to respect, on the other hand, the decisions and priorities of newly elected governments, whose legitimacy, may, in some cases, derive from free and fair elections, even if their poverty reduction credentials are weaker. The case studies point to the importance of building on the 'political capital' that exists in existing strategies and processes. This is likely to be as important for future rounds of PRSs as much as this current round.
- **Political dialogue.** The PRS approach involves a potentially substantial reshuffling of old ways of doing business for governments and donors. The transformation of the aid relationship requires not only a change in donor behaviour, but also domestic 'governance' reforms to improve domestic capacity, some of which may turn out to be highly sensitive and political. But governance reforms are not always seen as central to poverty reduction and are not always prioritised. Bringing together these political dialogues with more conventional assistance to the PRS process is likely to be an increasingly important aspect of donor support as countries enter the more complex implementation phase.

3. PRS Monitoring and the MDGs

Uganda – Progress of attaining PEAP & MDG Targets

As part of its revision process, the Ministry of Finance, Planning and Economic Development in Uganda prepared a background paper for the Consultative Group Meeting in May 2003 on achievements and challenges in the progress of attaining PEAP and MDG targets. The paper, 'Uganda's Progress in Attaining the PEAP targets – in the Context of the Millennium Development Goals', examines the progress and challenges towards attaining PEAP and MDG targets. Key achievements and challenges include:

- progress on income poverty reduction; successful record of UPE; gender parity in primary education; sustained progress has been made in reducing the prevalence of HIV/AIDS due; access to safe water has expanded.
- challenges remain in ensuring gender parity in secondary education; combating infant, under-five and maternal mortality; reducing malaria and improving environmental sanitation.

The issues raised in this paper are intended to inform the upcoming PEAP revision. According to the paper, the MDGs should and can be usefully incorporated in the revised PEAP, which will also focus on updating existing targets and setting new ones. Increased policy attention will be given to child and maternal mortality and to environmental sanitation. Given the budgetary, macroeconomic and absorptive capacity constraints facing the economy, the revised PEAP will also highlight the tradeoffs which must be made between competing demands for public expenditures and competing objectives.

The full document can be downloaded at:
http://www.worldbank.org/ug/cg03/CG_2003_GoU_PEAP_targets.pdf

More information on costing and monitoring the MDGs is available at: <http://www.unmilleniumproject.org/html/about.shtm>

New Book Out!

“Fighting Poverty in Africa. Are PRSPs Making a Difference?”, has recently been published by ODI. The book, edited by David Booth, ODI, introduces the issues and then focuses on seven country case studies: Benin, Kenya, Malawi, Mali, Mozambique, Rwanda and Tanzania. David Booth, in the introduction, argues that PRSPs have helped to mainstream anti-poverty efforts in national policy processes in Africa. However, the seven country experiences in the book reveal differences as well as commonalities. Can vicious circles of patrimonial politics, state weakness and ineffectual aid be replaced with virtuous ones, based on greater national ownership of anti-poverty effort? This is still uncertain, PRSPs add value to technocratic reforms in public management, by opening new spaces for policy dialogue, but those reforms remain vital, especially in regard to the budget. For their part, donors need to be prepared to take risks and impose some disciplines on themselves. The hypothesis that PRSP processes can promote changes leading to more effective poverty reduction needs refinement, but remains plausible.

This book is available from the ODI publications department at: <http://www.odi.org.uk/publications/index.html>

Your Ideas Can Help Us: How to address the challenges of financing PRSPs?

While the need to dramatically increase ODA levels in support of reaching the MDGs is widely agreed upon in the international community, the practicalities of how to get there remain a serious challenge. Financing plans in most country PRSPs fall well short of what is required to meet MDG targets. Donor flows remain both volatile and unpredictable. So what needs to change? If you have thoughts/ideas about what needs to change in terms of the processes for mobilizing aid resources, particularly at country level, to make them more compatible with a forward-looking, long term and predictable framework for PRS and MDG financing, we'd like to hear your views. Please contact us directly at prsp@dfid.gov.uk.

PRS Update

Below is a list of country reports that have been completed since August 2003. All these documents are available on the World Bank website. The total number of PRSPs being implemented has reached 34 and 15 Annual Progress Reports have now been completed.

Completed PRSPs and JSAs of PRSPs:

- Mongolia - PRSP (3 September 2003) and JSA (22 September 2003)
- Nepal - PRSP (1 October 2003) and JSA (21 November 2003)
- Madagascar - PRSP (17 October 2003)
- Armenia, Republic of - PRSP (20 November 2003) and JSA (2 December 2003)

Completed I-PRSPs and JSAs of i-PRSPs:

- Dominica - I-PRSP and JSA (14 January 2004)
- Burundi - I-PRSP (15 January 2004)

Annual Progress / Preparation Reports:

- Congo, Democratic Republic of the - I-PRSP Preparation Status Report (29 August 2003) and JSA (2 September 2003)
- Uganda - Annual Progress Report (22 September 2003)
- Lao People's Democratic Republic - PRSP Preparation Status Report and JSA (6 October 2003)
- Mauritania - Annual Progress Report and JSA (10 October 2003)
- Malawi - Annual Progress Report (27 October 2003) and JSA (7 November 2003)
- Niger - Annual Progress Report (8 December 2003) and JSA (16 December 2003)
- Kenya - PRSP Preparation Status Report and JSA (8 January 2004)
- Nicaragua- 2nd Annual Progress Report (15 January 2004) and JSA (28 January 2004)

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/prspproject>