

UNDP Review of the Poverty Reduction Strategy Paper (PRSP)

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UNDP Review of the Poverty Reduction Strategy Paper (PRSP)

PART I: Summary of conclusions and recommendations

1.1 UNDP support for the PRSP process

UNDP is active in 60 countries in all regions (33 in Africa) in supporting the development of IPRSPs and PRSPs. This support builds on UNDP's involvement in PRS processes in over 100 countries since 1996.

The types of support provided by UNDP to the PRSP process include

- Substantive inputs into the PRSP document
- Human development and pro-poor policy analyses
- Macro-economic policy framework
- Trade
- Promotion of consultation and stakeholder participation
- Assessment and monitoring
- Coordination and implementation capacity
- Resource mobilisation

See Annex table

Staff from 21 UNDP Country Offices responded to the questionnaire.

Africa: Burkina Faso, Cameroon, Ethiopia, Guinea, Lesotho, Zambia, Rwanda, Uganda

Asia: Bangladesh, Cambodia, Laos, Mongolia, Nepal, Sri Lanka, Vietnam

Latin America: Bolivia, Nicaragua

Middle East: Yemen

Europe and Central Asia: Armenia, Azerbaijan, Georgia

UNDP has been involved with the World Bank and IMF as co-sponsor and co-organiser of three regional PRSP review meetings during the second half of 2001: Dakar (for Africa) in September, Budapest (for Europe and Central Asia) in November and Hanoi (for East Asia) in December.

1.2 Achievements of PRSPs

- Helped to strengthen the focus of policy-makers on pro-poor strategies and policies.
- Encouraged more consultations among stakeholders in the discussion of poverty and in the formulation of strategies and policies.
- Provided a focus for strategic programming by Governments.
- Highlighted the importance of accurate poverty measurement and monitoring, helping to identify data gaps and the need for statistical capacity building.
- Encouraged a closer alignment of donor assistance in individual countries.
- Helped to bring about the beginning of a fundamental culture change in the Bretton Woods Institutions and donors in terms of pro-poor thinking.

1.3 Comments and recommendations

Comments	Recommendations
<p><u>Consultation</u> Consultation processes for (I)PRSPs have often been hasty, ad hoc and perfunctory</p>	<p><i>More time should be provided for the development and scrutiny of PRSPs</i></p> <p><i>Consultation processes should include examination by existing institutions (including Parliaments and local/regional bodies)</i></p> <p><i>More support should be provided to NGOs to enable them to play a more active and informed role in consultations</i></p>
<p><u>BWI-driven</u> (I)PRSPs have been perceived in many countries as BWI-driven because</p> <p>(a) They were conceived and named in Washington and had been accompanied by extensive guidelines</p> <p>(b) They are subject to appraisal by Fund/Bank staff using the JSA guidelines</p> <p>(c) they are nationally-owned, yet subject to scrutiny by the Fund/Bank Boards</p>	<p><i>The PRSP acronym should disappear in favour of locally named strategies poverty reduction strategies (PRS)</i></p> <p><i>Appraisal should be broadened to include additional criteria. It should involve other development partners besides WB and IMF</i></p> <p><i>They should not be formally adjudicated by the governing bodies of development partners. The role of such bodies should be to</i></p> <p><i>(a) determine the nature of the support they can provide to the development of PRS</i></p> <p><i>(b) approve support to implementation of PRS (e.g. through CAS or UNDAF)</i></p>
<p><u>Time frame</u> The three year time frame is too short to bring about significant progress in poverty reduction</p> <p>An automatic time frame determined externally is not aligned with country programming timetables</p>	<p><i>The time frame should be flexible, and extended to 5 years or more</i></p> <p><i>The next generation of PRS should be compatible and co-terminous with other national planning instruments</i></p>

Comments	Recommendations
<p><u>Content</u> There is insufficient attention to non-economic and less easily measurable concerns which are fundamental to sustainable human poverty reduction</p>	<p><i>Governments should be encouraged to give explicit consideration in PRS to issues of gender equity, human rights, land reform and decentralised governance-poverty relations</i></p>
<p><u>Social impact analysis</u> There is inadequate ex-ante analysis of the poverty impact of policies, particularly those pertaining to the macro-economic framework and structural reforms</p>	<p><i>Analysis should be undertaken of the impact of macro-policies on poverty. PRSPs. should incorporate policy scenarios to accommodate different options</i></p>
<p><u>Resources</u> PRSPs need to be made more consistent with available development resources in order to facilitate implementation and sustainability</p>	<p><i>PRSPs should be linked to annual budgetary provisions within the framework of MTEFs</i></p> <p><i>Donors should focus their ODA more on support to the needs of PRSPs and ODA should be better meshed with national budgets</i></p>
<p><u>Monitoring and targets</u> (I)PRSPs do not always clearly spell out the benchmarks by which successful implementation can be judged</p>	<p><i>(I)PRSPs should incorporate the – and be oriented towards achieving - Millennium Development Goals and other locally relevant human development indicators as far as possible. There should be country analysis of the costing of these goals</i></p> <p><i>Monitoring systems should be put in place to track progress in terms of these indicators</i></p>
<p><u>Partnerships</u> WB and IMF have increasingly extended cooperation to UNDP and other UN development partners at the HQ and country level in supporting the development of (I)PRSPs</p>	<p><i>With Governments acting as the principal arbiter and ‘demandeur’, BWI and UN collaboration should be further strengthened on the basis of their respective comparative advantages</i></p>

PART II - Detailed responses to the questionnaire

2.1 Overarching questions

- **What have been the main achievements and challenges to date in developing and implementing poverty reduction strategies?**

Challenges:

- ***Participatory processes for the PRSP need to be strengthened.*** Several countries have remarked on this aspect and have noted that although consultations have been held with NGOs, CSOs, and sometimes with local government representatives, these have typically taken the form of presenting a draft IPRSP. However, it is unclear how feedback from even these consultations has fed into subsequent drafts of IPRSPs (Azerbaijan, Lesotho, Georgia). Further, participatory processes require time but countries trying to access HIPC debt relief resources have been more concerned with getting the PRSP ready than with engaging in a meaningful participatory process for formulating a poverty reduction strategy (Zambia, Tanzania, Ethiopia). Another factor inhibiting a participatory process from being undertaken in some countries has been the weak capacity of civil society organizations to substantively contribute to the content of PRSPs, particularly on key issues such as macroeconomic analysis and budgets. Finally, in some countries a participatory process has been limited because the development of civil society organizations is still at a relatively early stage (Laos, Cambodia, Vietnam).
- ***Country ownership needs to be strengthened.*** In some countries, the PRSP is strongly resisted by a wide range of national stakeholders because it is an instrument of conditionality -- a donor driven instrument (Bangladesh, Cambodia, Laos). To ensure ownership, it may be necessary to insist that PRSPs be endorsed by parliaments prior to presentation by before the BWI Board. This could also ensure that the focus on poverty reduction is maintained even if there is a change in government. Further, to ensure that the PRSP is not perceived simply as an initiative of the central government, local governments must be involved early on in the PRSP process (Mongolia, Nicaragua, Laos).
- ***Lack of harmonization between PRSP and other planning strategies.*** Several PRSP countries are concurrently preparing national development plans. However, in some countries, little effort has been made to harmonize these different planning strategies (Cambodia, Mongolia, Bangladesh). This also implies that different branches of government are not clear regarding their respective roles. But also, there is a risk that divergent policy and strategic directions get reflected in the different planning documents. Further, such a situation puts tremendous pressure on an already limited human and institutional resource base.
- ***Institutional linkages between ministries need to be strengthened.*** Since the implementation of the PRSP will involve a number of sectoral ministries such as health and education, and a variety of government units both at the central and local level, there is a need to strengthen institutional linkages, establish coherence and complementarities between the various implementing ministries.

- ***Prioritization of poverty reduction programmes/strategies needs to be sharpened.*** This is especially true for countries that have prepared IPRSPs. Many countries' IPRSP's resemble a long shopping list of various projects/programmes but there is very little clarity on which programmes/projects are going to be prioritized. Given financial resource constraints as well as absorptive capacity constraints, prioritization becomes all the more important. (Georgia, Azerbaijan, Cambodia).
- ***Poverty reduction strategies need to be costed.*** Unless countries have a clear picture of the financial resources (costs) required for implementing poverty reduction strategies, the effective implementation of these strategies will be jeopardized. Further, links between the poverty reduction strategies and budgets (whether annual or medium term) will remain weak (Cambodia, Sri Lanka).
- ***Risk analysis associated with achievement of poverty reduction targets remains weak.*** Although several countries have established poverty reduction targets, the PRSPs do not undertake a comprehensive risk assessment to identify factors that may inhibit achievement of these targets (Azerbaijan)
- ***Coherence between the macroeconomic framework and poverty reduction goals/targets needs to be strengthened.*** When the PRSP process was initiated, the BWIs had stated that it would be important for countries to conduct ex-ante impact analyses to assess the poverty/equity impact of macroeconomic policies. A review of the macroeconomic policies in different countries' PRSP indicates that they are not significantly different from earlier stabilization and structural adjustment policies. It would be important to know how countries intend to resolve the oft-noted conflicts between such macroeconomic policies and poverty reduction goals.

Achievements:

- ***Advocating a participatory approach.*** Despite the concerns noted above regarding the nature of the participatory exercise, it is clear that for many countries, the PRSP has initiated a dialogue among a wide range of national stakeholders. In so doing, it has sensitized/mobilized local communities, and in some instances local governments and parliaments.
- ***Pointing to data limitations/gaps.*** An effective poverty reduction strategy depends fundamentally on identifying who the poor are and preparing a comprehensive poverty assessment. Through the use of participatory poverty assessments (to complement quantitative data on poverty), PRSPs have endorsed the need to listen to "voices of the poor" in formulating poverty reduction strategies.
- ***Reoriented development assistance practices.*** The PRSPs for many countries are being discussed at CG meetings and Round Tables and donors are being requested to align their development assistance in support of the poverty reduction strategy. ODA (and also debt relief) is increasingly being considered as a mechanism to fill resource gaps identified by PRSPs. Such alignment and harmonization among donor practices is an important achievement of the PRSP.

➤ **How might the guidelines and modalities of the PRSP approach be modified to improve its long-term developmental impact?**

- ***Flexible time-frames.*** For instance, a very tight schedule for preparing the PRSP does not encourage meaningful participation. Further, concern with meeting the deadline for PRSP submission can compromise the quality of analysis. For instance, in Azerbaijan, sectoral strategies for poverty reduction were prepared without even defining the poverty line.
- ***Integrated approaches to poverty reduction.*** Although the PRSP is intended to present an integrated and holistic approach to poverty reduction, in several countries' some of the policies being adopted appear to be inimical to poverty reduction. For example, in Cambodia, the Integrated Framework on Trade and Poverty undermines (rather than supports) key PRSP principles.
- ***Identification of capacity constraints.*** The long-term developmental impact of PRSPs could be enhanced if countries prepared a matrix that captured the human, technical and institutional capacity gaps that need to be filled if PRSPs are to be effectively implemented.
- ***Critical assessment of poverty/inequality impacts of key policy recommendations.*** It is crucial for PRSPs to assess systematically and critically the poverty/inequality impact of all key policy recommendations, especially those pertaining to structural and macro-policy reforms. Further, it is important to consider integrating pro-poor policy conditionalities in the frameworks of SAC and PRGF. There is some concern, especially by CSOs that the PRSC matrix, a mechanism for resource mobilization to fund the PRSP implementation, especially in capacity building programmes entails non pro-poor conditionalities.
- ***Participatory JSA's.*** JSAs could be more inclusive. For instance, independent advisors, UN agencies could be involved in these assessments. Also, national country counterparts should be present at JSA deliberations so as to defend the content of PRSPs. This would also serve to improve transparency of BWI decisions regarding endorsement (or not) of countries' PRSPs..
- ***Incentives for innovative poverty reduction strategies.*** Many PRSPs have not engaged in a discussion of key issues that are central to poverty reduction such as land reforms, employment strategies, gender concerns, decentralization/poverty linkages. PRSPs that address these central concerns should be rewarded for innovations and for having a holistic approach to development.
- ***Linking national poverty reduction strategies to global challenges.*** It is obvious that variables external to a country's domestic environment (falls in commodity prices, recession in industrial countries) can affect national poverty reduction efforts. How are these trends in the global economy and national poverty reduction targets to be reconciled?
- ***Mobilization of adequate financial resources.*** Since the financing of PRSPs is inadequately addressed, more focus should be placed on addressing this issue. Mobilization of domestic resources (through tax reforms, user fees) cannot be relied upon to mobilize the volume of resources needed.

2.2 Key questions

2.2.1 Ownership and participation

- **Has the preparation of PRSPs been country-led and, if so, have governments assumed full leadership of the PRSP process?**

Endorsement by highest political authorities

Generally speaking, preparation of the PRSP has been under the leadership of Ministry's of Finance but has been endorsed by Presidents of several countries. For instance, in Nicaragua, the Technical Secretary of the Presidency (SETEC), was the institution delegated to coordinate and write the PRSP. In Azerbaijan, a presidential order established the "State Commission to develop the State Poverty Reduction Programme" and was chaired by the Prime Minister; in Georgia, the president issued a decree on "supporting the organizational activities for elaboration of the poverty reduction and economic growth programme". In Sri Lanka, the President is actively involved in monitoring the PRSP exercise. In Uganda as well, the PRSP has received political endorsement from the President, and also from the Cabinet and Parliament. In fact, in Uganda, there have been persistent demands by Parliament for a wider say in economic management. Members of Parliament have called for the establishment of a National Planning Authority as provided for in the country's constitution.

Involvement of sectoral ministries

Sectoral ministries have been involved in most countries through their participation in thematic groups and in the formulation of sector specific strategies (Guinea, Georgia, Azerbaijan, Lesotho, Mongolia, Sri Lanka, Nepal, Uganda, Burkina Faso, Bolivia).

Involvement by Parliamentarians

In most cases, parliaments do not appear to have played a significant role (Nicaragua, Zambia, Sri Lanka, Lesotho, Georgia, Cambodia). However, there are increasingly voices that support a greater role for parliament and for parliamentarians. It has been suggested that parliament as an institution should be involved especially during discussions regarding budget formulation and can monitor the effective implementation of the poverty reduction strategy. Individual parliamentarians can be involved in their constituency districts when, for instance, the PRSP content is debated at sub-national levels.

Behaviour of staff of IFIs

It is difficult to make general statements on this. It all depends on the strength and commitment/seriousness of the government as well as previous work on poverty reduction. In countries where national programmes for poverty reduction were prepared, the government and civil society have been in the drivers' seat: that is the case for Uganda, Burkina Faso, Mali and Ethiopia. However, this cannot be said to apply to all countries. For instance, in Cambodia (among other countries), the overall policy and planning processes, including work on the PRSP has remained essentially external expert-driven and in some cases has embraced the syndrome of "hotel room manufactured documents". Also, the process has been facilitated by a "one way explanation" instead of "dialogue and participation". This has characterized BWI's staff support to the PRSP process in Cambodia. Such an approach may probably find its motivation in the context of key national capacity constraints. But precisely and because of these constraints, there

is a compelling case to consider alternative and to some extent innovative advisory support services.

- **To what extent have governments been preparing and implementing PRSP in an open and participatory way?**

Extent of involvement of local governments and civil society

The experience of countries with respect to this issue varies considerably. From limited NGO participation (Azerbaijan) to a much greater involvement by civil society (Uganda, Lesotho). However, civil society in many countries have sought to play a greater role. For instance, in Georgia, civil society organizations have created the PRES P Watchers Network, which is facilitated by Oxfam. In Nicaragua, despite initial hesitation on the part of the government, some groups from civil society such as the Civil Coordinator for the Emergency and Reconstruction (CCER) (assisted by aid agencies like UNDP and DfID) conducted consultation processes and formulated local poverty reduction strategies.

The involvement of local government appears to have been limited and generally confined to attendance at consultations. For example, in Georgia, meetings with the public were held in different regions and this was the only involvement of local government.

Role of development partners, including IFIs

Many bilateral donors are eager to play an important role in the PRSP process, mainly through the financing of the consultative process, but are less involved with the substantive (content) aspects of the poverty reduction strategy. However, with respect to PRSP implementation, bilateral development partners are trying to figure out how PRSPs can be harmonized with their respective programming tools.

The IFIs have been involved in a variety of ways: from providing technical assistance for drafting analytical pieces required by the PRSP (Azerbaijan, Georgia, Sri Lanka) to assisting in institutionalizing systems for poverty monitoring.

Where UNDP has established a good working relationship with the donor community, it has been entrusted to lead the donor contribution to the PRSP process as in Ethiopia, Azerbaijan, and Georgia. For instance, in Georgia, UNDP has been charged with coordinating the donor community and has drafted a framework for donor assistance for the preparation of the PREGP. This framework will provide technical assistance to improve the process and content of the PREGP and for the consultative process.

Effectiveness of arrangements for consultations and feedback on how decisions were made

Most countries don't appear to have instituted formal mechanisms for consultation and feedback (Georgia, Sri Lanka, Lesotho).

Impact of capacity constraints among CSOs

The term CSOs covers a large number of organizations that are of different sizes, have different strengths and weaknesses, strong and poor representativity, and a strong and weak commitment to development. As a result, there are large differences in the quality, will and motivation of CSOs. Generally speaking, NGOs have lacked the capacity and/or expertise to contribute in a

substantive way to the content of PRSPs, particularly on key issues such as macroeconomic analysis, and the formulation of pro-poor budgets. (Azerbaijan, Lesotho).

Participatory monitoring of implementation

In Africa, there are only 4 full-fledged PRSPs whose implementation is at the beginning. It seems too early to assess the monitoring exercise.

- **To what extent have participatory processes influenced the content and implementation of poverty reduction strategies?**

When the participatory process has been limited, so has its influence on the content of the PRSP (Azerbaijan, Sri Lanka). However, in countries where significant efforts were made to engage in a participatory process or countries where the PRSP built upon prior poverty reduction strategies (Uganda, Burkina Faso), the content reflects some of the concerns voiced by civil society.

- **Have countries drawn on existing strategies and integrated the preparation and implementation of their PRSPs with core processes for policy making and programme implementation, including budget cycles and medium-term expenditure frameworks?**

So far, very few countries have linked the PRSP with annual budget cycles and an MTEF although more efforts have been made to integrate sectoral strategies such as for health and education in the PRSP (Azerbaijan, Georgia, Nicaragua, Sri Lanka, Yemen, Vietnam).

Indeed, a fundamental weakness of several PRSPs seems to be the weak links established between the poverty reduction strategy and the annual (or medium term) budget. Further, annual budgets tend to be disconnected from ODA flows and bilateral ODA does not seem to be ready to be integrated with the budget anytime soon, although there is a possibility that HIPC resources could go through the government budget through sector wide programmes.

2.2.2 Content of strategies

- **To what extent do poverty reduction strategies represent an improvement over previous development strategies?**

According to governments, civil servants as well as field development practitioners, the PRSP represents a major departure from previous development strategies for the following reasons: (1) previous strategies did not specifically target poverty reduction but at best growth and development (with poverty reduction a by-product in so far as there were trickle down effects); (2) previous strategies were the domain of specialists and experts with no room for consultations; (3) even when strategies were formulated, external partners could ignore them in the formulation of their own programming instruments.

➤ **To what extent are PRSPs built on adequate poverty diagnostics?**

Quality of data, including its disaggregation by region, social groups, and gender

It is difficult to generalize as there are significant differences among countries regarding data availability and reliability as well as the frequency with which it is collected. However, those countries that have institutionalized the LSMS system of household surveys, poverty data, at disaggregated levels, is collected periodically (generally every five years). For instance, for Nicaragua, the recent data from the 1998 LSMS contributed to preparing a rather comprehensive poverty profile. In Uganda and Zambia as well, the PRSP is built on adequate poverty diagnostics with efforts made to address regional, social and gender imbalances. One issue to be kept in mind is that often a trend analysis of poverty is unavailable or the data is suspect because surveys conducted at different times have used different methodologies (ex. Nepal, Mongolia).

Ex ante analysis of the social impact of key proposed macroeconomic and structural reforms

This indeed is one of the weakest elements of the PRSP. Typically, there has been a lack of a more systematic and comprehensive assessment of the dynamic relationship between the macroeconomic environment and poverty/inequality issues. An examination of the IPRSP policy matrix indicates that key policy areas such as those related to the macroeconomic framework and structural reforms (ex. deregulation, commercialization of public utilities) have not been subject to systematic pro-poor assessments.

➤ **To what extent do PRSPs have relevant targets and indicators for poverty reduction and appropriate proposals for monitoring and evaluation?**

Selectivity and monitorability of targets and indicators

Generally, indicators and targets of the PRSP are relevant and include commitments made by the country at various international summits. The indicators typically tend to monitor poverty at the national level but given regional disparities and inequities more attention needs to be paid to developing indicators at local levels. Also, indicators need to be refined so that impacts on specific segments of the population are captured. Further, there is a need to harmonize the indicators developed for PRSPs with indicators being developed to assess country progress on the Millennium Development Goals.

Efforts to improve data collection and analysis/use

Many donors are assisting countries with developing/building capacity for data collection and analysis. For instance, in Nicaragua, UNDP, WB, IDB and other donors have formulated the MECOV V project that will institutionalize data collection and systematically will feed such data into the national poverty monitoring system. In Vietnam, in order to get data at frequent intervals and to monitor progress of PRSP indicators, a multi-household survey will be initiated in early 2002. This survey is intended to continue for 10 years and will cover 30,000 households every 2 years.

➤ **To what extent do PRSPs clearly define, cost and prioritize public actions that are likely to reduce poverty?**

Costings of the PRSP are a rather weak element of the poverty reduction strategy as are the links between costings and development of the MTEF. For instance, for Nicaragua, there is some

information on the proportion of GDP allocated to specific sectors, but no comprehensive costings of the poverty strategy or identification of resource gaps has been undertaken.

2.2.3. Donor assistance and partnerships

- **Have countries needs for technical assistance in preparation and implementation of PRSPs been adequately addressed by development partners?**

For strengthening data systems and building financial management capacity

Development partners have indeed been extremely supportive in assisting countries strengthen data collection systems and build capacity for financial management. For instance, in Guinea, the WB and UNDP are assisting with household surveys to get poverty data and the French government is assisting by setting up a Fund to look at the country's economic and financial structure (treasury, customs, tax). Uganda's need for technical assistance to strengthen database systems and build financial management and accountability through the Economic and Financial Management Project has also been addressed by development partners; and in Vietnam, UNDP along with other donors (ADB, WB, DfID) has been requested to provide technical assistance for issues such as financial management capacity and the strengthening of data systems.

Indeed, UNDP has been and continues to provide significant technical assistance to many countries to strengthen their monitoring and data systems, such as in Yemen, Nepal, Lesotho and Mongolia.

- **Have the WB/Fund staff provided useful analytical inputs into the PRSP that is consistent with principles of country ownership and partnership?**

Quality and utility of JSAs

Responses from Azerbaijan, Georgia, Laos, Nicaragua, Vietnam, Yemen, Lesotho and Mongolia indicate that the JSA offered useful comments on the content of Interim PRSPs. In particular, the risk assessment in Lesotho was considered to be especially useful; in Vietnam, the JSA had added value by referring to issues such as the relationship of the IPRSP with national strategies already in place or under formulation.

Notwithstanding the utility of the JSA for specific countries, some additional comments on the JSA guidelines are warranted. Although the poverty diagnosis section is good in terms of addressing the issue of growth and distributional impacts of past policies and programmes, this is not followed through on the section on Priority Public Actions. Distributional effects could be given greater attention since these can cancel much of the impact of growth. In this regard, the section on "Macroeconomic Framework, Fiscal Choices and Financing Plan" is one of the weakest. There is no real focus on what some call "pro-poor growth". The first two points of the section mention inflation and a sustainable external position, but what about achieving sustainable growth as the prime objective (identifying, for example, the sources of growth) and then directly relating the character of the growth process to the impact on poverty? Further, why emphasize the so-called trade-offs between short-term and long-term poverty reduction? What would this mean? Too much growth implies too little poverty reduction? Some of the assumptions underlying this statement could and should be questioned.

The JSA is also a little weak in terms of monitoring and evaluation issues. For instance, on page 5, it is noted that “adequate use of results of monitoring and evaluation in policy formulation should be made”. A stronger or clearer statement would help. The real challenge is an assessment of the impact of the national poverty reduction strategies and general economic and social policies. In addition, what role could civil society play in doing this kind of assessment?

The section on fiscal choices could probably say more on how to involve civil society as well as government institutions such as parliament in making decisions about the budget. Also, a clearer statement would be desirable on having civil society organizations and community based organizations assess the delivery of public services and benefits.

Sharing information with development partners

Responses from Sri Lanka, Cambodia, Laos indicate that information exchange between the WB/IMF and other development partners has been erratic, rather delayed and should be improved.

- **To what extent have external development partners, including the Bank and the Fund, begun to align their financial assistance and policy conditionalities behind the PRSPs?**

Content of IMF PRGF programmes and content of IDA CASs, PRSCs

Although the BWIs have begun to align their financial assistance and policy conditionalities behind the PRSP, the IMF is not always transparent about the policy conditionalities associated with the PRGF.

Content of UNDAFs

Links between the UNDAF and PRSP depend in part on the time frame for preparing these documents. For instance, Mongolia’s UNDAF preceded the PRSP so the links between these two documents is weak. However, in Nicaragua, the PRSP was seen as a national reference point for policy and provided the central content for prioritized actions in the UNDAF -- implementation of which will begin in 2002. Also, in Zambia, the seven thematic priorities for 2002-06 UNDAF are in line with the priority areas of the PRSP.

Content of strategies and lending of other development partners

Although not all donors have aligned themselves with the budget support modality being proposed in conjunction with PRSPs, some donors are contemplating using PRSPs to align programme support. However, regional development banks such as ADB and AfDB are considering the PRSP when making loan decisions.

2.2.4 Implementation of strategies

- **What has been the experience thus far in the implementation of PRSPs?**

Operationalization of strategies in budget allocations and execution

For Nicaragua and Zambia, the PRSP is still not in the implementation phase as the document has only recently been approved. However, work on budget allocations for 2002 has been completed in Nicaragua and in Zambia indications are that budget allocations for 2002 will

largely be in line with the priorities of the PRSP. The experience from Uganda thus far indicates that additional budgetary resources (from debt relief under the HIPC Initiative) have been used efficiently. Donors' willingness to contribute to the PAF demonstrates the extent to which donors can support a government provided they witness the government's commitment to poverty reduction.

Usefulness of annual PRSP progress reports in tracking implementation

Uganda has prepared a Poverty Status Report, which is the progress report of its PRSP. The report was discussed in a participatory manner and fed into the CG process (May 2001 CG) and was used to mobilize additional donor resources for poverty reduction.

2.2.5 Constraints

- **To what extent have financial, institutional and political constraints facing both governments and civil society adversely affected the development and implementation of PRSPs, and has the PRSP approach to date taken adequate account of these country-level constraints?**

Role of the IPRSP in alleviating short term capacity constraints

Several countries face critical financial and institutional constraints in the context of developing and eventually implementing the PRSP. Crucial short-term capacity constraints also imply that countries may not achieve poverty reduction targets and may fall short of delivering on their commitments. Further, for some countries (such as Cambodia, Laos), the ambitiousness of the exercise, its pacing, and priorities needs to address and reflect national capacity constraints and should take account of the nation's absorptive capacity.

The lack of technical and financial capacity has certainly impacted on the development of an effective and comprehensive poverty reduction strategy. For instance, in Azerbaijan, the IPRSP did not provide a convincing analysis of the roots of poverty; did not identify poverty pockets and ignored critical issues such as employment creation. In Nicaragua, lack of time and financial resources limited the government and civil society's involvement and acceptance of the PRSP, especially in the formulation phase.

Institutional constraints in Mongolia led to confusion over the division of responsibilities between two ministries such as Ministry of Finance and Economics and the Welfare and Labor Ministry; and in Georgia, institutional problems related to the unwillingness of some Ministries to participate fully in the process influenced the quality of the IPREGP.

Political problems can also play a significant negative role, if the present conflict of interest between government factions translates into a lack of attention to long-term policy vision. For instance, Sri Lanka has been engaged in a war/civil conflict for 18 years and faces a huge fiscal crisis. This along with short political cycles act as tremendous constraints for policy making and planning. In Zambia, corruption charges against the Minister of Finance and Economic Development lengthened the preparatory process for the PRSP.

In some countries, the IPRSP process has taken account of political constraints. For instance, Vietnam's difficult history and the consequent (understandable) suspicion of foreign agendas has

meant that the opening up of the country and the ongoing transition has been proceeding cautiously. As a result, the development of civil society is still at an early stage in Vietnam, and such political sensitivities have been taken into account during the process of formulating the IPRSP.

- **To what extent has implementation of poverty reduction strategies been constrained by external factors?**

Limited access to external markets

In Uganda, for instance, despite a big export promotion drive, export earnings have declined every subsequent year since 1996. This has been mainly on account of deteriorating terms of trade arising from unfavorable international prices for coffee. The decline in export revenues adversely impacts the mobilization of domestic revenues to finance poverty reduction strategies/programmes.

Lower than expected aid flows

In Uganda, aid flows have been growing more slowly for about a decade. Further, despite the country's efforts to attract FDI, the increase in FDI has been below projected levels. The PRSP does not adequately address these challenges.

- **To what extent have external factors affected the timing of PRSP preparation?**

The desire to obtain donor concessional assistance based on the strategy

There is no question that most countries have embarked on the PRSP exercise to access resources for development either through debt relief or through concessional lending facilities. That being said, it is fair to say that in many countries, the PRSP has assumed a life of its own and it is hoped that over time, future PRSPs will be more country-driven and owned (Laos, Nicaragua, Uganda, Zambia, Azerbaijan, Georgia, Sri Lanka, Bangladesh, Nepal, Lesotho, Mongolia).

Effectiveness of IPRSPs as a transitional device

In several countries, the IPRSP has been effective in starting public discussions on the issue of poverty.

- **Has an appropriate balance been achieved between country ownership and the need for donors to be held accountable for the use of their resources?**

Not quite. With respect to financing the PRSP process, several donors have indicated their willingness to make available funds to be used at the discretion of the Ministry of Development Planning. Donors appear to prefer solutions that avoid micro-management but with some degree of regular reporting. Several modalities have been suggested and there is a clear need for harmonization among donors on this score. For instance, Uganda has asked donors to extend their assistance to the country through budget support. The Bank supports this view and has responded by channeling its assistance to the country through budget support. Some donors have either wholly or partially followed this lead. However, many donors are constrained by their aid disbursement and financial reporting and accounting modalities in support of the PEAP/PRSP. The need to show accountability for use of their resources partly explains why some donors show reservations in extending assistance to the country through the budget support modality.

Annex Table: Country experiences: UNDP Support to PRSPs

AREAS OF FOCUS	NATURE OF PROGRESS REPORTED	ILLUSTRATIVE COUNTRIES
Substantive inputs into PRSP policy document	<ul style="list-style-type: none"> ▪ Supporting national PRS and development plans upon which the I/PRSP are based ▪ Provision of technical assistance in PRSP preparation, integrating lessons from pilots, commenting on drafts ▪ Studies linked to preparation of PRSP (e.g., expenditures on basic social services, determinants of poverty/inequality; review of previous PRS) ▪ Enabling the incorporating of various thematic linkages for effective PRS, such as governance, gender, environment, HIV/AIDs 	<ul style="list-style-type: none"> ▪ Central African Republic; The Gambia; Ghana; Guinea-Bissau; Madagascar; Malawi; Mozambique; Senegal; Uganda; Zambia; Cambodia; Mongolia; Sri Lanka; Bolivia; Yemen; Georgia ▪ Angola; Benin; Bangladesh; Cameroon; Madagascar; Mauritania; Niger; Rwanda; Sierra Leone; Tanzania; Cambodia; Lao PDR; Viet Nam; Honduras; Nicaragua; Yemen; Armenia; Kyrgyzstan ▪ Guinea-Bissau; Malawi; Rwanda; Viet Nam; Bolivia; Honduras; Nicaragua ▪ Burkina Faso; The Gambia; Mauritania; Uganda
Human development and pro-poor policy emphases	<ul style="list-style-type: none"> ▪ Ensuring that human poverty and human development – including rights-based approaches - are taken into consideration and encouraging pro-poor policies 	<ul style="list-style-type: none"> ▪ Lesotho; Madagascar
Macro-economic policy framework	<ul style="list-style-type: none"> ▪ Developing macroeconomic framework, preparation of guidelines and background studies. 	<ul style="list-style-type: none"> ▪ Angola; Benin; Ghana; Lesotho; Cambodia; Lao PDR; Viet Nam; Bolivia; Nicaragua; Georgia; Kyrgyzstan
Trade	<ul style="list-style-type: none"> ▪ Incorporating international trade considerations (including the Integrated Trade Framework) into PRSPs. 	<ul style="list-style-type: none"> ▪ Burundi; Ghana
Promoting consultation, stakeholder participation in the PRSP process	<ul style="list-style-type: none"> ▪ Fostering stakeholder awareness and inputs through Poverty Forums, seminars and workshops ▪ Creating high-level institutional mechanisms for participation such as multi-stakeholder advisory committees. 	<ul style="list-style-type: none"> ▪ Angola; Cameroon; Guinea; Lesotho; Niger; Tanzania; Uganda; Zambia; Bangladesh; Cambodia; Nepal; Pakistan; Bolivia; Honduras ▪ Lesotho; Tanzania; Honduras
PRSP Monitoring Indicators and Assessments	<ul style="list-style-type: none"> ▪ Strengthening PRSP monitoring capacity - development of disaggregated indicators, data, training at national and local levels as well as poverty <i>observatoires</i> ▪ Facilitating poverty surveys and assessments, especially at grassroots level, to feed into policy formulation ▪ Monitoring progress towards MDGs as benchmarks in determining progress in poverty reduction. 	<ul style="list-style-type: none"> ▪ Benin; Burkina Faso; Cameroon; Chad; Ethiopia; Guinea; Lesotho; Malawi; Rwanda; Tanzania; Uganda; Cambodia; Mongolia; Nepal; Bolivia; Haiti; Honduras; Nicaragua; Armenia; Tajikistan ▪ Benin; Chad; Ghana; Malawi; Mauritania; Niger; São Tomé and Príncipe; Tanzania; Pakistan; Viet Nam; Bolivia ▪ Viet Nam
Coordination and Implementation Capacity	<ul style="list-style-type: none"> ▪ Coordinating UN Country inputs into PRSP formulation and ensuring consistency and closer linkages between PRSPs and the CCA/UNDAF ▪ Improving alignment of the principal planning bodies and instruments, and ensuring PRSP compatibility with other PRS, development plans. ▪ Advising government on strategy and processes for PRSP formulation and implementation ▪ Strengthening institutional (national government) capacity for PRSP implementation ▪ Strengthening local government capacity for PRSP implementation 	<ul style="list-style-type: none"> ▪ Ghana; Guinea-Bissau; Kenya; Malawi; Mauritania; Tanzania; Uganda; Armenia ▪ Ghana; Kenya; Lesotho; Mozambique; Cambodia; Viet Nam; Bolivia; Guyana ▪ Angola; Burundi; Chad; Côte d'Ivoire; Ghana; Kenya; Lesotho; Madagascar; São Tomé and Príncipe; Bangladesh; Cambodia; Pakistan; Viet Nam; Haiti; Djibouti ▪ Madagascar; Malawi; Mauritania; Tanzania; Zambia; Cambodia; Mongolia; Nepal; Viet Nam; Nicaragua ▪ Lesotho; Uganda; Cambodia; Lao PDR;
Resource mobilisation	<ul style="list-style-type: none"> ▪ Helping governments mobilise resources in support of PRSPs through Round Tables and other in-country donor consultation meetings 	<ul style="list-style-type: none"> ▪ Angola; Mali; Laos