

OED Review of the Poverty Reduction Strategy Paper (PRSP) Process

Approach Paper

**February 28, 2003
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Operations Evaluation Department
World Bank**

I) Background

1. A new framework for poverty reduction was proposed by the staffs of the World Bank and IMF, and endorsed in 1999 by the Interim and Development Committees.¹ The framework's key objective is to assist countries in developing and implementing more effective strategies to fight poverty, embodied in Poverty Reduction Strategy Papers (PRSPs). These strategies are to be prepared by governments and used to prioritize the use of public and external resources for poverty reduction impact. Adoption of the PRSP framework signaled an intended shift by the Bretton Woods Institutions (BWIs) in the ownership of development strategies and the policies needed to achieve poverty reduction. A second objective of the new framework is for PRSPs to become the principle instrument for managing a country's relations with the donor community.

2. The PRSP approach draws on key elements for effective poverty reduction strategies identified in earlier work, most prominently the

Comprehensive Development Framework (CDF) developed by the World Bank, the consultations and proposals for strengthening the link between debt relief and poverty reduction, and good practice experience from several countries. These key elements form the underlying principles of the PRSP approach (see box). The PRSP approach was conceived as a country-driven process, based on the application of these principles, to develop strategies tailored to individual country circumstances rather than a blueprint for the "ideal" poverty reduction strategy.

Box: Underlying principles of the PRSP process

1. **country-driven** involving broad-based participation
2. **results-oriented** and focused on outcomes that benefit the poor
3. **comprehensive** in recognizing the multi-dimensional nature of poverty
4. **partnership-oriented** involving coordinated participation of development partners
5. based on a **long-term perspective** for poverty reduction

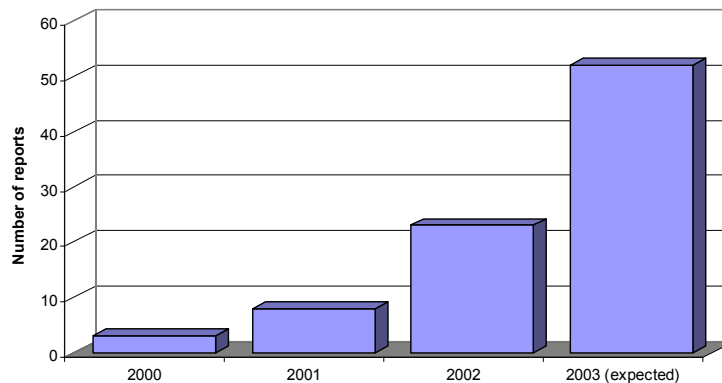
Source: *Poverty Reduction Strategy Papers: Operational Issues*, R99-241, December 10, 1999.

3. As of January 2003, twenty-three countries had completed PRSPs with more than half finished in the last year (see chart 1 and annex 1). Leadership and support of the BWIs is important for the success of implementation of the PRSP approach, not only because of their role in proposing the initiative but also due to their importance as development partners. The World Bank has devoted significant resources in support of the PRSP process, and accountability for these efforts is a core function of the OED

¹ The framework was introduced in two background papers for the September 1999 Development Committee meeting: *HIPC Initiative: Strengthening the Link Between Debt Relief and Poverty Reduction* (DC/99-24, September 17, 1999) and *Building Poverty Reduction Strategies in Developing Countries* (DC/99-29, September 22, 1999). Suggested guidelines for the development of poverty reduction strategies and the role of World Bank and Fund staffs were discussed in subsequent papers: *Poverty Reduction Strategy Papers: Operational Issues* (R99-241, December 10, 1999), *Poverty Reduction and Growth Facility (PRGF): Operational Issues* (SecM99-789, December 13, 1999), and *Poverty Reduction Strategy Papers: Internal Guidance Note* (R99-239/1, January 21, 2000).

review. World Bank activities in support of PRSP production and implementation encompass related diagnostic work, capacity-building efforts, and outreach in the form of extensive external consultations. Specific activities include economic and sector analytical work, the PRSP Sourcebook, training and consultation such as the World Bank Institute's Attacking Poverty Program, country staff advisory services, and regional consultation events.

Chart 1: Cumulative PRSP Production



Note: Status as of December 31, 2002, incorporating expected reports for 2003 taken from the Bank/IMF's latest PRSP progress report (*PRSP Progress in Implementation*, September 3, 2002).

II) Evaluation Approach²

4. **Objective.** The objective of the OED review is to assess progress of the PRSP process towards meeting the challenge of poverty reduction and to assess the World Bank's role in support of the process, with a view to informing, and where necessary, making recommendations to strengthen the implementation of the initiative and to increase the effectiveness of the World Bank's support. The evaluation will be conducted in collaboration with the IMF's Independent Evaluation Office (IEO), who are carrying out a parallel evaluation on IMF support.³ Together these evaluations will provide an independent assessment of BWI effectiveness in support of the PRSP process to the Boards of the two institutions.

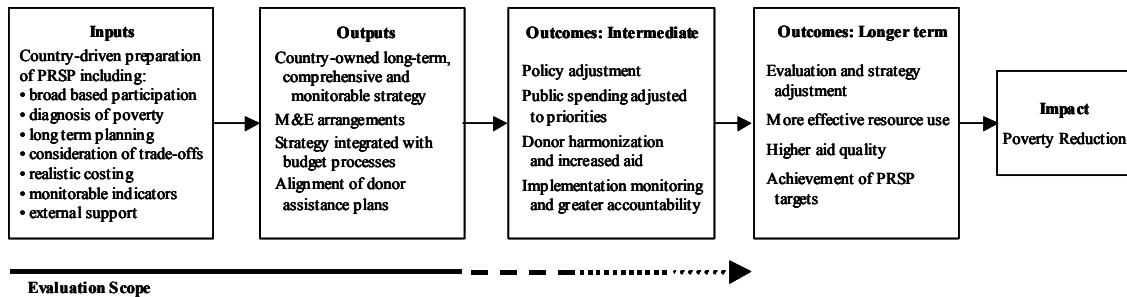
5. **Scope and conceptual framework.** The results chain for the PRSP process is depicted in chart 2 below. It links the major process input – the preparation of a PRSP – to the ultimate goal of poverty reduction. This results chain provides the basis for defining the scope and conceptual framework of this evaluation. Since the process has been under way for only a short time, it is too early to evaluate the degree to which its desired impact – poverty reduction – has been achieved. The evaluation will assess the

² The approach and design of this evaluation has benefited from a workshop on an earlier draft of the approach paper in Washington on December 4, 2002, involving representatives from various stakeholder groups, including PRSP governments, multilateral organizations, civil society, and the research community, as well as the World Bank and the IMF. Additional discussions have been held with the World Bank's PRSP unit (PRMPR) and with the World Bank's PRSP Lead Advisors covering specific countries.

³ The IEO Issues Paper that outlines the framework for this parallel evaluation is available at its website (<http://www.imf.org/external/np/ieo/index.htm>).

inputs and *outputs*, as defined in the chart, in the 23 countries that completed a PRSP by the end of 2002, with respect to both the progress made and the effectiveness of the World Bank’s support. In addition, the evaluation will assess the intermediate and longer term *outcomes* of the process, to the extent possible, in the countries with the most mature PRS programs.

Chart 2: PRSP Process Results Chain and Evaluation Scope



6. **Key evaluative questions.** The review will pursue *three main evaluative dimensions*: a) relevance of the overall approach; b) application of the underlying principles and preliminary results; and c) effectiveness of World Bank support and alignment. The evaluation will apply the established OED criteria – relevance, efficacy, efficiency, sustainability, and institutional development to the inputs, outputs, and outcomes of the PRSP process. The evaluation will assess whether PRSP activities are relevant to the goal of poverty reduction, what has actually been achieved, at what cost, how resilient progress is to risks, and whether countries’ abilities to become self-sufficient in the process have been enhanced.

7. (a) *Relevance of the approach.* The review will examine relevance in the context of whether the design of the PRSP framework is consistent with meeting the problems the approach seeks to address.⁴ Two dimensions of relevance will be assessed. First, at the *country level*, the review will examine whether the underlying principles of the PRSP process were aligned with the key impediments countries faced in developing and implementing effective poverty reduction strategies at the time the approach was introduced. This will involve looking at national strategies in place before the initiative and the value-added of significant changes. Second, relevance will be addressed at the *institutional level*. The PRSP approach originated from discussions to enhance the HIPC initiative⁵ and replaced the Policy Framework Papers (PFPs) as the foundation for BWI

⁴ Early policy documents on PRSPs identify several issues the PRSP approach was intended to address including: to ensure an integrated approach within a consistent macroeconomic and structural framework (including closer World Bank and IMF collaboration to promote a balance between financial/macroeconomic and structural/social considerations); to ensure that fiscal space created by HIPC debt relief results in additional spending to accelerate poverty reduction; to prioritize the allocation of all available resources (debt relief and otherwise) in line with targets related to poverty reduction; and to promote a more systematic, outcome-based approach to indicators.

⁵ Regarding the relevance of the PRSP to the HIPC initiative, OED’s recent HIPC Review found debtors considered the link between the HIPC initiative and the PRSP process to have been useful, particularly in promoting more inclusive policy-making, ownership and transparency. Creditors felt the PRSP process was generally seen as a major positive innovation, but several creditors pointed out that it did not emerge as a direct result of HIPC, but rather from a general shift in the development discourse. This evaluation was

support. The review will assess the extent to which the new approach offers an improvement to PFPs, both as a means of strategy formulation and as a framework for assistance.

8. (b) *Application of the underlying principles and preliminary results.* Application of the underlying principles implies significant changes in the process by which countries set strategies, define priorities, and work with development partners including the World Bank. At the *input* level, the review will assess the extent to which the underlying principles have been embodied in the formulation of PRSPs. For example, the review will examine whether poverty diagnoses undertaken as core inputs for the formulation of country strategies have been comprehensive in recognizing the multi-dimensional nature of poverty. The evaluation will also seek evidence of preliminary results from the application of the PRSP process in terms of key *outputs* of the process, for example, the extent to which poverty reduction strategies reflect varying country circumstances. In countries with the most mature PRSP programs, intermediate and longer-term *outcomes* will be assessed, such as the extent to which countries have adjusted their policies in line with those specified in the PRSP.

9. The evaluation will focus on two cross-cutting elements of the PRSP process: capacity enhancement and public expenditure management. The evaluation will identify the extent to which capacity constraints in each phase of the PRSP process were addressed, and will assess the effectiveness of partner assistance, and in particular the World Bank's assistance, in enhancing capacity. In the area of public expenditure management (PEM), the evaluation will investigate the extent to which the PRSP process is integrated into domestic budget processes. The evaluation will assess limitations the PEM system may have placed on PRSP planning and implementation and the possible effects of introducing the PRSP approach on PEM quality.

10. (c) *The effectiveness of World Bank support and alignment.* As promoters of the PRSP process, the BWIs play an important role in ensuring its success. World Bank effectiveness will be assessed in two areas; activities in direct support of the PRSP process and its principles, and institutional alignment with the initiative. World Bank activities in support of PRSPs are extensive, as laid out in para 3 above.⁶ The evaluation will assess how effective this direct support has been in promoting the underlying principles of the PRSP process. The evaluation will look, in particular, at the potential tension between providing constructive guidance and excessively influencing the process to the detriment of the principle of country ownership.

recently submitted to the Committee on Development Effectiveness (*The Heavily Indebted Poor Countries (HIPC) Debt Initiative: An OED Review*, CODE2002-0089, December 30, 2002) and will be disseminated publicly after the Committee's review.

⁶ An initial estimate of the incremental cost of World Bank support of PRSP production was about \$7 million in FY00 and \$13 million in FY01 (see World Bank, *Poverty Reduction Strategy Papers: Internal Guidance Note*, January 2000). This estimate is based on an ambitious rollout of PRSPs in this two year period at an average incremental administrative cost of \$300,000 to \$500,000. These costs have not been tracked in the PRSP Progress Reports, and current estimates are unavailable. In the course of the OED review, a careful examination of the incremental budget costs at the country level will be made to inform the efficiency of World Bank efforts.

11. The second element of World Bank effectiveness to be addressed is institutional alignment with the initiative. This includes the extent to which the World Bank has aligned its financial and non-financial assistance with the PRSP process and the institutionalization of the PRSP approach across the World Bank to enhance the quality of its support. The evaluation will assess the extent to which CASs reflect country priorities and will examine lending in support of completed PRSPs, notably the PRSC. In addition, collaboration between the World Bank and IMF, including the extent and quality of integrated policy advice to countries, and the Joint Staff Assessment process, will be assessed.

III) Evaluation Design

12. The OED evaluation will be conducted in collaboration with the IEO, which is undertaking its own evaluation of the Poverty Reduction and Growth Facility (PRGF)/PRSP focusing on the IMF's effectiveness. The two evaluation units will conduct joint missions and aim to prepare single country reports for those case study countries that are included in both evaluations. In addition, relevant work conducted independently by OED and IEO will be shared. The timeframes for the two reports are roughly the same, with delivery of final reports to the respective Boards expected in the second half of FY04. It is anticipated that the final reports of IEO and OED will be made available, for information, to the Boards of the World Bank and Fund, respectively.

13. The evaluative material to be used in addressing the issues outlined above will come from several sources:

- review of completed and on-going evaluative work
- country case studies
- thematic studies
- cross-country analysis
- survey work

14. The growing body of *existing evaluative material* related to the PRSP initiative, both from within and outside the BWIs, will be an important source of information for the current evaluation.⁷ An extensive review of this material will provide source data, inform the methodology, address the relevance of the initiatives' design, serve as background for the selected country case studies, and provide supplemental country experience.

⁷ Work outside the World Bank and IMF includes papers by many NGOs as well as studies by the Overseas Development Institute (ODI) for the Strategic Partnership with Africa (SPA), UNCTAD, UNDP, and the PRSP Learning Group established by UNECA. In early 2002, a PRSP Review was prepared by the PRSP units of the World Bank and IMF for the 2002 Spring Meetings; this Review included extensive external consultations from stakeholders. The World Bank and Fund have also published regular progress reports since the inception of the PRSP process. OED has been part of a forthcoming Multi-Donor Evaluation of the CDF, which overlaps some key PRSP evaluative questions. In addition, OED is near completion of an evaluation of the HIPC initiative that provides a platform for exploring the effects of HIPC-PRSP linkages.

15. The *country case studies* conducted for this evaluation will be a key source of evidence given the country-specific nature of the PRSP process. The case studies will provide detailed and current evidence on the application of PRSP processes in countries and on the impact of Bank assistance. The case studies will build on and extend the scope of existing evaluative material through interviewing of relevant stakeholders. Depending on resources available, these in-depth reviews are planned for between six and eight countries that have completed PRSPs by the end of calendar 2002. About four will be done jointly with IEO, as noted in paragraph 12. The selection criteria includes: maturity of the PRSP process, geographic balance, coverage of non-HIPC countries, and country initial conditions⁸. The study will thus cover a variety of country situations and varying stages of implementation. Country selection also depends on coverage provided by case studies already conducted in previous or on-going work.⁹

16. A country case study methodology will be developed before the first joint case study with IEO. This methodology will determine the conceptual framework for all OED case studies, with particular focus on the need to provide a firm basis for cross-country comparison. Desk reports will be prepared prior to the country field work. Field work will include structured interviews with key stakeholder groups (government, civil society organizations, private sector, external partners) and possibly an in-country workshop at the end of the mission. A phased approach to conducting the joint case studies will be followed, with lessons from earlier cases informing later ones. Finalization of the methodology will benefit from a planned joint OED/IEO scoping mission for an early case study, through consultation with stakeholders on the ground on the draft methodology.

17. *Thematic studies* will be commissioned in the two cross-cutting areas of focus, namely capacity enhancement and public expenditure management. The key evaluative questions in both areas will be integrated into the country case study methodology, and results from the case studies will provide an empirical basis for the studies. In addition to the country case studies, the thematic studies will also build on evidence from existing evaluative work, survey work as noted below, and information from interviews with World Bank staff.

18. *Cross-country analysis* will be used to pursue hypotheses related to key issues of the PRSP process. The evaluation will review all completed PRSPs, PRSP preparation status reports, country assistance instruments, policy documents, and will use country data to examine a range of cross-country issues. These include the additionality of aid flows following introduction of the PRSP process, major obstacles to preparation for countries that have not completed a PRSP, the extent of World Bank and IMF collaboration, the level of aggregate conditionality between the institutions, and the costs

⁸ Planned country case studies will be drawn from the following: Albania, Cambodia, Ethiopia, Guinea, Mauritania, Mozambique, Nicaragua, Tajikistan, and Tanzania. These countries reflect the following selection criteria: geographic balance; HIPC and non-HIPC; range of country conditions and PRSP experience, covering both mature programs and very recent programs.

⁹ For example, the extensive country studies by the Multi-Donor Evaluation of the CDF covering countries with completed PRSPs (Uganda, Bolivia, Vietnam, and Burkina Faso) contain a significant amount of information on the PRSP process in these countries.

of World Bank support. *Surveys* are also planned both in-country and for World Bank staff. In-country surveys will broaden the consultation with stakeholders with detailed questionnaires in line with the key evaluative questions outlined above to be developed for distribution to key groups in PRSP countries. These surveys will obtain broader feedback on key questions such as the relevance and effectiveness of the country's PRSP process, as well as test the robustness of main messages from the case study countries. A survey of World Bank staff will assess the effectiveness of institutional support and its alignment with country priorities.

IV) Evaluation Timetable, Dissemination, and Costs

19. The evaluation, expected to be completed by March 2004, will be undertaken in the four phases described below.

Chart 3: Timetable for Evaluation

Phase	Dates	Tasks
I	December 2002 December 2002 – February 2003	Stakeholder entry workshop Desk review Case study background work, scoping mission Internal consultations In-country survey design
II	March 2003 – July 2003	Case study missions and drafting Initial thematic study work Cross-country data analysis In-country survey administration Bank staff survey design
III	July 2003 – September 2003	Country and thematic studies finalized Bank staff survey administration Exit workshop to discuss preliminary findings Main report processing
IV	January 2004 March 2004	Draft for World Bank management review Submit report to CODE

20. Shortly after finalization of the approach paper, an advisory panel drawn from participants in the entry workshop will be identified to review findings and provide feedback during the course of the evaluation. The primary audience of the evaluation is the Board of the World Bank, as well as management and staff of the institution. After Board discussion of the final draft, the evaluation will be disseminated broadly to governments and stakeholders (see annex 2). The evaluation is also intended for PRSP country authorities and other stakeholders to learn from the progress and pitfalls encountered so far during implementation of this initiative. A dissemination workshop event, possibly in an African case study country, will be considered.

21. This review will be an output of OEDCM. The task manager of the review is Bill Battaile, working under the overall guidance of Victoria Elliott (manager, OEDCM). Zamir Islamshah and Shonar Lala are members of the core task team. Other members of

the team will be identified as needed. Local and international consultants will be identified to assist in carrying out the in-country case study work and background papers.

22. The Swiss Agency for Development and Cooperation (SDC) has agreed to be a partner for this evaluation and is contributing funding to undertake parts of this review. SDC support is gratefully acknowledged for the stakeholder entry workshop held in December 2002. Financial support from the Danish government (via the World Bank's Danish Consultant Trust Fund) is also gratefully acknowledged. Both SDC and Danish support will go toward the funding of country case studies. Other partners may be identified at a later time.

Annex 1.
PRSP Status of IDA-eligible Countries (81) as of 12/31/02

Country	Years since PRSP/1	Years since last CAS/2	CAS follows I/PRSP?	PRSC	E HIPC Status/3
A) IDA-eligible countries with PRSP (23)					
Cambodia/4	0.0	2.8			NE
Kyrgyz Republic	0.1	1.1*			NE
Senegal	0.1	4.9			E-DP
Ethiopia	0.5	2.1*			E-DP
Rwanda	0.6	0.1	Y		E-DP
Tajikistan	0.6	4.4			NE
Yemen	0.6	0.3	Y		E-PS
Guyana	0.7	0.3	Y	1	E-DP
Vietnam	0.7	0.3	Y	1	E-PS
Gambia, The	0.8	4.3			E-DP
Malawi	0.8	4.3			E-DP
Zambia	0.8	3.2			E-DP
Guinea	1.0	1.4*			E-DP
Niger	1.0	1.1*			E-DP
Albania	1.2	0.5	Y	1	NE
Honduras	1.3	3.0			E-DP
Nicaragua	1.5	4.7			E-DP
Mozambique	1.8	2.5			E-CP
<i>Bolivia</i>	1.8	1.6*	Y	1	E-CP
Mauritania	2.0	0.5	Y		E-CP
Tanzania	2.2	2.5			E-CP
Burkina Faso	2.6	2.1	Y	2	E-CP
Uganda	2.8	2.1	Y	2	E-CP
B) IDA-eligible countries with only I-PRSP (25)					
<i>Yugoslavia, former</i>	0.4	0.4*			NE
Congo, DRC	0.8	1.5*			E
Cape Verde	1.0	1.3*			NE
Cote d'Ivoire	1.0	0.6*	Y		E
<i>Bosnia-Herzegovina</i>	1.1	0.2*	Y		NE
<i>Pakistan</i>	1.2	0.6	Y		NE
Djibouti	1.6	2.0			NE
Mongolia	1.6	4.6			NE
Sierra Leone	1.6	0.8*	Y		E-DP
<i>Azerbaijan</i>	1.7	2.1			NE
Lao PDR	1.8	3.7			E
Armenia	1.8	1.6	Y		NE
Central African Republic	2.0	10.6			E
Lesotho	2.1	4.6			NE
Madagascar	2.1	0.1*	Y		E-DP
Moldova	2.1	0.5*	Y		NE
Georgia	2.2	5.2			NE
Guinea-Bissau	2.3	5.6			E-DP
Cameroon	2.4	2.5*			E-DP
Mali	2.5	4.6			E-DP
Chad	2.5	2.6			E-DP
Kenya	2.5	4.3			E-PS

Annex 1.

Country	Years since PRSP/1	Years since last CAS/2	CAS follows I/PRSP?	PRSC	E HIPC Status/3
Benin	2.5	1.9*	Y		E-DP
Ghana	2.6	5.3			E-DP
Sao Tome&Principe	2.7	2.2	Y		E-DP
C) IDA-eligible countries without IPRSP or PRSP (33)					
Afghanistan		0.7*			NE
Angola		11.0			E-PS
Bangladesh		2.1			NE
Bhutan		3.0			NE
Burundi		0.8*			E
Comoros		2.1*			E
Congo, Republic of		1.4*			E
<i>Dominica</i>		1.4			NE
Eritrea		2.1*			NE
<i>Grenada</i>		1.4			NE
Haiti		6.3			NE
<i>India</i>		1.7			NE
<i>Indonesia</i>		0.3*			NE
Kiribati		2.6			NE
Liberia		NA			E
Maldives		2.1			NE
Myanmar		NA			E
Nepal		0.0*			NE
<i>Nigeria</i>		1.5*			NE
<i>Papua New Guinea</i>		3.1			NE
Samoa		2.6			NE
Solomon Islands		2.6			NE
Somalia		NA			E
Sri Lanka		4.0*			NE
<i>St. Lucia</i>		1.4			NE
<i>St. Vincent/Grenadines</i>		1.4			NE
Sudan		NA			E
Timor - Leste		NA			NE
Togo		2.5*			E
Tonga		2.6			NE
<i>Uzbekistan</i>		0.8			NE
Vanuatu		2.6			NE
<i>Zimbabwe</i>		5.6			NE
Notes:					
Countries in <i>italics</i> are "Blend Countries" eligible for both IDA and IBRD funds					
1/ PRSP dates above are the Government PRSP document dates					
2/ CASs marked with an asterisk signify CAS Progress Reports which are prepared in lieu of a new CAS if country circumstances make the country's future so uncertain that it is not practical at that time to formulate a comprehensive Bank strategy. The exception is for Afghanistan, Burundi, Comoros, Congo DRC, Ethiopia, Eritrea, Republic of Congo, Sierra Leone and Yugoslavia where a Transitional Support Strategy or Interim Support Strategy was prepared in lieu of a CAS or CASPR. These are prepared in immediate postconflict periods until such time as fully participatory mechanisms are developed.					
3/ HIPC: E - eligible for HIPC debt relief but not yet at decision point; E-CP - completion point reached; E-DP - decision point reached; E-PS - eligible for HIPC but deemed potentially sustainable under traditional mechanisms for debt relief; NE - not HIPC eligible.					
4/ Final Cambodia PRSP submitted to the Bank with Board discussion scheduled for February 2003.					
Sources:					
For CAS Information - Corporate Secretariat; For HIPC status - Status, January 2003, World Bank HIPC Unit.					
For PRSP dates - <i>PRSP Progress in Implementation</i> , September 3, 2002, and relevant updates from the World Bank PRSP Unit					

Annex 2. Dissemination

A proposed strategy for dissemination of the evaluation's findings is attached. At this early stage of the evaluation, the strategy is likely to evolve. Specific costs, events and venues for dissemination will be determined later in the evaluation.

1. Expected uses of the evaluation

The evaluation will have two primary audiences, CODE and Bank Management. The evaluation intends to inform CODE's decision-making with regard to Bank policy and strategy in PRSP countries. Further, the evaluation aims to provide Management with information to aid decision-making for the Bank's support and alignment with the PSRP process.

A secondary audience for the evaluation will be country authorities and other stakeholders currently formulating or implementing PRSPs, for whom the evaluation will yield lessons learned.

2. Target audiences

Internal:

- a) Board
- b) Management and staff of the Bank (primarily Country Directors & teams in PRSP countries, PREM, OPCS, and WBI)

External:

- a) Governments and civil society of PRSP countries
- b) Donor agencies
- c) Developed countries' civil society

3. Key events/venues for dissemination

Internal:

- a) Brown bag lunches (with Bank and Fund country teams, PRSP units and lead advisors) to discuss findings of case studies and background papers (March – July 2003)
- b) Dissemination of final report through Fast Track Brief, report publication and posting on OED website (March 2004)

External:

- a) Entry workshop (with government, civil society, donor agency and BWI representatives) to discuss approach (December 2002)
- b) On-going discussions (with advisory panel drawn from entry workshop participants) to review findings and provide feedback (December 2002 – January 2003)
- c) In-country workshop(s) (with government, civil society, private sector, donor agencies and BWI staff) in case-study countries to discuss findings during field visits (March – July 2003)
- d) Technical workshop to present emerging findings and receive feedback (September 2003-December 2003)
- e) Regional workshops/learning events (possibly coordinated with WBI) to present final report (March 2004 onwards)
- f) Dissemination of final report through OED Précis, report publication, posting on OED external website, in Development Gateway and via email to participants of entry workshop (March 2004)