



The Poverty Reduction Strategy Initiative

Findings from 10 Country
Case Studies of World Bank
and IMF Support

ALBANIA
CAMBODIA
ETHIOPIA
GUINEA
MAURITANIA
MOZAMBIQUE
NICARAGUA
TAJIKISTAN
TANZANIA
VIETNAM

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ACRONYMS AND ABBREVIATIONS

CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CSO	Civil society organization
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IEO	Independent Evaluation Office
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
MDGs	Millennium Development Goals
MEFP	Memorandum of Economic and Financial Policy
MTEF	Medium-Term Expenditure Framework
NGO	Nongovernmental organization
OED	Operations Evaluation Department
PARPA	Action Plan for the Reduction of Absolute Poverty
PER	Public Expenditure Review
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Assessment
SWAP	Sector-wide approach
UNDP	United Nations Development Program
WBI	World Bank Institute



Introduction

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) and the Operations Evaluation Department (OED) of the World Bank—independent units reporting to their respective institutions' Executive Boards—recently completed parallel evaluations of the Poverty Reduction Strategy (PRS) Initiative, with particular attention to the role and effectiveness of World Bank and IMF support.¹

A key source of evidence for the evaluations was a set of 10 country case studies, most completed in the second half of 2003, of countries that had completed a Poverty Reduction Strategy Paper (PRSP). This volume contains summaries of those case studies. Readers are referred to the full case studies for more complete treatment of the issues raised in this volume.²

This introduction first discusses the key features of the PRS Initiative, followed by the scope and methodology of the case studies. It concludes with highlights of the main messages of the case studies.

Facing the poverty challenge

At the end of 1999, the World Bank and the IMF launched the PRS Initiative to help low-income countries develop and implement better strategies to fight poverty—and to make aid more effective in reducing poverty.

The PRS Initiative promotes a country-driven, comprehensive, and long-term process that is coordinated with external partners and

is expected to achieve measurable results. Important changes in poverty-related planning processes and first-generation strategy documents have already been completed in more than 40 low-income countries.

The Initiative's framework for support to low-income countries comprises two key elements:

- First, country-authored, medium-term PRSPs, which are expected to draw on broad-based consultations with key stakeholder groups and a thorough diagnosis of the causes of poverty and sources of growth in the country.
- Second, the alignment of all external assistance to support the goals and priorities of the PRSP. Donor-supported programs are to be derived from a country's PRSP to ensure that they are country-owned and clearly oriented to achieving the joint objectives of poverty reduction and economic growth.

In promoting the PRS Initiative, the World Bank and IMF agreed to transform the way they

operate in low-income countries and align their assistance directly with the goals articulated in member governments' PRSPs (box 1.1). The PRSP would thus become the centerpiece for World Bank and IMF relations with low-income countries. The Bank and Fund also agreed to enhance the complementarity of their development instruments in support of the PRSPs of their member governments.

For the World Bank, the PRS Initiative means supporting country efforts for planning, implementing, and monitoring poverty reduction strategies through its various forms of assistance—lending programs as well as advisory and analytical activities—and using its experience, influence, and convening power to mobilize other international financial institutions and bilateral donors to join the Initiative. It also means supporting implementation of the PRSP through alignment of assistance from the International Development Association (IDA, the World Bank's concessional lending arm) with country priorities and with the assistance programs of other external partners.

For the IMF, alignment meant creating a new vehicle for the provision of IMF concessional lending. The Poverty Reduction and Growth Facility (PRGF) gives a more central role to poverty reduction and pro-poor growth considerations in the design of IMF-supported programs in low-income countries than did its predecessor, the Enhanced Structural Adjustment Facility (box 1.2).

The PRS Initiative complements the Heavily Indebted Poor Countries (HIPC) Initiative, an international effort to reduce the external debt of low-income countries to sustainable levels, by helping ensure that resources freed up by debt relief would be used for public sector programs to reduce poverty. To obtain permanent debt relief under the HIPC Initiative, the 38 qualifying countries are required to produce an initial PRSP and implement it successfully for a year, as reflected in an Annual Progress Report.³

Although it is too early to assess with certainty the success of the new framework, it was an appropriate time to take stock of progress to date and identify shortcomings that may require corrections in the design and implementation of the PRS Initiative. Therefore, the independent evaluation offices of the two institutions—OED and IEO—decided to assess progress of the PRS Initiative and institutional support from the Bank and IMF.

Building on internal reviews of the PRS Initiative undertaken by IMF and World Bank staff, as well as by donor agencies and nongovernmental organizations, OED and IEO gathered information independently to assess the PRS Initiative against its objectives and to gauge the effectiveness of Bank and IMF support for the PRS approach. The two evaluation units completed separate but parallel reports, focused on intermediate outcomes through 2003—the quality of the policy formulation process, the nature of the strategy and policy framework that has evolved, and the interaction between this framework and the support of external partners.

The OED and IEO evaluations, discussed by the Boards of the Bank and IMF in July 2004, concluded that the World Bank and IMF should continue to support the PRS process, while making changes in three main directions:

- | | |
|--|--|
| <p>Box 1.1</p> | <p>Five principles of the Poverty Reduction Strategy Initiative</p> |
| <ul style="list-style-type: none"> • Country-driven, involving broad-based participation • Comprehensive in recognizing the multidimensional nature of poverty and proposing a commensurate policy response • Based on a long-term perspective for poverty reduction • Results-oriented and focused on outcomes that benefit the poor • Partnership-oriented, involving coordinated participation of development partners. | |

- Reduce or eliminate uniform requirements, curb excessive emphasis on documentation, and encourage customization of PRSPs to fit country circumstances.
- Encourage PRSPs to explore a wider range of policy options, including those aimed at enhancing growth.

Box 1.2

Principles underlying the IMF's Poverty Reduction and Growth Facility

PRGF-supported programs have seven key features:

- **Broad participation and greater ownership.** The main elements of the PRGF are drawn from the country's PRSP.
- **Embedding of the PRGF in a national strategy for growth and poverty reduction** so that macroeconomic and other policies reflect the country's growth and poverty objectives.
- **Budgets that are more pro-poor and pro-growth.** Government spending should be reoriented toward activities that benefit the poor. Tax reforms that simultaneously improve efficiency and equity should be stressed. Data and monitoring to track expenditures should be improved.
- **Flexibility in fiscal targets.** Macroeconomic projections should signal financing needs. Where warranted, commitments of higher aid flows should be sought and built into the program.
- **Financing conditions are limited to key measures central to the success of the strategy.**
- **Measures to improve public resource management and accountability.** Fiscal policies and objectives should be open to public debate. Monitoring systems should be developed to improve efficient delivery of public services.
- **Social impact analysis of major macroeconomic adjustments and structural reforms.** The distributional effects of substantial macroeconomic adjustments or structural reforms should be considered and countervailing measures identified to offset temporary adverse effects on the poor.

- Help define clearer partnership frameworks around PRSPs, with the required accountability for both countries and partners. This includes specific changes for the assistance of the World Bank and the IMF.

The two evaluations also made several recommendations with respect to the specific roles of the World Bank and IMF; these are discussed in the main evaluation reports.

The scope of the present report

The OED and IEO evaluations of the PRS Initiative were informed by 10 in-depth country case studies and surveys of stakeholders in each country. Summaries of those case studies make up the body of this report, which is designed to complement the main evaluation reports and provide the reader with a deeper look at individual country experiences under the Initiative. The evaluations also drew on a range of other evidence, including cross-country analyses and desk reviews. Readers are referred to the main reports for discussions of that evidence, since this background volume focuses on the evidence that emerged directly from the case studies.

The case study countries were chosen to cover a variety of country situations and stages of PRSP and PRGF implementation (table 1.1). Selection criteria were: maturity of the PRSP process (all 10

countries had completed full PRSPs by the end of 2002), geographic balance, coverage of HIPC and non-HIPC countries, and initial conditions in the country. The studies cover the 10 countries' experience with the PRS Initiative up to mid-2003 and in some cases through the end of 2003.

The chief purpose of the studies was to evaluate the internal processes and performance of the World Bank and IMF in supporting the PRSP Initiative, not to appraise the policies of member governments. Because they cover at most three years of implementation, the studies do not speculate on long-term prospects for growth and poverty from the Initiative, although some information is presented on short-term growth outcomes.

Four of the case studies were undertaken jointly by OED and IEO (Mozambique, Nicaragua, Tajikistan, and Tanzania), two by IEO alone (Guinea and Vietnam), and four by OED alone (Albania, Cambodia, Ethiopia, and Mauritania).

The teams undertaking the case studies followed guidelines developed jointly by OED and IEO at the outset of the evaluations. Those guidelines were applied for all 10 case studies (annex). All 10 case studies covered three main areas: relevance of the PRS approach, the extent to which the underlying PRS principles were applied, and preliminary evidence on the results. In addition, the effectiveness of World Bank

Table 1.1

Ten country case studies of the PRS Initiative

	HDI Ranking ^a	HIPC Case?	Year of PRSP	Implementation years ^b	# of PRSP prog reports ^b	Year of new PRGF
Joint IEO/OED						
Mozambique	170	Yes	2001	2.3	1	^c
Nicaragua	118	Yes	2001	2.3	2	2002
Tajikistan	112	No	2002	1.1	0	2002
Tanzania	151	Yes	2000	3.1	2	2000
IEO only						
Guinea	159	Yes	2002	1.4	0	2001
Vietnam	109	No	2002	1.6	1	2001
OED only						
Albania	92	No	2001	1.6	1	2002
Cambodia	130	No	2002	0.9	0	^c
Ethiopia	168	Yes	2002	1.3	1	2001
Mauritania	152	Yes	2000	2.9	2	2003

a. The Human Development Index (HDI) measures the quality of life against a range of social indicators. See United Nations Development Program, Human Development Report (New York: United Nations, 2002).

b. As of end-2003.

c. New arrangement approved under ESAF regime in 1999.

support was assessed in the case studies in which OED participated (8 of 10). Similarly, the effectiveness of IMF support was addressed in the case studies in which IEO participated (6 of 10).

Country evaluation teams included local consultants, recruited to provide local knowledge and insight, as well as to administer a survey of stakeholders. Interviews with relevant members of the World Bank and IMF staff were followed by in-country consultations with a broad range of stakeholders in key national ministries, local governments, bilateral and multilateral donors, local and international nongovernmental organizations (NGOs), representatives of the private sector and media, and, wherever possible, members of parliament. Field visits outside the capital were made, except in the case of Mauritania.⁴

Using a survey instrument jointly designed by OED and IEO, stakeholders in each country were surveyed to supplement information gained from the interviews. Respondents were drawn from various stakeholder groups involved in the PRS process—including government, civil society, private sector, and external partners. The survey was designed to obtain

institutional responses—not individual views—on the PRSP and World Bank and IMF performance in supporting the Initiative.

The study teams gave stakeholders the opportunity to comment on their preliminary findings, and in most cases in-country workshops were held at the end of the field visits. The governments of the countries were asked to comment on the full case study reports, which reflect their remarks. However, the final judgments are the responsibility of OED and IEO.

Summary findings from the 10 country case studies

Progress varies with individual country circumstances and is constrained by preoccupation with formal requirements and tensions regarding domestic ownership

- The degree of success of the PRS Initiative has varied widely across countries, depending chiefly on the initial conditions in each country's public sector capacity, the quality of government-partner relationships, and relations

among donors in each country. The Initiative has added the most value in countries where government leadership and aid management processes were already strong. It has had less effect in countries with weak capacity or with donor-dominated aid relationships.

- In a few countries, PRS processes have become sufficiently entrenched in domestic institutions to be self-sustaining. In most cases, however, the process has not proved able to adapt to unanticipated developments—such as changes in macroeconomic conditions—and monitoring of implementation does not yet inform policy design. In cases where the PRS approach has been integrated into domestic institutional structures, there have been important improvements in domestic policy processes.
- Preoccupation with formal PRSP requirements that give countries access to resources has often been at the expense of adaptation of the PRS process to country circumstances. This was reflected in too much emphasis on producing documents, rather than improving underlying policy processes. The initially ambitious timetable for completion of first-round PRSPs in HIPC and PRGF countries reinforced the tendency to generate standardized strategies in the early PRSPs. The PRS approach should be implemented in a manner that capitalizes on existing strengths and focuses efforts on missing ingredients, rather than starting anew in all areas.
- It is not clear how conflicts between domestic ownership and assessments of policies by the Bank and Fund will be resolved. When such conflicts have arisen, they have been resolved in an opaque manner, leaving countries to divine what is “acceptable” to the Bank and Fund. The process of presenting a PRSP to the Boards of the Bank and the Fund has been perceived as undermining the principle of country ownership—as “Washington signing off” on a supposedly country-owned strategy.

PRSPs do not yet provide an adequate analytical framework for policy choice and prioritization

- The analytical bases of many PRSPs are weak, most notably with regard to the macroeco-

nom ic framework and choice of policies to promote growth. Insufficient prioritization, inadequate costing, and a tendency to avoid controversial structural reform issues have prevented most PRSPs from providing an adequate framework for making decisions on key policy tradeoffs. Thus, most PRSPs do not yet provide an effective strategic road map. In some cases, progress has been made over time in ameliorating these shortcomings, mainly in countries that had begun embedding the PRS process in domestic institutions.

- Most PRSPs have not considered the full range of policy actions required for growth and poverty reduction, focusing instead on public expenditures, especially social sector spending, with less emphasis on other aspects of a broader strategy to encourage poverty-reducing growth, such as infrastructure and rural development. The approach has so far not contributed significantly to understanding the linkages among growth, poverty incidence, and macroeconomic policies at the individual country level.
- Even in the area of public expenditure, the practical value of many PRSPs has often been limited, because of the still rudimentary nature of most costing and prioritization.
- In most cases, the IMF has had limited success in embedding the PRGF in broader strategies for growth and poverty reduction—and in inducing client countries to integrate PRGF-supported programs with strategic priorities and policy choices in both macroeconomic and structural areas. This limited success reflects both weaknesses in the PRSPs as strategic roadmaps and ambiguities about the IMF’s role.

The PRS Initiative has led to increased emphasis on dialogue and results

- The PRS process has begun to orient stakeholders toward results, although the development of country-specific indicators and monitoring systems to track them was still at a preliminary stage in most countries. Available information generally was not linked to decisionmaking.
- The requirement that PRSPs must contain a

multidimensional diagnosis of poverty has highlighted the paucity and poor quality of data in many countries. In some cases this requirement had already resulted in marked improvements in data quality.

- The process of aligning sector programs under one strategic umbrella has helped policymakers better appreciate the links between sector strategies and poverty reduction. Sectoral spending plans have been challenged to meet poverty reduction criteria. But, as noted, most PRSPs have failed to integrate sector strategies with the macroeconomic framework through a rigorous consideration of the sources of growth and other macro-micro linkages.
- Extensive consultations conducted in most PRSP countries during strategy formulation have brought new actors and increased transparency to the development dialogue (but with relatively little change in discussions of the macroeconomic framework and related structural reforms). But civil society organizations in some countries consider that this openness has had only limited impact on the design of PRSPs and on subsequent domestic policy, and that participatory activities have often waned once the PRSP was formulated. Furthermore, participatory processes were typically not designed to strengthen existing domestic institutional processes for policy formulation and accountability (through parliament, for example). In a few cases, institutional arrangements to sustain the process have begun to develop around the budget cycle. In general, the PRS process has not generated meaningful discussions—outside the narrow official circle—of alternative policy options with respect to the macroeconomic framework and structural reforms.

The role of the World Bank, the IMF, and other donors is changing—but not as rapidly as expected

- World Bank staff supported national stakeholders preparing PRSP documents by providing analyses, commenting on drafts, and promoting participatory activities. Clients observed that decentralization of Bank staff and authority to country offices has enhanced the

quality and usefulness of the Bank's support and its relations with partners.

- The content of Bank assistance strategies formulated subsequent to PRSPs generally overlaps with the content of PRSPs. But since PRSP programs are broad and often not well prioritized, this overlap has not entailed major changes for the Bank.
- IMF staff often interpreted the principle of country ownership as precluding or at least limiting their involvement in policy debate on the PRS process among domestic stakeholders as well as in ensuring that key macro-relevant issues were aired during the formulation of the PRS.
- There are signs that the “policy space” in the macroeconomic area has widened—in the sense of greater openness on the part of the IMF to considering alternative country-driven policies—at least in countries where macroeconomic stabilization is no longer a pressing issue. Program design under the PRGF has incorporated greater fiscal flexibility to accommodate aid flows. However, there has been no effective operational approach to managing the tensions between “ambition” and “realism” in defining medium-term external resource envelopes.
- Donors (including the Bank and Fund) increased their support for national budgets and streamlined the monitoring of performance, but there is little evidence that they have aligned aid programs with PRSP priorities and achieved greater interagency coordination. Where government-donor dialogue is weak or donors continue to drive the agenda, PRSPs by themselves have not noticeably promoted donor coordination or increased government management of external assistance.
- Bank-Fund collaboration has improved due to the Initiative, with more frequent discussions between staff of the two institutions at the country level. While working smoothly together in PRSP formulation and review in the case study countries, the Bank and the Fund had policy differences on the scope and sequencing of structural reforms in some countries that the PRSP framework alone could not overcome.⁵ IMF and Bank contributions to developing a better understanding of country-spe-

cific micro-macro linkages have also been fairly limited. Although both institutions place greater emphasis than before on poverty and social impact assessment (PSIA), they have not yet devised a way to ensure that the priorities for such assessments (especially in the area of macroeconomic policy) will reflect the strategic priorities of the PRSP and give clear indications of what is expected from each institution.

- Joint Staff Assessments (JSAs) of PRSPs by the Bank and Fund have not adequately performed the many tasks expected of them. The clarity,

candor, and comprehensiveness of the assessments have been uneven, with scope for improvement even in “good practice” cases. Their main contribution has been in giving feedback to the authorities on weaknesses in the PRSP, but JSAs are virtually unknown outside the narrow official circle and consequently have had no impact on the broader policy debate. They have not incorporated systematic inputs from development partners and, in practice, have played a limited role in informing lending decisions.



Albania

The OED evaluation team visited Albania from March 12 to 26, 2003, and met with stakeholders in Tirana, Dürres, Elbasan, Lezhe, and Shkodra. Among the sources for the analysis presented here was a survey of 97 stakeholders representing government, civil society, and international partners. This country case study provides an assessment of the PRSP process in Albania as of mid-2003, and covers both PRSP formulation and implementation.

Growth depends on private sector development

Poverty in Albania is a multifaceted phenomenon. While higher in rural areas, poverty in urban settings has risen substantially in recent years. Using the methodology developed by the 2002 Living Standards Measurement Survey, 25 percent of Albanians were below the poverty line. Basic infrastructure and public services have not kept pace with these changes. In particular, public order and access to health care have emerged as areas of great concern in densely populated peri-urban areas. High unemployment and underemployment are considered principal causes of poverty.

The poor condition of basic infrastructure contributes to Albania's low standard of living and is a major deterrent for both domestic and foreign investment in the country. After years of neglect of the country's infrastructure during the period of central planning, conditions further deteriorated after 1997, when the collapse of widespread pyramid investment

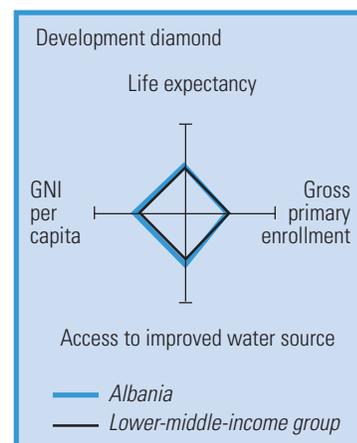
schemes led to a breakdown of public order. Supplies of safe water and reliable power are inadequate throughout the country. Roads, sanitation, and telecommunications are in disrepair.

Spending on health, education, agriculture, and local government has increased in recent years, but Albania's share of spending for health (2.2 percent of GDP) and education (3.2 percent of GDP) remain below the averages for comparable lower-middle income countries. Albania remains the poorest country in Europe.

The structure of the Albanian economy has changed fundamentally over the past decade (figure 2.2). In 1990 Albania emerged from its long post-Cold War stagnation and initiated a rapid transition program. Between 1993 and 1996 the economy grew by more than 9 percent per annum. Agricultural output and new service activities expanded rapidly, and their growth outweighed the decline in production and employment in heavy industries that were a legacy of the earlier period.

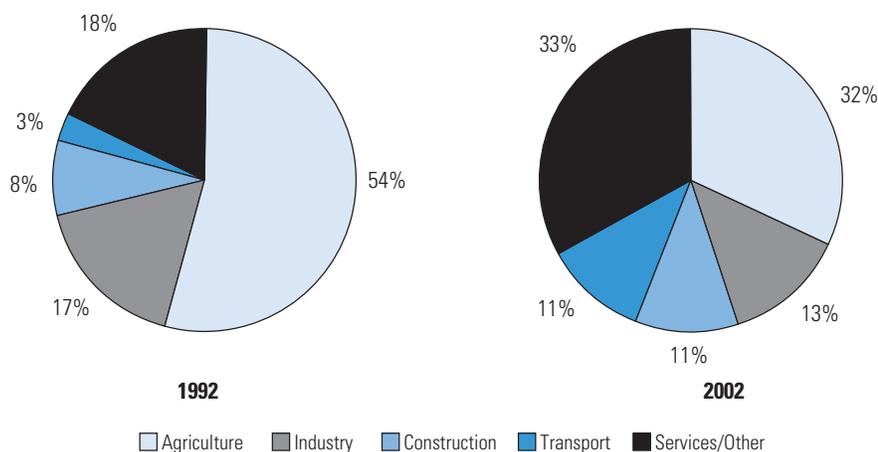
Figure 2.1 Albania at a glance

	Albania	Europe & Central Asia	Lower-middle-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (millions)	3.2	473	2,655
GNI per capita (Atlas method, US\$)	1,740	2,570	1,480
GNI (Atlas method, US\$ billions)	5.5	1,217	3,934
Average annual growth, 1997–03			
Population (%)	0.3	0.0	0.9
Labor force (%)	0.8	0.2	1.2
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	25	..	..
Urban population (% of total population)	44	63	50
Life expectancy at birth (years)	74	69	69
Infant mortality (per 1,000 live births)	22	31	32
Child malnutrition (% of children under 5)	14	..	11
Access to an improved water source (% of population)	97	91	81
Illiteracy (% of population age 15+)	1	3	10
Gross primary enrollment (% of school-age population)	107	103	112
Male	107	104	113
Female	107	102	111



Source: World Bank.

Figure 2.2 The changing structure of Albania's economy (percent of GDP)



Source: Republic of Albania, "Progress Report for Implementation 2002, Objectives and Long Term Vision of the NSSD, Priority Action Plan 2003" (Tirana, 2003) Section C, p. 3; and Republic of Albania, "Medium-Term Expenditure Framework 2003-5" (Tirana, 2002), p. 16.

The first phase of this transition came to an abrupt halt in 1997 with the collapse of the financial schemes in which many Albanians had invested money. The collapse and subsequent breakdown of public order set back the achievements of the previous five years. In 1997 GDP fell by 7 percent (before returning to strongly positive growth in 1998–2001), and inflation reached 42 percent. At the same time,

fundamental changes were taking place. Domestic uncertainty and disillusionment had prompted many young Albanians to emigrate. Remittances from these emigrants, as well as earnings from criminal activities channeled through southeastern Europe, were beginning to flow into the country through informal and often illegal channels. In association with these inflows, corruption in government grew.

Since 1997 growth has been based largely on strong private sector activity, including a boom in construction services linked in part to growing urbanization. The maintenance of macroeconomic stability, with low inflation and a fairly stable exchange rate, has been an important contributor to the post-1997 recovery.

The current environment for private sector development, however, may impair further growth. A survey by the World Bank and the European Bank for Reconstruction and Development ranked Albania last, among 25 transition economies, in the perceived quality of the business climate, with the security of property rights and weaknesses in the legal framework as the areas of greatest concern.¹ Institutions—including the courts and police—are weak, and their effectiveness is undermined by growing the growing influence of powerful interest groups, including organized crime.

The PRS process—better development planning

The PRS process proved to be highly relevant for Albania's political process. The 1997 crisis led to a loss of confidence in the Albanian government. The PRS process helped fill the void. As the first comprehensive development strategy undertaken by the government through broad consultations and in collaboration with aid partners, it signaled a transition from humanitarian aid and stabilization to emphasis on growth and development. The achievements of the process have been considerable, and the PRSP has added value to Albania's development planning and management. But much remains to be done to bring budgetary processes and external assistance under the PRSP umbrella.

The government insisted on giving equal emphasis in the PRSP to issues of economic growth, concerned that the process might overemphasize poverty and thereby slow progress toward joining the European Union (EU). In late 2000, after the Interim PRSP was presented to the Bank and Fund Boards, the PRS process was renamed the Growth and Poverty Reduction Strategy. Drafted in 2001

and submitted to the Bank and IMF Boards in June 2002, the PRSP was adopted in late 2002 under the title National Strategy for Social and Economic Development (NSSED).

Achieving sustainable and inclusive growth is the fundamental objective of the NSSED. Improved governance and growth and private sector development are its two main pillars. European integration is specifically recognized as Albania's long-term objective. The NSSED is closely linked to the Medium-Term Economic Framework (MTEF), in order to orient government spending toward poverty reduction and to coordinate donor financing, it has five key goals and identifies six priority sectors for public action (box 2.1).

Ownership, participation

Given its limited capacity, the government used local consultants to prepare the PRSP document, but the Albanian authorities played an active role in the planning process. The consultants worked closely with government officials to ensure that the respective ministries would own the document. The consultations were well planned and reached a wide spectrum of civil society representatives. Discussions were open and reported in the media. Throughout, the government put a great deal of emphasis on monitoring and evaluation within individual ministries and at the central level.

Ownership of the PRSP outside the government and civil service remained uneven. In general, the evaluators found significantly less evidence of ownership outside the capital. Public participation had not been a major part of the Albanian political process prior to the PRSP, and the government had little idea of how to involve civil society organizations in the process. Consultations with the private sector were the least satisfactory among all stakeholders. Private businesspeople and their representative organizations came to the sessions seeking to discuss urgent issues affecting their own enterprises, rather than a broad poverty-reduction strategy. They became dissatisfied with the process when their concerns were not addressed and they stopped participating.

Box 2.1**Key elements of Albania's National Strategy for Social and Economic Development****The main objectives of the NSSD are:**

- Annual real GDP growth of about 7 percent during 2002–2004
- Reduction in the number of people living in poverty, in particular, the most affected groups
- Tangible improvements in infrastructure and related services and increasing the access of the poor to these services
- Reduction of infant and maternal mortality rates and infectious disease incidence
- Increase of elementary and secondary school enrollment rates.

Six priority sectors of public actions:

- Health and education
- Infrastructure
- Improvement of governance
- Economic growth
- Social support
- Macroeconomic stability.

Comprehensiveness, long term

The lack of specific and detailed prioritization in the PRSP has been a major weakness in the approach. To some extent that lack reflects the multidimensional nature of poverty in the country and the need to work simultaneously on a wide range of fronts. But it also reflects a lack of clarity about the core objectives to be achieved and measured. Sector programs tend to be an unordered list. In the health sector, for example, clear targets are set, but they are overambitious and cover a wide range of areas. Survey respondents agreed that the targets and plans in the PRSP were not realistic.

Private sector development will be key to Albania's future, but the PRSP does not do an effective job of integrating the components needed for effective private sector development (notably programs in governance, judicial reform, trade policy, financial sector development, tax administration, infrastructure provision, and privatization of basic services).

The PRSP also is deficient in addressing decentralization. The government is decentralizing in a piecemeal way, with different ministries taking different approaches. Local governments have not been adequately consulted, briefed, or trained to implement decentralization. The PRSP could have been used more effectively to provide a road map for the decentralization program, which would indicate to ministries, local governments, and communities how the process is to unfold and how capacity deficiencies are to be remedied.

Partnerships

Partnership and donor alignment have been weak aspects of the PRS process. Although Albania has received large amounts of aid relative to its size, and is of geopolitical importance to a number of key donors, donors have not been willing to align their agendas with the PRSP, with some perceiving the PRSP as a Bank-driven process. Mirroring those tensions, the government has been unable to establish a clear approach to the structure and form of its aid coordination activities.

The PRSP planning process provided an opportunity for donors to create more focused and coordinated programs of support for Albania. However, it closely followed the launching of the EU's Stabilization and Association process in May 1999, which introduced the prospect of EU membership to the Balkans and support through the Community Assistance to Reconstruction, Development, and Stabilization program. The goal of EU accession—and the priorities and processes devised by the EU to reach that objective—were a high-value competitor for the government's attention and for the scarce time of key officials.

Donor coordination problems in Albania antedate the PRSP, with donors preparing and implementing programs independently of each other. As a consequence of the resulting overlap, the sizeable donor effort in Albania is not living up to its potential. Donors are not complementing each other's efforts; legitimate

differences of view are not being resolved in a systematic fashion; and donors are crowding into a few areas, such as governance, anticorruption, and crime, leaving critical infrastructure needs unmet.

Different views among donors on the relative roles and responsibilities of the ministries of finance and economy have long complicated even basic planning tasks, such as compiling a database on past and current aid commitments. The publication of the Millennium Development Goals (MDGs) early in Albania's PRS process was another complicating factor. Given its mandate for monitoring progress on the MDGs, the United Nations Development Program (UNDP) has tended to view the PRSP in Albania as a key element toward the achievement of the MDGs rather than as a free-standing poverty reduction strategy and coordinating framework.

To a large extent, the sustainability of the PRSP will depend on the donor community. Only if donors align their programs to support the PRSP will the central and local governments and communities see the advantages of developing their own programs under the PRSP umbrella.

Results orientation

Improvements in the analytical base are a first step to better prioritization. The development of indicators and their measurement are critical steps in improving the analytic base that makes informed prioritization possible. The PRS process has helped the government grasp the importance of monitoring and evaluation and to make progress in establishing the structures and indicators to monitor the NSSD. The selection of monitorable and measurable indicators is all the more important given the weakness of the statistical data in Albania and the difficulty of using the overall statistical system to measure progress. In September 2002 the prime minister decreed that monitoring units should be established in each line ministry and that indicators should be established for use in policy formulation. A unit under the Council of Ministers is now responsible for policy analysis and monitoring and evaluation.

The PRSP has taken root in the overall budget process, which is linked to the annual budget through the MTEF. Although this process is still at an early stage, it has contributed to capacity enhancement in areas such as statistical development, monitoring and evaluation, and support for public debate on development issues.

Since the adoption of the PRSP, the government has increased the share of pro-poor expenditures in the budget. Most of these increases have been used to pay higher salaries to workers in health and education. Spending for maintenance of schools and hospitals also has risen, although it has been unevenly distributed.

World Bank support—emphasizing country ownership

The Bank made a substantial commitment to Albania's PRSP over the past three years. The Bank played an effective and appropriate role in support of consultations related to the PRSP. Although it was unduly dominant in the formulation of the Interim PRSP, the Bank stepped back when the full PRSP preparation began so that the government could take charge. At the same time, it kept the government focused on the PRSP through joint work on the Poverty Reduction Support Credit (PRSC), development of monitoring and evaluation capacity, and a consistent dialogue at the technical level.

Emphasizing the need to improve data collection and monitoring, the Bank worked with Albania's Ministry of Labor and Social Affairs and the National Statistical Institute to prepare a poverty profile and a qualitative poverty assessment formulation of the PRSP.

In the future, it will be important to lower still further the Bank's public profile on the PRSP and to stress at every opportunity that the PRS process is meaningful only as a country-owned process. Along with other donors, the Bank has taken steps to increase the role of parliament. And, as a result of PRS-related discussions, the Organization for Security and Co-operation in Europe agreed to provide long-term assistance to strengthen the role of the Albanian parlia-

ment in the PRS process. Albanian MPs are to become members of the Ministerial Monitoring Committee and the technical committee on cross-sector monitoring.

The Bank's lending program, distributed over a large number of sectors, has not supported the development of a strategic focus for the PRSP, although it has become more selective in the past three years, with the advent of the PRSC (figure 2.3). A broad approach was understandable, given the huge needs for infrastructure and the shortage of alternative sources of donor support. But even so, the Bank program lacked the strategic underpinning that could have made the benefit of the whole program exceed the sum of projects' individual benefits. The argument for a multi-project strategy (as opposed to shifting resources to budget support) has been the need for intensive work at the sectoral level and the difficulty of engaging specific line ministries through budget support. Sector-wide approaches (SWAPs) provide an option for more direct involvement at the sector level while maintaining overall budget support, but the Bank has not opted to go this route. Part of

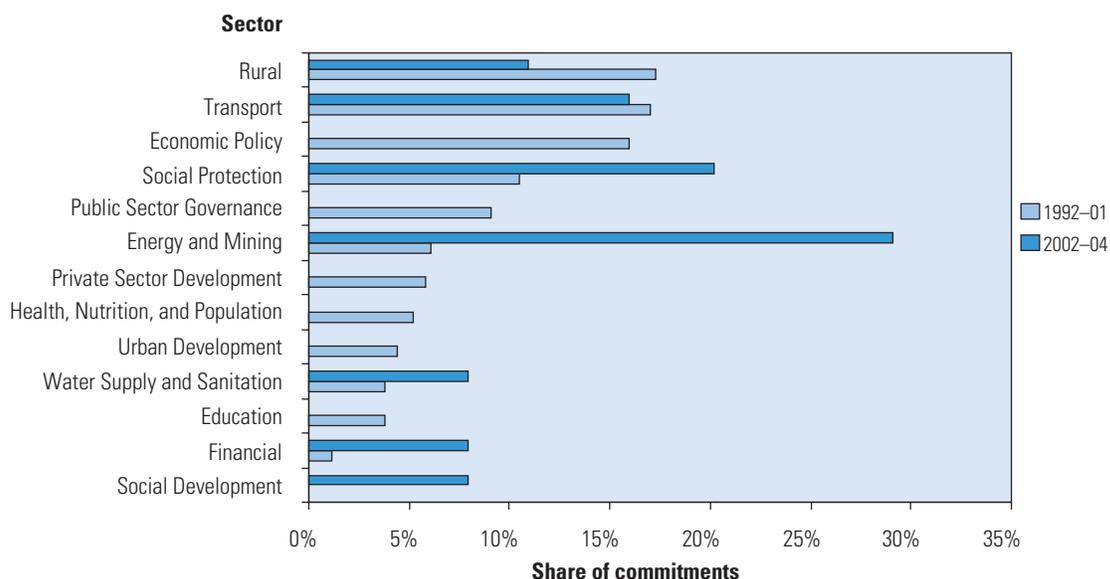
the issue has been the country's poor governance record and concern about corruption in public procurement and use of resources.

Albania's PRSC was the first lending operation of its kind in the Bank's Europe and Central Asia Region. It has four areas of focus: promoting growth and private sector development; strengthening capacity to monitor and evaluate the policy agenda; improving service delivery and the effectiveness of the social safety net; and improving core public sector functions and institutional arrangements. Trigger points in the PRSC that link lending to country performance are clearly related to PRSP objectives. The second phase of the PRSC builds on the progress made in the first phase, while addressing shifts in priorities noted in the PRSP Progress Report.

World Bank management has made consistent efforts to promote more effective aid coordination in Albania. The Bank has sought to work collaboratively with the U.K. Department for International Development and other bilateral donors in supporting the PRSP, and it was effective in persuading the EU that the

Figure 2.3

Evolution in World Bank lending to Albania, 1992-2004, by sector



Source: World Bank.

PRSP was well aligned with the EU accession program. Through the end of 2003, however, the Bank generally had not been able to induce donors to coordinate their efforts with the PRSP. The Bank might have done more to use its own program in support of donor alignment by promoting sector-wide approaches and increased budget support. The government also could have provided leadership in resolving the conflict over responsibilities for aid coordination held by the ministries of finance and the economy.

The Bank, with the IMF, should give serious thought to opening up procedures such as the JSA to the participation of other partners, including senior officials from other PRSP countries with first-hand knowledge of the process.

Bank-Fund collaboration

Coordination between the Bank and IMF at headquarters and in the field has been an important direct benefit of the PRSP to Albania. Most observers agree the approach taken by the two institutions to balance spending to reduce poverty and controlling the budget deficit has become more consistent. The same is true of the balance between the need for increased tax revenues and the imperative of maintaining incentives for private sector activities.

Conclusion—building credibility, coordinating aid

Albania's PRSP has been a moderately successful experience for both the government and the Bank, and the experience offers useful lessons for other countries. But there are serious issues that the Albanian government

must address to consolidate its gains under the PRS Initiative.

Progress has been made under the PRSP in the area of monitoring. The current approach combines the commitment of the government, substantial support from the Bank, and training. The process could be broader, with the Bank playing a role in promoting credible involvement of NGOs and other nongovernment actors with sufficient time to review documents and prepare comments. At the same time, while public awareness was high at the time the PRSP was launched, it faltered during implementation. The monitoring unit in the Ministry of Finance could hold regular briefings with the press to help address this issue.

A key weakness of Albania's PRSP lies in interministerial coordination of multisector programs. Both the government and the Bank need to give thought to handling these programs effectively. The PRSP structure and processes, including sectoral and regional strategies and action plans, must be sustained through institutionalization.

Donor coordination is too important to be left to the donors. The Albanian government should assume responsibility for the process. After identifying an appropriate point of coordination, the government should convene donors in a series of meetings to present the government's strategy and priorities, followed by monthly technical meetings co-chaired by the appropriate ministries to assess progress and programs in the sectors. For their part, donors must reduce the transaction costs of their assistance to Albania through increased co-financing, fewer project units, and harmonized procedures.



Cambodia

The government of Cambodia began implementation of the PRSP in March 2003, shortly before the OED evaluation team visited the country in April/May 2003. Thus, this chapter focuses only on the process of PRSP formulation and the genesis of the implementation phase. The team held meetings in Phnom Penh, and in Siem Reap and Prey Veng provinces. Among the sources for the analysis presented here was a survey of 73 stakeholders representing government, civil society, and international partners.

A long road from conflict to growth

The effects of Cambodia's turbulent past remain prominent in the country. Civil conflict caused widespread poverty, shattered institutions, and robbed the country of many of its best-trained citizens. There is an acute shortage of skilled people capable of rebuilding the country and fighting poverty. Fifty percent of Cambodia's 13 million people are under 16 years of age; the population growth rate of 2.4 percent per annum imposes a heavy burden on the country's limited social services.

Cambodia is among Asia's poorest countries. Some 30–40 percent of its people survive on a dollar a day or less. Life expectancy is 54 years, infant mortality is 95 per 1,000 live births, and the rate of secondary school enrollment is just 14 percent. Cambodia also has the highest prevalence of HIV infection in East Asia. Most Cambodians live in the rural areas where the rate of poverty is almost double that of the urban population.

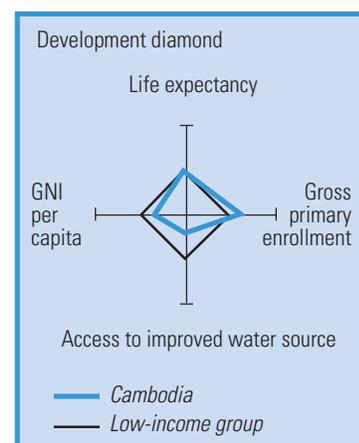
Despite GDP growth averaging nearly 6 percent annually since 1994, Cambodia's economic fundamentals remain weak. Agriculture is the dominant sector, accounting for 39 percent of GDP and more than 70 percent of employment. Growth has been driven by expansion of the area under cultivation and, more recently, by tourism and the rapid expansion of garment production as a consequence of Cambodia's preferential access to U.S. markets under the Multi-Fiber Agreement. That preferential access expired at the end of 2004, and a decline in garment production and exports could severely depress domestic employment.

Spending on health and education more than doubled from 1993 to 2002, reflecting a commitment on the part of the government to address the basic service needs of the population. Despite this build-up, Cambodia still lags behind regional averages in both sectors for domestic expenditures.

Figure 3.1 Cambodia at a glance

	Cambodia	East Asia & Pacific	Low-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (millions)	13.4	1,855	2,310
GNI per capita (Atlas method, US\$)	310	1,080	450
GNI (Atlas method, US\$ billions)	4.2	2,011	1,038
Average annual growth, 1997–03			
Population (%)	2.9	1.0	1.9
Labor force (%)	2.5	1.1	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	36	..	..
Urban population (% of total population)	19	40	30
Life expectancy at birth (years)	54	69	58
Infant mortality (per 1,000 live births)	96	32	82
Child malnutrition (% of children under 5)	45	15	44
Access to an improved water source (% of population)	30	76	75
Illiteracy (% of population age 15+)	31	10	39
Gross primary enrollment (% of school-age population)	123	111	92
Male	130	112	99
Female	116	111	85

Source: World Bank.



The capacity in government to manage development efforts is fairly limited. Salaries are low and corruption is prevalent. Rents can be sought to supplement incomes from concessions on agricultural land and forests, from the tourism and garment industries, and from the substantial amounts of foreign aid flowing into the country. Political appointments that give access to rents are part of a patronage system that can make it difficult to ensure that qualified individuals occupy key positions in government.

Poor infrastructure limits growth and poverty reduction by inhibiting exports of local agricultural products and imports of inputs such as fertilizer, while preventing poor people in villages from accessing health care and education. Less than a third of the population has access to clean drinking water and to irrigation for agricultural growth. Only 10 percent of all households have access to electricity.

Cambodia issued its first post-Khmer Rouge Development Plan in 1996. The Socio-Economic Development Program I (SEDP I) covered the period from 1996 to 2000. SEDP I focused on growth and infrastructure, but not explicitly on poverty reduction. After the plan was adopted, donors provided substantial technical assistance to the ministries of health and education. Both ministries developed

national strategies in 2000–2001. Development specialists regard these as sound strategies, with a high degree of ownership of the ministries concerned, and consider the planning capacity in these ministries to be among the best in the government.

The PRS process—awkward timing, incomplete ownership

The PRS Initiative is highly relevant to the poverty challenge in Cambodia. The Initiative's focus on government ownership and public participation also strikes an important chord, given the strongly donor-driven development agenda since the post-conflict era started in the early 1990s. But the timing of the PRSP preparation was awkward. Initial plans for an ambitious document deadline competed with preparation of the legally mandated SEDP, which was supported by the Asian Development Bank. The decision to complete two parallel planning processes was unrealistic given limited government capacity, and PRSP formulation was delayed to follow on the heels of completion of SEDP II. The document was completed in December 2002 (box 3.1). This early planning experience reflects preoccupation with the formal requirement of a strategy paper and not on promoting the Initiative's underlying principles, and

Box 3.1**Cambodia's National Poverty Reduction Strategy: broad priorities and action areas**

The focus of the PRSP is on fiscal discipline, combined with revenue strengthening and structural reforms to improve the business environment.

The PRSP has three broad priorities:

- Growth through exports, tourism, and agriculture development
- Governance and public expenditure management
- Infrastructure and human development.

The PRSP identifies eight priority areas for poverty reduction:

- Maintaining macroeconomic stability
- Improving rural livelihoods
- Expanding job opportunities
- Improving capabilities
- Strengthening institutions and improving governance
- Reducing vulnerability and strengthening social inclusion
- Promoting gender equity
- Priority focus on population.

Source: Kingdom of Cambodia (2002), NPRS 2003–05.

underscores the importance of carefully tailoring to existing domestic processes.

Ownership, participation

There was strong ownership of the PRSP—of both the document and the process—among a small group in the Ministry of Planning (MoP). This unit took leadership of the PRS process and liaised effectively with planning staff in several key line ministries. But senior management officials in the line ministries were not sufficiently engaged. Government ownership also was undermined by inadequate involvement of the Ministry of Economy and Finance (MEF) during formulation of the PRSP. As a consequence, the PRSP was not perceived as having broad ownership within the government. This perception also reflected tension with the SEDP framework and the concern that the Bank was imposing an unnecessary burden on the government by insisting on a separate strategic process.

PRSP planners made a genuine effort to consult NGOs in the preparation of the document and to incorporate their views—a significant change from past planning processes—but participation of civil society was still limited. The time allowed for consultation was short. In addition, drafts were made available only in English, and regional workshops were held in just three of Cambodia's 24 provinces.

Linking strategy and planning with resource allocation is a key marker of country commitment to the Initiative. Albeit at a very early stage of implementation, at the time of the evaluation mission there was little evidence that the PRSP in Cambodia was linked to the annual budget and would affect resource allocation. To achieve an operational strategy would have required the MEF to play a strong and continuing role in the process. MEF unfortunately played little part in formulation until the final stages, and the PRSP leaves considerable work to be done in linking priority areas with budgeted programs.

Comprehensiveness, long term

Under the PRS Initiative, a national strategy is expected to provide a comprehensive, long-term view of the challenges of poverty reduction. This is a very ambitious undertaking for most low-income countries and requires that good quality analysis and strategic thinking is in place before the PRSP document is prepared. There is an impressively large body of poverty analysis in Cambodia, along with demographic and health surveys. Unfortunately, these surveys are difficult to compare and there is still considerable uncertainty about the poverty baseline.

Prioritization is a major quality issue in the Cambodian PRSP, as is the case for other PRSP countries. Many stakeholders interviewed were

disappointed that the PRSP document did not deliver as an operational plan—as advertised, to be a complement to the general framework of SEDP II. The line ministries were asked to submit programs for inclusion in the Action Plan Matrix (APM) of the PRSP. Twenty-two line ministries and agencies provided submissions, which comprised long lists of poorly costed poverty projects, on the assumption that there would be additional funding available for these projects. More than 80 percent of the APM was unfunded and nearly half uncosted. Subsequent to the PRSP finalization, MoP added up the total cost of these programs and found that they came to more than \$5 billion as against a three year availability of donor funds (in line with capacity absorption constraints) of \$1.5 billion, half of which was already committed to ongoing projects.

At the end of 2003, the PRSP did not provide a longer-term vision to guide short- and medium-term programs in some of the key crosscutting strategic issues facing Cambodia—with the exception of trade—such as private sector development, the management of natural resources, and civil service reform. To be effective, the plan must also address sectoral priorities and strategies. Two areas that warrant particular attention are agricultural growth and capacity enhancement. More than 70 percent of Cambodia's population depends on agriculture as its primary source of income, but productivity in the sector is well below that of Cambodia's neighbors. The PRSP could be an effective instrument for bringing together the relevant ministries, the donor community, local authorities, and the many NGOs in the sector to design and implement a coordinated development strategy. It could provide a similar framework for analyzing capacity enhancement needs—especially with regard to the judiciary, the police, and customs and tax officials—to reduce the constraints imposed by corruption on the growth of small- and medium-size enterprises.

The government's focus on the PRSP as a document—which reflected its perception of the incentives offered by the Bank and Fund—has led it to neglect a more important issue: what forms of support could best help the

authorities in promoting the PRSP principles as the core of the country's strategic planning and implementation process? Planning and implementation in Cambodia should take into account pre-existing strategic planning processes and make them compatible with the PRSP principles.

Partnerships

Cambodia is highly aid dependent. Improved partnership among development donors and with the government could yield significant gains in aid effectiveness. Early on, donors recognized the need for coordination. Prior to the PRS process, however, most took the approach of avoiding duplication rather than promoting collaboration. The PRSP is promoting a framework for discussion of the government's priorities with donors that did not exist in previous national planning processes for discussion. A major objective of the PRS Initiative is to turn aid management into a government-driven process, but shifting to government control over the allocation and management of aid will take a long time.

The PRS process focused attention on how donors could better align their efforts to support the government's strategy and exploit synergies among partners. As new country assistance strategies are being developed by key partners in 2004–2005 (including the Asian Development Bank, U.K. Department for International Development, and the World Bank), it is too early to assess the nature and degree of donor alignment. The education and health sectors in Cambodia represent good examples of effective donor coordination. In other areas, however, donors appear to be focusing on their own projects with specific implementation mechanisms that are often not well-linked to the ministry in which they are housed.

Results orientation

The PRS process has put poverty reduction goals more centrally in the minds of the government, donors, and NGOs. The MoP has formalized a process by which line ministries rank planned programs according to their

expected poverty impact. However, this planning exercise has no clear link to the budget process. Additional effort is needed to improve the alignment of budgeted project selection with the overall poverty impact goals (table 3.1).

In order for the PRS process to be results-oriented, the monitoring and evaluation skills of Cambodian officials will need to be enhanced. The instruments and processes for implementation and monitoring of the PRSP are still at an early stage. A central monitoring unit has been established in the MoP, but to date it is only weakly linked to the data collection units at the central and sectoral levels. In general, the areas where implementation is likely to proceed well are the education and health sectors, where the capacity of the ministries was strengthened through well-coordinated donor support prior to the PRSP.

Implementation in Cambodia is largely handled through individual donor-supported project implementation units, and there is no consensus on changing this model, even though it is inconsistent with longer-term capacity building.

Many aspects of the PRSP model are too ambitious for a country at Cambodia's stage of institutional development. The approaches to

costing and monitoring need to be greatly simplified. In the near term there is little likelihood of being able to track the poverty impact of specific investments or measures, and the value of diverting substantial resources to such a goal is questionable. In Cambodia it is probably enough to track inputs on the one hand and outcomes on the other.

World Bank support—a need for effective local support and for better alignment with the PRSP

The World Bank's support to Cambodia in formulating the PRSP was substantial. Through Institutional Development Fund grants, the Bank financed a support unit in the MoP that kept the document preparation moving forward. The Bank's close consultation in the final stages of document preparation improved quality—but fostered the negative perception among some in the donor and NGO communities that the draft document “had gone to Washington.”

The Bank could have done more to keep donors and NGOs in the loop during the critical phase between appearance of the first draft and the finalization of the PRSP. A steering group of donors and NGOs would have provided an effective way to monitor progress and to

Table 3.1 PRSP targets for poverty reduction in Cambodia (percent)		
Objective and indicator	Baseline year	Target for 2005
Poverty headcount index	36 (1999)	31
Real GDP average annual growth rate	5.4 (2000)	6–7 (2001–2005)
Infant mortality rate (per 1,000 live births)	95 (2000)	90
Maternal mortality ratio (per 1,000 live births)	4.37 (2000)	3.72
Children under 5 with moderate–severe stunting	44	38
12-year-olds completing grade 6	33 (1998)	90
Share of population with access to safe drinking water		
Rural	29 (1999)	40
Urban	69.5 (1999)	87
Share of population with access to sanitation facilities		
Rural	8.6 (1999)	20
Urban	49 (1999)	90

Source: NPRS, 2003, Table 1.1.

provide joint advice on the best way to proceed.

A major challenge for the Bank in supporting preparation of the PRSP was balancing quality and ownership. It worked mainly with the MoP as a way to ensure document quality, and thereby distanced the MEF from the process. This led to weak prioritization and costing in the first draft of the PRSP, with little attempt to address cross-sectoral dimensions—thus compromising the chief advantage of the PRSP as a costed process by comparison with the broad treatment of programs in SEDP. Efforts to get the MEF back into the process succeeded, but valuable time was lost.

Early in the PRS process, a key issue for Bank staff was to ensure preparation of a strategy *document* comparable in quality to first-round PRSPs from other countries. Because staff at the Bank and Fund believed that the SEDP did not provide a credible alternative to the PRS process and could not be retrofitted within the required time frame, the decision was made to launch the PRS process in parallel with preparation of the second phase of the SEDP. In hindsight, a preferable alternative might have been to merge the PRS process with the SEDP and delay the preparation of the full PRSP until the third phase of the SEDP, which could then be refocused to meet PRSP requirements. Instead of pushing ahead with the PRSP in the short term, the Bank, Fund, and the Asian Development Bank could have worked with the government to create the conditions required for an effective PRSP in the long run. Under such a plan more training and technical support could have been provided to ministries to ensure a full understanding of PRSP objectives and process; a public information campaign could have been carried out; and work on the MTEF and development of a coherent agricultural strategy could have been accelerated.

The tension between quality and ownership was aggravated by the inability of the Bank's country office to provide effective support for preparation of the PRSP at the outset of the process. The Bank office in Phnom Penh opened in 1999 and had limited staff to support the PRSP effort. It was not until the arrival of

additional staff in 2001 that the country office began to make a significant contribution to the PRSP. There was also tension within the Bank on responsibility for the process. It was relatively late in the process, at the urging of Bank management, that the Cambodia country team became engaged in supporting the ministries' efforts, mediating between the ministries and the Bank's sector staff.

Before the start of the PRS process, the Bank's program, as laid out in its CAS for FY2000–03, focused on achieving a more programmatic approach to financing through the application of SWAPs. Individual donor processes and procedures would be slowly phased out as government capacity increased, with a shift to greater budget support. The CAS proposed piloting SWAPs in infrastructure, health, and education. There was extensive consultation between the Bank and the government over the CAS and wide endorsement of the SWAP approach. The consultations also emphasized the need for an additional focus beyond basic education to redeveloping the capacity and leadership lost during the Khmer period.

Although the Bank's lending program followed CAS priorities and focused on improving public resource and expenditure management and governance, *lending choices* (primarily investment lending) did not follow the proposed strategy. The Bank was reluctant to align itself with the donor-led Sector-wide Investment Management (SWIM) programs in the education and health sectors. One donor attributed the eventual improvement in Bank coordination with the health sector SWIM to the PRS process. In the area of rural development, recent Bank support attempts to operate at the sector level and to work more closely with partners.

Preparation of the next CAS provides an important opportunity for the Bank to align its lending and analytic work in Cambodia with the PRS process.

Conclusion—learning from experience

From a troubled starting point, Cambodia has made progress in developing ownership of the PRS program. There is a clear upward trend in

the ministry-level understanding of the PRS approach. Dialogue between the government and donors, and dialogue among donors, has improved. If these gains can be consolidated, Cambodia should begin to realize the benefits of the PRS process.

While it would be difficult to rate the Cambodia PRSP experience thus far as satisfactory, it may well look quite different some years hence, if the government, the Bank, and the donor community are able to absorb and make use of the lessons of the PRS process. Almost all observers note progress in the course of PRSP preparation between the early stages and the finalization of the document. The MoP is succeeding in institutionalizing the preparation process, with monthly meetings and coalitions with seven donor subgroups. Much will depend on the success of the Progress Report process. Actions to strengthen the country office in Phnom Penh should be an important step toward that goal, ensuring that the Bank reflects the principles of government ownership, partnership, participation, and alignment in its own program.

In moving forward, the effectiveness of the PRSP in Cambodia as an instrument for supporting growth and poverty reduction will depend on the government and the international community taking several key steps:

- First, the coordinated approach that has been effective in health and education needs to be

applied in agriculture, private sector development, capacity enhancement, and civil service reform.

- Second, an effective cross-ministerial steering group needs to be established with a secretariat responsible for providing regular monitoring reports. These need to be available to the media and NGOs to ensure good accountability.
- Third, the international community needs to develop a coordinated approach to identifying and addressing key capacity constraints that limit implementation of the PRSP principles. Given its comparative advantage, this should be a major thrust of Bank work.

Several additional conclusions relate specifically to the World Bank and its staff. To be an effective partner in promoting the PRS Initiative's principles, the Bank in Cambodia needs to embrace the PRSP not as a "task" being led by a particular sector department, but as a different way of doing business and a shared responsibility. The use of team learning events, which can include government and partner representatives, can be an important means to support this. The country office should view support for the PRSP as its principal mandate and be staffed accordingly. It is not yet clear to Bank staff in Cambodia whether the institution is giving priority to ownership or quality. Clearer guidance is needed on how to handle the tradeoff.



Ethiopia

The OED evaluation team visited Ethiopia in June/July 2003, and met with a broad spectrum of local stakeholders in Addis Ababa, Awassa, Shebedino, and Wonago. Among the sources for the analyses presented here is a survey of 83 stakeholders representing government, civil society, and international partners. This country case review provides an assessment of the progress and challenges in Ethiopia through PRSP formulation and one year of implementation, as of mid-2003.

Addressing economic fragility

Almost half of Ethiopia's 66 million people live in absolute poverty. Each year millions face serious food insecurity—between 11 and 13 million during the most recent drought. Conflicts, such as the 1998–2000 war with Eritrea and commodity price shocks, exacerbate chronic food insecurity caused by policy-related failures that include overdependence on subsistence farming, problems of land tenure, weak markets, poor infrastructure, and reliance on external food aid. Ethiopia relies on development assistance for 40 percent of its public sector spending and is likely to remain heavily dependent for many years to come. Ethiopia's long-term debt sustainability is extremely fragile. The country's ratio of exports to GDP is very low, and exports are concentrated in coffee, a commodity whose price was near its 20-year low in 2003.

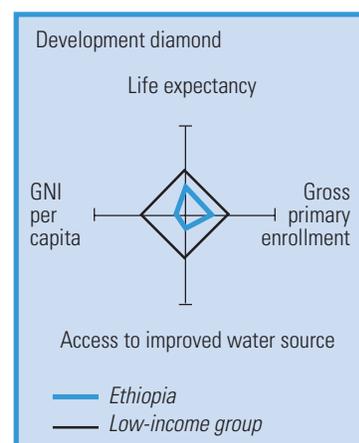
Between 1991 and 2001, annual real GDP growth averaged 4.4 percent annually, a

substantial improvement over past decades. Growth rates were strongly driven by agriculture, on which the Ethiopian economy is highly dependent. In 2000, agriculture comprised 43 percent of GDP and employed 85 percent of the population. In 2002–2003, with drought and a collapse in coffee prices, real GDP growth plunged to –3.8 percent. Improvements in rural poverty reduction stalled, while urban poverty worsened. Although some notable improvements were made in education and health during the 1990s, challenges related to the availability and quality of social services remain. For example, only one-third of the children were in primary school in 1999–2000, and adult literacy remains very low, especially among women in rural areas. Population growth remains high at 2.5 percent per year. Per capita spending on health is about one-sixth the Sub-Saharan average. Safe drinking water is available to just 15 percent of the rural population. And HIV/AIDS is a growing threat.

Figure 4.1 Ethiopia at a glance

	Ethiopia	Sub-Saharan Africa	Low-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (<i>millions</i>)	68.6	703	2,310
GNI per capita (<i>Atlas method, US\$</i>)	90	490	450
GNI (<i>Atlas method, US\$ billions</i>)	6.4	347	1,038
Average annual growth, 1997–03			
Population (%)	2.3	2.3	1.9
Labor force (%)	2.2	2.4	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	44	..	..
Urban population (% of total population)	16	36	30
Life expectancy at birth (<i>years</i>)	42	46	58
Infant mortality (<i>per 1,000 live births</i>)	114	103	82
Child malnutrition (% of children under 5)	47	..	44
Access to an improved water source (% of population)	24	58	75
Illiteracy (% of population age 15+)	59	35	39
Gross primary enrollment (% of school-age population)	62	87	92
Male	..	94	99
Female	..	80	85

Source: World Bank.



Ethiopia adopted a federal constitution in 1994 with a commitment to *ethnic federalism*, or regional devolution drawn along ethnic lines. In 1998, a border and trade dispute between Ethiopia and Eritrea degenerated into full-scale war that imposed a heavy toll on the economy. A peace agreement was reached in 2000, but tensions remain high. Attempts to open the political system to competition have faltered over the years. The emergence of a single-party system has increased the public's alienation from the democratic process.

Supported by Bank and Fund credits, measures were taken in the immediate post-conflict period to support the exchange rate management, public sector management, public expenditure management, private sector development (investment and urban land reform), and export competitiveness. But the pace of reform has lagged in part because of reluctance to allow private entry into the financial sector. In addition, some larger companies that were to be privatized did not find buyers.

In an attempt to rebuild confidence, in 2001 the ruling party congress reviewed the country's development policy and implementation strategies and announced far-reaching changes in the formal structures of govern-

ment. There were three key outcomes of these reforms: (i) a wave of decentralization designed to bring government closer to the people by devolving increased authority from the regional level to the district level; (ii) a new cabinet involving key appointments from outside of the ruling party; and (iii) the creation of five super-ministries to coordinate and renew the drive to improve government efficiency.

The government's long-term development strategy and the current Five-Year National Development Plan (2001–2005) remain centered on the Agricultural Development-Led Industrialization Strategy (ADLI), which dates back to 1994. ADLI also provided the framework for the Interim PRSP, which focused on food security, improved marketing systems, irrigation development, expansion of extension services, capacity building and human resource development in education and health. Agricultural development will form an important part of any rural poverty strategy in Ethiopia. But without a well-developed urban system linked to national and international markets, sustainable agricultural development will be very difficult to achieve.

Ethiopia reached the Decision Point under the HIPC Initiative in October 2001, granting it much-needed debt relief. But like many other

low-income countries, Ethiopia has a low capacity for taking on new debt.

The PRS process—good for government-donor relations

The timing of Ethiopia's PRSP, completed in August 2002, was opportune from the standpoint of government-donor relations, which had been poor because of differences over the war with Eritrea. The PRSP gave the government an opportunity to articulate its agenda to internal and external constituencies, while bringing together a range of policy commitments under a comprehensive and long-term framework (box 4.1). The government already had a series of national strategy documents emphasizing poverty reduction—ADLI, the Third Five-Year Development Plan, and the National Food Security Strategy. These strategies commanded the support of the political elite. The PRSP made it possible to integrate these strategies into a unified development framework for endorsement by the wider society and the external assistance community.

Ownership, participation

The PRSP has been well received in government circles. Ownership at the central government level has been high because of strong continuities between the existing policy agenda and the PRSP.

The consultative process for preparing the PRSP was broad-based, closely mirroring the federal and administrative hierarchy of the country—a major undertaking given the size of the country and its population. Between November 2001 and March 2002, the federal government conducted public discussions at the district and regional levels. Those discussions were monitored by NGOs and the donor community. Civil society organizations (CSOs) and the donor community also organized a series of public discussions and consultations at the regional and federal levels (box 4.2).

Most respondents to an OED survey of national stakeholders and the donor community regarded the consultative process as an important first step toward increased voice and local accountability. District officials

Box 4.1

The four pillars of Ethiopia's PRSP

- Agricultural development—led industrialization and food security
- Governance, decentralization, and empowerment
- Reform of the justice system and the civil service
- Capacity building

Box 4.2

Civil society mobilization around the PRSP

The PRSP provided a platform for an active engagement of civil society in the public policy process. In various ways the NGOs confronted their capacity problems and the traditionally closed culture of the government.

- **First, they organized themselves into an “NGO Task Force on the PRSP” that held a series of awareness and sectoral analysis workshops. They commissioned a study on NGOs’ contribution to poverty alleviation. They monitored consultations at the district level and made successive attempts to work closely with the government’s PRSP secretariat.**
- **Second, they formed coalitions with the donor community.**
- **Third, they engaged various stakeholders in a series of public discussions. For example, the Forum for Social Studies ran a Poverty Dialogue series in which policy issues were raised and submitted as part of the PRS process.**

Source: Abebe Haile-Gabriel, “The PRSP Process in Ethiopia: Second Meeting of the African Learning Group on PRSPs,” Brussels, November 2002.

noted the benefits in terms of raised awareness about poverty issues and an increased emphasis on self-help at the community level.

Among domestic and international NGOs working at the federal and state levels, views on the consultative process were less sanguine. The majority recognized the importance of the process and its intrinsic value for those who participated, but a significant number felt that the consultations promised more than they delivered. There was little space to consider policy alternatives, a finding supported by survey results. Some civil society organizations and donors expressed disappointment that the final PRSP document did not adequately reflect issues

raised during the consultations and that opportunities for stakeholder engagement had declined following the end of the consultative process.

Comprehensiveness, long term

The PRSP presents a broad diagnosis of poverty and its key determinants using the results of two Household Income Consumption and Expenditure surveys (HICES) carried out in 1995–1996 and 1999–2000, as well as a series of welfare monitoring surveys conducted annually since 1995–1996. Most of the poverty analysis details quantitative trends in income-based poverty, over time and across regions. Also covered are nonincome dimensions of poverty—nutritional levels (stunting and wasting), access to health services, literacy, and various dimensions of asset ownership. And the analysis addresses key areas of vulnerability—food security and HIV/AIDS—but in a highly aggregated manner.

The resulting poverty profile represents a marked improvement over previous efforts as set out in ADLI, the Five-Year Plan, and other strategic documents. What is missing from the diagnostic document is a qualitative assessment of peoples' perceptions of poverty and vulnerability. No substantive use is made of qualitative findings from the PRSP consultations, despite obvious disparities between the quantitative analysis and the perceptions expressed by ordinary people during the consultation process to the effect that the level of poverty was increasing rather than declining. At a minimum this apparent disagreement is likely to reflect discrepancies between subjective and objective data—not an uncommon result. A more serious interpretation might be that the quantitative trends noted in the poverty profile are in some sense misleading because of comparability problems between the 1995/1996 and 1999/2000 HICES data.

Partnerships

The PRSP provided a context for a range of new partnerships between government and donors and between government and private sector partners. The Development Assistance Group (DAG), composed of some 40 donors, played a

vital role during PRSP formulation and subsequently in supporting greater alignment and harmonization in implementation. A public-private sector consultative forum was established to address major problems identified by private sector partners during the consultative process.

During the PRS process donors agreed on rules of engagement, including establishment of a Joint Donor Fund for PRSP preparation. Donors felt obliged to join the DAG and agree on a plan for moving forward. Close collaboration between government and donors during the process, especially the consultation process, had the effect of building greater mutual understanding across, within, and between the two groups (box 4.3). Related efforts to expand cooperation around the Public Expenditure Review (PER) and the Country Financial Accountability Assessment (CFAA) also secured a stronger basis for donor partnership.

Efforts were made to improve aid effectiveness through more coordination among donors, more direct support for country budgets, fewer loan conditions, and less onerous compliance procedures. Those efforts enhanced government-donor relations in Ethiopia. Although donors had begun providing various forms of budget support before the PRSP, the PRS process strengthened the approach, helping donors coordinate and harmonize their efforts.

While progress with donor alignment and general budget support appears to have moved more quickly than in many other low-income countries, it remains difficult to assess the extent of the realignment of donor support to the PRSP. Not all donors are equally keen on alignment, and several are adopting a wait-and-see attitude. Limited prioritization within the PRSP is one reason given by such donors for their caution. There is also uncertainty about how new money being made available through various global funds, specifically for HIV/AIDS, will fit into the PRSP framework.

Results orientation

The PRSP highlights areas that need to be strengthened if implementation of the strategy

Box 4.3**An architecture for government–donor dialogue**

Government and donors have agreed on a new dialogue architecture for government-donor dialogue. The structure consists of three layers:

- **A high-level government-donor forum will meet quarterly at the ministerial level to encourage mutual accountability and better policy dialogue. More specifically, the forum will: (i) oversee PRSP implementation and monitoring; (ii) oversee**

progress with harmonization; and (iii) provide a forum for discussion of policy issues.

- **The forum will be supported by subsidiary groups of two kinds: joint sectoral groups and groups covering processes (such as public finance management).**
- **The architecture will be supported by a secretariat responsible for horizontal and vertical communications between the high-level forum and the subsidiary groups.**

is to be effectively monitored. Those areas include building the capacity of the central statistical authority and also the Welfare Monitoring Unit of the Ministry of Economic Development and Cooperation, and ensuring consistency across reporting systems at different levels. Most important of all is strengthening analysis and use of data at all levels of government, specifically at the regional level and below, to reinforce the government's commitment to deeper decentralization. A key requirement will be to involve nongovernment stakeholders in generating, analyzing, and using the data. The PRSP contains no timetable or plan for any of these actions.

The PRSP does provide 25 indicators and targets for monitoring and evaluating the implementation of the strategy. Most relate to the social sectors—poverty headcount, education, and health. Nine performance targets incorporate the main HIPC triggers required for reaching Completion Points under the HIPC Initiative.

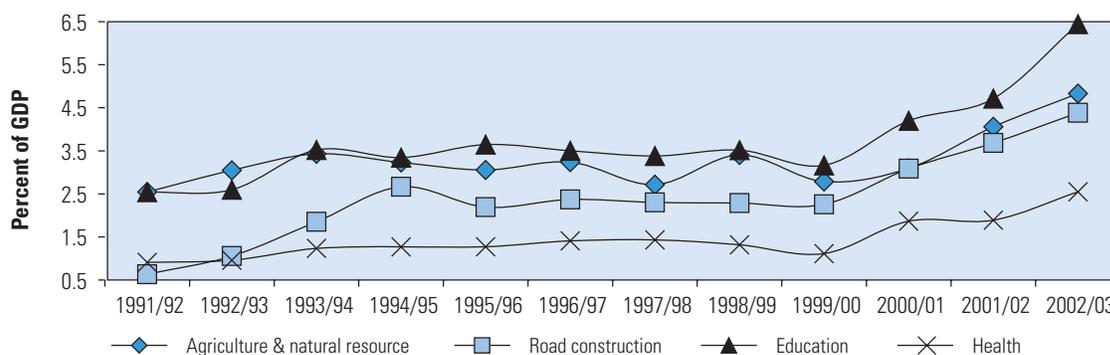
Progress with monitoring and evaluation was initially slow. Interviewees from within and outside government spoke of a loss of momentum linked to the emergency situation, the demands of the new block grant system, and the time taken up by harmonization and other donor-related issues. At the time of the evaluation mission, progress had picked up. The December 2003 Annual Progress Report sets out a comprehensive plan for a monitoring and evaluation system, but indicators must be developed, and it is unclear how the system will work in the context of decentralization.

The government's prior approach to poverty reduction had lacked a coherent framework for monitoring and measuring progress. Individual programs had developed monitoring and evaluation frameworks, and the Welfare Monitoring Unit gathered data on key poverty trends, but none of the data had been used systematically to measure progress against specific policies and programs. In addition, there had been no clear articulation of the resource envelope needed to finance the strategic aspirations of government. The PRSP provided this.

Before the PRS process began, the government of Ethiopia had committed to increasing spending on poverty-oriented sectors (figure 4.2). Continued commitment to poverty-oriented spending is clearly a part of the PRSP resource allocation framework, but actual budget figures are well below estimates, suggesting a lack of realism and discipline in planning.

Increasing the poverty focus of spending under the PRSP will depend on the government's adoption of a timetable for ongoing reforms in public expenditure management and on integrating capacities for welfare analysis and expenditure planning from the federal level down to the district level. At the local level, the challenge of aligning budget priorities with those of the PRSP is great. District budgets are in flux in regions undergoing the second wave of decentralization, and officials appear uncertain how recent changes in the block grant system and devolution of responsibility for service delivery are related to each other and to the PRSP.

Figure 4.2 Spending in poverty-oriented sectors in Ethiopia



Source: Ethiopia PRSP and the Ministry of Economic Development and Cooperation.

Preliminary results

There is some evidence of progress as a result of the PRS process. Bank staff point to important shifts in the government's attitude toward policy discussions in areas previously out of bounds, such as business regulation, land tenure, telecoms, and financial-sector development. At the time of the evaluation, however, those discussions had not led to more market-based approaches.

Progress is also evident in the recent push toward more devolved and responsive local government. The decision to push ahead quickly with block grants to the districts in the four largest regions has provided a clear indication of the government's intention to address critical service delivery blockages and promote downward accountability—both central to PRSP implementation. A major challenge will be providing the right incentives and overcoming capacity weaknesses at lower levels of government.

Although Ethiopia has a fairly sound public-expenditure management system, the pace of improvement in aligning the budget with the PRSP has been slower than hoped. The medium-term Macroeconomic and Fiscal Framework is a shadow exercise, and the full procedural integration of recurrent and capital budgeting has not yet been put into effect.

Disbursement of budgeted funds was greater in 2002–2003 than in 2001–2002, but still below

the levels forecast in the PRSP. The annual performance review detailed budgeted increases for 2003–2004, but no clear indication was given for the basis of such projections, nor was there any further prioritization of core poverty programs. It is not clear, therefore, that the problem of unrealistic budgeting has been cured.

The full cost of the programs necessary to achieve PRSP targets exceeded available resources envisaged in the Macroeconomic and Fiscal Framework, possibly due to optimistic assumptions regarding real GDP growth in the PRSP (5.7 percent per annum until 2015). Under the circumstances, a doubling and possible tripling of official development assistance will be required to help Ethiopia meet the MDGs in poverty, education, hunger eradication, water and sanitation, and HIV/malaria by 2015. Given the country's very limited ability to absorb further debt, increased aid flows will have to come in the form of grants.

World Bank support—more decisionmaking in the field

The Bank has played a constructive role in the PRS process in Ethiopia. While supporting the government with advice and technical inputs as needed, the Bank has respected the principle of country ownership.

Bank engagement was shaped by the CAS preparation process, which ran virtually in parallel with PRSP formulation. CAS consulta-

tions, involving a series of high-level workshops during 2002–2003 on themes such as decentralization, private sector development, capacity building, and rural development, were intended to echo issues that the government raised in the PRSP. It is difficult to determine if running the CAS preparation process in parallel with the PRS process increased costs to government. Strong synergies between the CAS and the PRSP are consistent with Bank guidance, but it seems equally important to avoid putting an extra burden on the government.

Responses from government officials about Bank support for the PRSP were almost universally positive. Government officials noted that relations with the Bank had improved with the increased status of the country office and the country director based in Addis. This was echoed by members of the DAG who had witnessed a significant improvement in donor-Bank relations since 2000–2001.

Representatives of some NGOs saw the Bank's support for country ownership as a double-edged sword. Although they agreed that a country-led, country-owned process was crucial, they were concerned that the government paid insufficient attention to their views and demands for inclusiveness and wanted the Bank to advocate more strongly on their behalf. A more comprehensive communication strategy at the beginning of the PRS process could have helped set clearer expectations about the process and the roles of government, donors, and NGOs.

The CAS for Ethiopia focuses on three clusters of objectives—enhancing pro-poor growth, enhancing human development outcomes by improving governance, and reducing vulnerability—that track closely with the four pillars of the PRSP. At the heart of the assistance program is a series of PRSCs intended to support each of the strategic objectives of the CAS. Other new aid modalities are considered, including capital grants to local authorities for infrastructure development and a programmatic approach to public sector capacity building. One of the most innovative elements of the CAS is the plan to use the nonlending program as a tool for furthering national

dialogue and to strengthen monitoring and evaluation of key policies included in the PRSP.

The CAS program is wide-ranging, covering a broad spectrum of projects and programs. Its breadth reflects the scaling up of IDA assistance following the end of the war and that the PRSP itself is a wide-ranging and relatively weakly prioritized document. In the medium to long term, while other donors scale up their programs, IDA aims to become more selective, focusing on areas that attract less support from other donors, such as infrastructure. In the meantime, the current CAS is ambitious. The challenge for the Bank will be to manage a broad (and high-volume) strategy and ensure sufficient complementarities for other actors in support of the PRSP.

IMF support—constructive engagement

From the perspective of IMF staff, the PRS process was a period of constructive engagement. Fund staff based in Addis Ababa participated in several PRS consultations and PRSC missions, and the Fund was an active member in DAG discussions. Washington-based Fund staff, though less involved on a regular basis, did take the lead in encouraging government to assess the sources of growth and to consider alternative macroeconomic scenarios in the PRSP. The IMF country team also played a central role in preparing the JSA in collaboration with the Bank country team.

Collaboration could have been better in the early stages of the CFAA. Some participants believed that the IMF could have supported (or been asked to support) the process more directly and, as a result, taken greater ownership of the findings. IMF participation in PERs was also an area that some donors believed needed to be strengthened. The IMF did commit resources to the 2001 PER, including drafting a chapter on fiscal policy, but the perception was that Fund ownership of the PER's findings was limited—with implications for the PRGF.

A future role for the Fund in a strengthened PER process is essential to future alignment of the PRGF and PRSP. Some senior staff in the Ministry of Finance and Economic Development expressed concern about a disconnect

between the macroeconomic framework set out in the PRGF and the financing needs of the PRSP, asserting that the Fund's programming rules were not in complete agreement with the financing demands of the PRSP. The Fund's view was that the assumptions in the PRSP were too optimistic, and that a more realistic macroeconomic framework was necessary to ensure that programs were prioritized and targets could be met.

Conclusion—a revived partnership

The PRS process has been a successful experience for both the Ethiopian government and the Bank. The government views the PRSP as an important opportunity to articulate its long-standing policy program to both internal and external constituents. Many donors view it as the first step on the road to more responsive and transparent government and a new context for aid relations. Many civil society organizations and NGOs view the PRS process in a more radical light, hoping for a more fundamental shift in the political economy of policymaking and the consideration of policy alternatives. Remaining aware of these differing expectations and finding the right balance between respect for country ownership and providing intellectual and financial leadership are likely to be critical challenges for the World Bank. And extending ownership of the PRS process beyond Addis Ababa will be crucial for the next phase of the PRSP.

While the PRSP is still in its infancy, the evaluation uncovered some potentially divergent expectations about the process. The principles have been adhered to for the most part and have provided momentum and a new sense of direction for what was, until recently, an ailing government-donor partnership. Ensuring that the recent gains are sustained will require some changes on both sides of the partnership, including some fairly quick evidence that donors are truly serious about alignment and harmonization. But it appears that the donor community is keen to support government's commitment to far-reaching institutional and structural reforms.

The impact of the PRS process on relations between government and civil society is mixed. There is evidence of positive change in some areas, such as the creation of a formal dialogue between government and the private sector. Some observers believe that the scale of the consultations is evidence that government and civil society relations are moving in a positive direction. Others are less convinced and conclude that the promise of the PRSP was overwhelmed by deficiencies in the political system—poor transparency, accountability, and weak political institutions. Sustaining the PRS process will require further institutionalization of structures and supports, notably the sectoral, regional, and district strategies and action plans. There is an urgent need for all involved to link policy and practice more effectively.



Guinea

The IEO evaluation team visited Guinea in April/May 2003 and held meetings in Conakry and Mamou, one of eight regional capitals. Among the sources for the analysis presented here was a survey of 53 local stakeholders representing government, civil society, and international partners. IMF operations have not been reviewed beyond end-2002. However, developments on the ground (including progress under the PRS approach) have been taken into account through end-2003.

Good potential to benefit from the PRS approach, but weak institutional capacity

Guinea, with a population of some 8.5 million, is rich in natural resources, particularly bauxite and gold. But its GDP per capita is just US\$550—a legacy of isolationist and central planning policies that retarded economic development. Since 1985 the country has been embarked on a gradual process of economic opening and liberalization, with the support of the World Bank, the IMF, and a handful of bilateral donors. Since the mid-1990s, Guinea has enjoyed an annual real GDP growth of 4 to 6 percent, while inflation has averaged about 5 percent.

Despite this relatively stable macroeconomic environment, Guinea's social indicators are weak. In 2002, Guinea ranked 159 out of 173 countries in the Human Development Index compiled by the UNDP. Almost two-thirds of the population is illiterate and more than

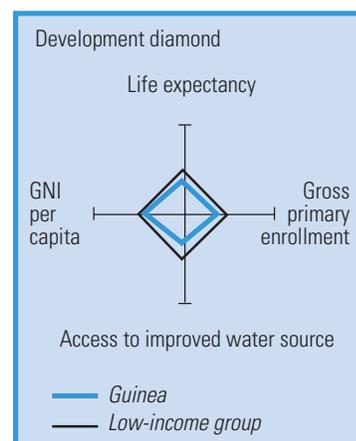
40 percent live below the poverty line. In recent years Guinea has had to cope with spending pressures associated with a significant influx of refugees fleeing political conflicts in neighboring Côte d'Ivoire, Liberia, and Sierra Leone. Defense spending has risen in response to security concerns along the country's borders.

Revenue mobilization by the central government is poor—under 12 percent of GDP—largely because of weak tax administration, widespread corruption, and extensive use of tax exemptions. Weak and nontransparent public expenditure management and a narrow but costly and nontransparent state-owned enterprise sector have compounded the problem. The net effect has been to undermine the government's ability to finance programs in the priority social sectors. Poor transport and communications infrastructure, unreliable utilities, and rampant corruption have undermined private sector development, leaving the economy heavily dependent on a narrow mining sector for tax and export revenue.

Figure 5.1 Guinea at a glance

	Guinea	Sub-Saharan Africa	Low-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (<i>millions</i>)	7.9	703	2,310
GNI per capita (<i>Atlas method, US\$</i>)	430	490	450
GNI (<i>Atlas method, US\$ billions</i>)	3.4	347	1,038
Average annual growth, 1997–03			
Population (%)	2.2	2.3	1.9
Labor force (%)	2.1	2.4	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	35	36	30
Life expectancy at birth (<i>years</i>)	46	46	58
Infant mortality (<i>per 1,000 live births</i>)	106	103	82
Child malnutrition (% of children under 5)	33	..	44
Access to an improved water source (% of population)	48	58	75
Illiteracy (% of population age 15+)	..	35	39
Gross primary enrollment (% of school-age population)	77	87	92
Male	88	94	99
Female	66	80	85

Source: World Bank.



IDA is the country's largest source of concessional financing, accounting for approximately one-quarter of net official development assistance in 2000 and 2001. Beyond IDA and the IMF, the donor community is fairly narrow. Since late 2001, in light of concerns with the quality of governance, most donors have scaled back their assistance and refrain from providing general budget support. Thus, at the time of the evaluation, Guinea was going through a period of relative aid drought, which may have affected domestic stakeholders' perceptions of the PRS Initiative.

In 1995, following the release of data ranking Guinea at the very bottom of UNDP's Human Development Index, Guinean authorities embarked on a human development program with support from the World Bank. That exercise resulted in the production of a long-term development strategy titled "Guinea Vision 2010," in which the government made a commitment to invest in human capital and promote good governance. The top priorities identified by participants in a National Consultative Forum conducted under the strategy were rural development, access to basic education, access to primary health care, development of local entrepreneurship, and improved governance. Those priorities were

subsequently embodied in the MTEF, which authorities began implementing in 1998. In 1999, the application of the MTEF was expanded to include three additional priority sectors—justice, urban development, and housing and social affairs.

Guinea was declared eligible for the HIPC Initiative in December 1999 and reached its Decision Point a year later, having prepared an Interim PRSP (I-PRSP) in October 2000.

The PRS experience—a "good document," but inadequate process and limited implementation

Guinea's full PRSP, completed in January 2002, meets the formal requirements set out in the PRSP guidelines and approaches the problem of poverty from a comprehensive perspective. The strategies embedded in the document are suitably results-oriented, in the sense that the expected outcomes are clearly identified, and the PRSP also contains elements of a long-term perspective. The PRSP is built around three pillars: enhancing economic growth, promoting delivery of and equitable access to basic services, and enhancing governance and institutional and human capacity building.

These characteristics contribute to the widespread perception within the donor com-

munity and among informed observers that the Guinean PRSP is “a good document.”¹ However, several qualitative shortcomings limit its usefulness as an operational guide to policy-making. These include the use of an outdated data set for the poverty diagnosis and little analysis of the determinants of poverty or the links between specific policies and programs and poverty outcomes, both of which reflect technical limitations tied to the time frame chosen by the authorities for the formulation of the PRSP. Perhaps the most important shortcoming was the failure to integrate the macroeconomic framework with the rest of the poverty reduction strategy.

That failing led to other problems. First, many of those interviewed by the evaluation team in Guinea—especially outside government circles—found the PRSP targets and objectives to be overly optimistic (such as reaching an annual GDP growth rate of 10 percent by 2010). Second, there was little discussion of the interactions between macroeconomic and sectoral policies—in particular how sectoral policies might contribute to reaching macroeconomic objectives, such as revenue and GDP growth, or the impact of exchange-rate policy on export diversification.

Also missing was a discussion of likely tradeoffs between competing policy objectives. Many private sector and civil society stakeholders, along with a number of government officials, expressed the view that the priority actions listed in the PRSP were insufficient to address the main structural obstacles to growth, including constraints to private sector development. Fewer than half of the respondents agreed that the document offered an appropriate balance between growth and poverty alleviation.

Finally, many stakeholders interviewed—even those who praised the PRSP content—felt that the strategy was out of touch with existing implementation capacity. This judgment applied notably to the provisions related to indicators and monitoring arrangements—there was as yet no structure to collect and analyze the data needed for the indicators. Other priority public actions listed in the PRSP

were believed to exceed the government’s capacity to deliver, owing both to technical capacity and financing constraints.

Ownership, participation

Given the low literacy rate of Guinea’s population, the scarcity of autonomous CSOs and their limited technical capacities, the prohibition of private radio and television, and the limited circulation of newspapers outside the capital, it would have been unrealistic to expect the formulation of Guinea’s first PRSP to meet the objectives of broad-based participation and broad country ownership.

Significantly, then, both local stakeholders and international partners believed that the outreach effort went much further than at any time before, if only because it extended over a longer period and involved a larger share of the population. In addition, the high profile of the PRS process raised awareness throughout the country of the most challenging obstacles to poverty reduction. One example of issues that was emphasized during this dialogue is the need for better governance—coupled with fiscal decentralization and local community empowerment as key elements of an anti-corruption strategy.

Nevertheless, the extent to which the participatory process actually influenced the final PRSP is difficult to measure. The authorities contend that the process validated the findings of previous participatory exercises. And close to 60 percent of survey respondents agreed that the final document had been modified to accommodate some of their viewpoints. But a systematic comparison of the action plans envisaged for selected areas in the I-PRSP and in the full PRSP does not suggest that significant changes were made, although in some cases details were added and priorities outlined. For example, the participatory process had limited impact on macroeconomic policy (box 5.1). Perhaps that is because little effort was made, including by the IMF, to highlight key policy tradeoffs in a manner that might have encouraged debate.

Although Guinea does have a participatory tradition, the government does not encourage

Box 5.1**Impact of the participatory process on the macroeconomic framework of Guinea's PRSP**

Participation had little impact on the macroeconomic aspects of the PRSP. Even discussions in the thematic group dedicated to macroeconomic policy were limited in scope, according to participants interviewed. The group reported having active discussions that identified, as a major priority, the importance of keeping inflation under control, given its negative impact on the poor. Another major concern was the need to increase availability of micro-credit. Unfortunately, there was no in-depth discussion of the pros and cons of policies that might achieve these objectives.

The group did not discuss the overall macroeconomic framework or structural reforms of critical macroeconomic importance,

such as the reform of state-owned enterprises. Group members told the evaluation team that they assumed the macroeconomic framework would be set in the context of separate negotiations over the PRGF. The group did not interact with the teams in charge of those negotiations or with the PRGF monitoring committee.

Moreover, in the absence of formal interactions between the macroeconomic thematic group and the sectoral groups, there was no mechanism for integrating the plans of the latter into the macroeconomic framework or for ensuring that sectoral plans were conceived within a realistic budget.

the free expression of views, especially critical views, in the presence of government representatives. Thus, a consultation process that relied predominantly on large popular gatherings orchestrated by senior civil servants and, frequently, cabinet ministers, was unlikely to generate anything but a broad endorsement of the policies put forward by the authorities. At the same time, the process did give participants a forum to air their perceptions of poverty and to express their needs. And the involvement of senior officials in the outreach process was viewed favorably by many of those interviewed.

The organizations called upon to represent civil society were, in some cases, far from truly representative—a problem made worse by the limited number of slots allocated to civil society in the thematic consultative groups (on average, 4 out of 30). The institution officially mandated to represent the interests of civil society, the Economic and Social Council, did not have representatives in any of the initial thematic groups and generally felt its own involvement in the process was unsatisfactory.

Limitations on the participatory process might have been avoided, or at least mitigated, by using other consultation formats, such as seeking feedback on the merits of policy options and on the resolution of tradeoffs between intermediate objectives. The scope of the process could have been broadened by using additional communication channels with

the population (box 5.2). For example, a greater role could be given to representative institutions such as the National Assembly and the Economic and Social Council. Civil society organizations with ties to grassroots communities throughout the country—including religious organizations—could have been asked to participate in the consultations. And public debate could have been encouraged outside the government-led PRS process—for example, in the media or the academic community.

The JSA of the full PRSP by the Bank and Fund was not helpful in conveying the constraints and limitations of the participation process. In addition to flagging the participatory formulation process as one of the main strengths of the PRSP, the JSA noted that “civil society participated effectively” and that the process led to “a genuinely country-owned strategy.” A more candid assessment would have noted the constraints faced and given a sense of what could realistically be achieved in a country like Guinea, while recognizing what had already been accomplished.

Comprehensiveness, long term

Officially, the PRSP became the single frame of reference for all government policies; in practice, the impact of the PRSP on policymaking is more elusive.

Macroeconomic conditions and financing constraints are still analyzed and discussed only

Box 5.2**The PRSP dissemination strategy in Guinea**

The Guinean PRSP is long and written in relatively technical language. Although it was made public soon after its adoption by posting on the IMF Web site (in English only), the authorities printed only 500 copies of the document, which were disseminated primarily to institutional partners, domestic and foreign.

Access to the document by the general public was severely limited. Outside government circles, most people interviewed by the IEO in Guinea indicated that they either had not been able to obtain a copy of the PRSP, or had obtained one through “informal” channels.

Even members of the National Assembly and the Economic and Social Council expressed frustration with the way their institution was given access to the final document (upon specific request, with considerable delay, and without having an opportunity to debate it in a formal session).

Plans to produce a layman’s version of the PRSP, abridged and simplified, had yet to be implemented when the team visited Guinea, more than a year after the adoption of the full PRSP by the government.

within a very small circle around the minister of finance. Budgets submitted to the National Assembly since the PRSP was completed formally reflect PRSP priorities. But their practical implications for resource availability at the level of line ministries and other executing agencies must still be viewed as limited, because key decisions on the allocation of spending cuts across sectors are made by the Ministry of Finance with little consultation on priorities. Nevertheless, budget allocations to priority sectors have been relatively protected from ad hoc cuts.

Problems with the domestic budgetary process are mirrored in two shortcomings of the PRSP itself. First, the strategy did not address how the macroeconomic program would adapt to exogenous shocks and failures of key assumptions to materialize (such as GDP growth and external financing). Second, the PRSP did not prioritize the public actions it outlined or establish criteria for setting priorities among competing demands across and within priority sectors. There are no systematic links between the action plans of the PRSP and the sectoral strategies and expenditure plans of line ministries or between the PRSP and regional strategies developed (at considerable cost) to implement the national plan. When actual macroeconomic developments diverged significantly in mid-2001 from the path assumed in the PRSP, the relevance of the PRSP was immediately challenged as the appropriate frame of reference for policymaking. A year

later, negotiations with the IMF on the measures needed to bring the PRGF-supported program back on track do not appear to have been guided by the PRSP.

Partnerships

As of April 2003, more than a year after completion of the PRSP, no major donor was able to identify significant adaptations in its assistance program in response to the PRSP. Nor did there appear to be much progress in the coordination of strategic priorities among donors. Several suggested that the authorities’ failure to organize donor coordination was to blame for the limited effectiveness of the PRSP, noting that the authorities had not convened a multi-donor meeting since May 2002, although government officials from various ministries had been approaching donors in an uncoordinated manner with competing demands, using the PRSP to justify specific requests. Donors viewed the absence of priorities in the PRSP as limiting its usefulness for prioritizing requests for assistance.

Results orientation and monitoring

The PRSP provides no road map for implementation, nor has separate plans or institutional arrangements to implement it being developed. Arrangements for involving civil society in implementation of the PRSP are likewise lacking. The thematic groups that contributed to the full PRSP have not been convened since the PRSP was completed.

The authorities indicated that they hoped to merge the original seven thematic groups into four, each responsible for analyzing and processing the available feedback and for preparing updates in their domain. Nevertheless, 18 months after completion of the PRSP, no arrangements had been made to ensure the sustainability of the PRS process. If the PRS process turns out to be short-lived, despite the high profile the government gave it, the population may become disillusioned and disinclined to participate in future poverty reduction efforts.

A few stakeholders—mostly in the donor community—expressed the view that the delayed takeoff of the implementation process was largely inevitable under the circumstances. They believed that the groundwork would bear fruit eventually, when overall economic and political conditions were more conducive to a wholehearted implementation by all partners.

Many survey respondents suggested that the sustainability and effectiveness of the PRSP would hinge on the development of a reliable and transparent monitoring process. Several nongovernmental stakeholders expressed the view that this objective would most likely be achieved if reporting on PRSP implementation and evaluation of its impact relied on existing vehicles, such as the implementation reports systematically attached to certain laws rather than on instruments prepared specially for the Bank and Fund.

Preliminary results

Sectors identified as priorities in the PRSP have been receiving higher and more stable allocations than sectors not so identified. Non-wage current expenditure in priority sectors increased from 1.2 percent of GDP in 2001 to 1.6 percent in 2002, and public investment from 7.1 to 7.8 percent of GDP. Data on education also suggests tentative improvements in school enrollment rates for girls.

It should be noted, however, that the relative drying up of external assistance since the adoption of the PRSP (for reasons unrelated to the PRSP itself) has unquestionably curtailed the authorities' ability to fully

implement the action plans outlined in it (figure 5.2). The government's subsequent efforts to support social spending rekindled inflation (figure 5.3).

Most stakeholders interviewed in Guinea believed that the PRSP played a useful role in raising the profile of governance issues in the public debate. However, they also noted that the actual results of this higher profile had so far been limited. For example, although laws and regulations to effect changes pertaining to decentralization and transparency had been issued by mid-2003, actual change on the ground was lagging behind, owing to administrative resistance at the central level and severe capacity limitations at lower levels and within audit and inspection departments. Publication of spending allocations had begun, but journalists were not permitted to verify independently the data they received from the ministry.

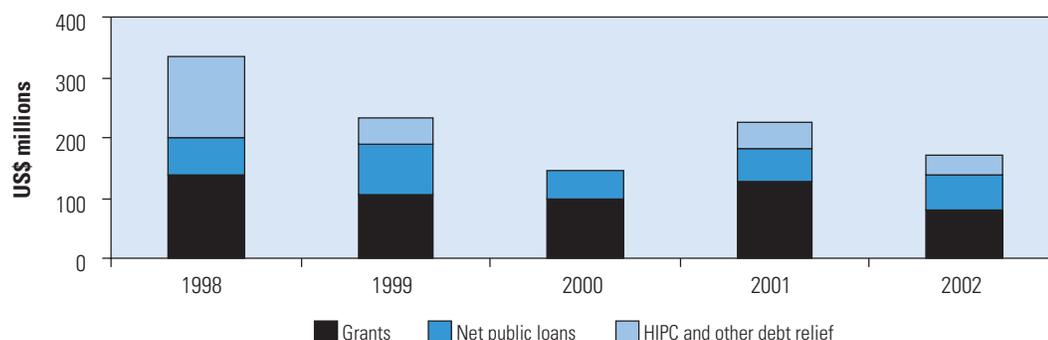
IMF support—a challenging policy environment

Since 1987 the country has drawn on concessional IMF resources, with one arrangement under the Structural Adjustment Facility, two arrangements under the Enhanced Structural Adjustment Facility (ESAF), and more recently a three-year arrangement under the PRGF. Performance under these successive arrangements was generally poor. As a result, none of them could be disbursed fully, even after extending the commitment period.

A new three-year PRGF arrangement was negotiated in early 2001. It went off-track soon after, so that the first review could not be completed until July 2002, seven months behind schedule and after implementation of a four-month "consolidation plan." Slippages resumed immediately after completion of that review, primarily in the areas of public expenditure and monetary policy. After a few unsuccessful efforts to correct the course, the program went off-track again in December 2002.

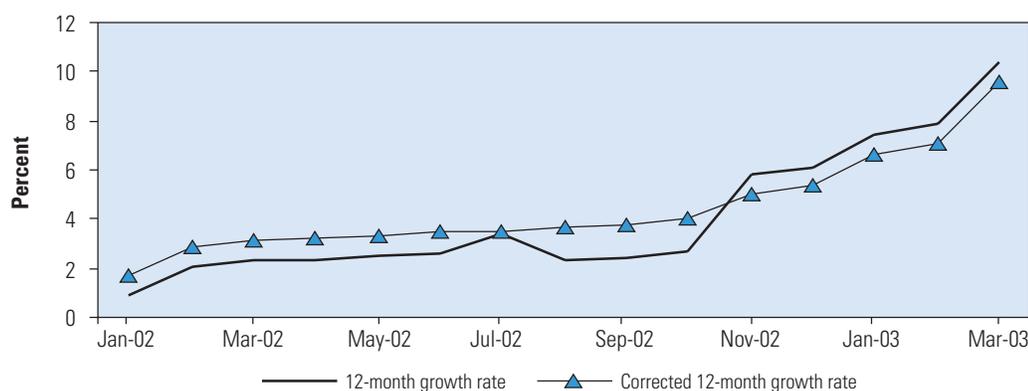
A few changes have been observed in the IMF's way of doing business under the PRS Initiative. Limited efforts were made early on to analyze the social impact of key elements of the program, but they faltered. However, there is

Figure 5.2 Official aid to Guinea, 1998-2002



Source: IMF.

Figure 5.3 Changes in consumer price index in Guinea, January 2002-March 2003



Source: IMF.

evidence that more policy space is given to the authorities in the negotiation of structural conditionality, and that meeting macroeconomic targets by squeezing social spending is now viewed by the IMF as an unsustainable strategy. Despite a poor macroeconomic environment, the IMF made efforts to adapt its program to protect priority spending from adverse shocks and policy slippages. However, it was unclear to Guinean stakeholders what tradeoffs the IMF might be willing to accept, in part because of poor alignment between the PRGF and PRSP, in part because of the absence of institutional forum in which to hold follow-up discussions on necessary changes to macroeconomic policy, and in part because

IMF staff made only limited efforts to explain the rationale for the PRGF-supported program to audiences beyond the authorities.

The failure of the IMF to use the PRS process to make sure that key policy issues and tradeoffs in its areas of competence were duly aired and debated stemmed from lack of time and staff resources, reluctance of the authorities, and lack of clarity about what was expected of the staff in what was meant to be a government-led process.

The design of the PRGF-supported program reflects some progress toward most of the seven key features that are supposed to distinguish the PRGF from the ESAF, but it is still a long way from being fully embedded in the PRSP:

- *Alignment.* The PRGF was approved before the PRSP was complete, and its original framework was adopted as the macroeconomic framework of the PRSP. That framework, however, was overtaken by external shocks, including the pressure of refugees from neighboring countries, so that by the time of the first review of the program there was a clear mismatch between the macro framework of the PRGF-supported program, which had been updated, and that of the PRSP, which had not. Consequently, the latter did not provide guidance on how to handle tradeoffs required by the new external environment, leaving the PRSP underfinanced and with unattainable macroeconomic objectives. Regarding structural policies, by contrast, the PRGF-supported program and the PRSP are broadly aligned.
- *Program design* did protect priority sector spending and allowed for substantial flexibility in fiscal targets, both to accommodate higher pro-poor spending and in response to shocks. However, that flexibility often resulted from after-the-fact adaptations that, not being determined on the basis of fully transparent criteria, gave rise to misunderstandings and exposed the Fund to charges of arbitrariness from the authorities and the donor community.
- *Structural conditionality* was noticeably streamlined in the sense that formal program conditions declined in number and became more focused on IMF core competencies. Conditionality was streamlined in areas where either the authorities had demonstrated strong ownership of the reform agenda or where an understanding was reached with the World Bank to make it the lead agency in that area. However, this trend coincided with the proliferation of informal conditionality, frequently imposed in the context of interim programs negotiated to get programs back on track, reflecting doubts in the Fund about the authorities' commitment to implementing key structural reforms and continuing governance concerns.
- Areas where progress has been lacking include the use of poverty and social impact analysis in program design and the realism of key underlying macroeconomic assumptions.

Bank-Fund collaboration

Collaboration between the IMF and World Bank was significantly enhanced at the working level from late 1999 onward, thanks to joint missions to the country and a clear articulation of respective “lead agency” responsibilities, leaving few areas of overlap. However, the division of labor in reducing the burden on the government of duplicative or conflicting loan conditions did not contribute to the achievement of desired reforms of state-owned-enterprises. Difficulties in this area were exacerbated by the fact that, reflecting a lack of country ownership, the PRSP did not contain a forward-looking strategy.

Conclusion—form over substance

By combining a diagnosis of poverty (even if based on old data) with a list of remedial actions in various sectors, all cast in a long-term perspective, Guinea's PRSP is a useful reference tool for policymakers and donors—and is a significant improvement over past modalities of public policy formulation. But it is far from an effective road map for policymaking and donor coordination, for at least three reasons:

- *Shortcomings in the PRSP.* The macroeconomic framework of the PRSP lacked realism and adaptability, objectives were insufficiently prioritized, and inevitable or foreseeable tradeoffs were not recognized. Nor were criteria provided to resolve them. Furthermore, the policy agenda contemplated in the PRSP appears to be at variance with the government's implementation capacity. The PRSP does not offer guidance to resolve conflicts between competing objectives or contingency plans against changes in the external environment.
- *Unspecified institutional arrangements for implementing, monitoring, and updating the PRSP.* For the most part the PRSP left these arrangements to be defined, and they remained tentative and unclear more than 18 months after the PRSP was completed. Thus the PRSP had yet to be integrated with domestic policymaking. Without this integration, both the relevance and the sustainability of the PRSP will remain in question.

- *Lower-than-expected donor support.* Because of the country's disappointing macroeconomic performance and concerns about governance, donor support has been less than expected in the PRSP. The PRSP failed to mobilize additional donor support.

It seems likely that a better outcome was within reach had different approaches been adopted. Such a result would have required a lengthier and probably more costly formulation process, greater technical support from the Bank and Fund, and an emphasis on substance over form.

The JSA of Guinea's PRSP fell short of meeting several of its many purposes. Although it offered a balanced assessment of the PRSP's contents and was candid in pointing out areas that required continued attention from the authorities, it was less candid in its description of the participatory process and in its assessment of implementation risks. In both cases,

the JSA was at odds with the perceptions of most nongovernmental stakeholders and many local donor representatives in Guinea. It did not incorporate inputs from parties other than the authorities and received very little dissemination in Guinea.

The impact of the PRSP has been limited to date, in part because of substantial shortfalls in external financing, but also for lack of government initiative. Its impact on the policymaking process is visible only in the budgetary process, where priority sectors have been protected to some degree, and through some progress in decentralizing revenues and spending authority. In other areas, such as governance, which the PRS process identified as critical, impact is hard to detect. Critically, the sustainability of the PRS process is far from ensured—two years after the adoption of the full PRSP, there were no clear institutional arrangements for its implementation, monitoring, or adaptation.



Mauritania

The OED evaluation team visited Mauritania in June/July 2003. Political volatility following a coup attempt in early June 2003 forced the mission to limit its coverage relative to the other case studies in this volume. Among the sources for the analysis presented here was a survey of 64 stakeholders representing government, civil society, and international partners.

Abundant resources, unmet needs

Mauritania's social indicators are slightly above the averages for Sub-Saharan Africa and have improved significantly in the last decade. In particular, Mauritania has made substantial and rapid improvements in education. For example, primary school enrollment for 7–12 year olds rose from 49 percent in 1986 to 84 percent in 2001, and literacy has increased to 57 percent. Access to primary health care increased from 30 percent in 1990 to about 70 percent in 2001.

Between 1990 and 2000, the proportion of the population estimated to be living below the poverty line declined from 57 percent to 46 percent, with the decline occurring primarily in the urban areas where half of the population live. Roughly 70 percent Mauritania's people are Arabic-speaking Moors; the rest are members of the southern-based ethnic groups. The population is growing at an annual rate of 2.6 percent.

Mauritania suffers from a perennial food deficit. In 2001, domestic production of cereals was just 40 percent of total supply. The rest was imported or received as food aid. Efforts are under way to expand food production in the

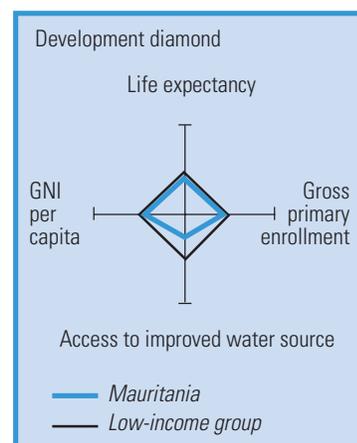
Senegal River valley. Mauritania contains considerable mineral resources—iron ore, copper, cobalt, diamonds, gold, gypsum, and phosphates—but only iron ore is exploited commercially. In the future, revenues from hydrocarbon reserves are expected to constitute a major source of income for the county. Presently, fishing and mining dominate exports.

Mauritania enjoys a 200-mile Exclusive Economic Zone along its Atlantic coastline, and its fishing grounds are some of the richest in the world. However, the fishing sector has been adversely affected by lack of an effective fisheries policy, sectoral mismanagement, overfishing, and limited technical ability to monitor and control the Exclusive Economic Zone.

Infrastructure deficiencies are a serious constraint to development in Mauritania. The availability and distribution of potable water, for both direct consumption and commercial/industrial uses, is inadequate. Urban waste management systems are inadequate or nonexistent. The availability and reliability of electricity is limited and relatively expensive. The extent and quality of the road network is

Figure 6.1 Mauritania at a glance

	Mauritania	Sub-Saharan Africa	Low-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (<i>millions</i>)	2.7	703	2,310
GNI per capita (<i>Atlas method, US\$</i>)	430	490	450
GNI (<i>Atlas method, US\$ billions</i>)	1.2	347	1,038
Average annual growth, 1997–03			
Population (%)	2.4	2.3	1.9
Labor force (%)	2.8	2.4	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	46	..	..
Urban population (% of total population)	62	36	30
Life expectancy at birth (<i>years</i>)	51	46	58
Infant mortality (<i>per 1,000 live births</i>)	120	103	82
Child malnutrition (% of children under 5)	32	..	44
Access to an improved water source (% of population)	37	58	75
Illiteracy (% of population age 15+)	59	35	39
Gross primary enrollment (% of school-age population)	86	87	92
Male	88	94	99
Female	85	80	85



Source: World Bank.

inadequate to move raw materials and finished goods.

Mauritania was a one-party state from independence in 1960 until 1978. Since then, a succession of military rulers has led the country. Some 24 opposition parties exist, but the legislature remains overwhelmingly in the hands of the ruling party, the Parti Republicain Democratique et Social. Despite a very weak opposition, concerns about political stability persist, due to frequent conflicts between factions in the ruling camp. Presidential elections held in November 2003 returned the current president for a third term, amid accusations of fraud from the opposition. The Mauritanian administration is highly centralized, with all major offices and agencies headquartered in Nouakchott.

Mauritania had adopted poverty reduction as a national strategy before the introduction of the PRSP. The country's first national poverty reduction strategy covered the period 1994–1998. The subsequent 1998–2001 *Programme National de Lutte contre la Pauvreté* was presented in March 1998.

The PRS process—a centralized effort that may undermine implementation

A 2000 client survey administered by the World Bank in Mauritania recommended that the Bank

rely increasingly on local experts in project design, integrate project management into the national administrative system, strengthen measures against corruption, promote private sector involvement in the delivery of public services, and support the government in leading donor coordination. Capacity-building efforts should be better coordinated, and civil society should take a more prominent role in development work. In light of these findings, the introduction of the PRS process can be viewed as a highly relevant step in Mauritania.

Mauritania was one of the first countries to join the PRS Initiative and was motivated to complete a PRSP by the prospect of debt relief under the HIPC Initiative. A full PRSP, representing a more comprehensive approach to poverty reduction than past strategies, was completed in one year, although based on outdated poverty diagnoses. More recent data were used to update the strategy in two recent progress reports.

Preparation of Mauritania's PRSP began in December 1999. Responsibility was assigned to a newly established body, the *Commissariat aux droits de l'homme, à la lutte contre la pauvreté et à l'insertion* (the Commissariat), headed by a series of well-connected leaders who provided a focused working environment for an energetic and capable group of profes-

sionals. Such support at the highest level, in a context of scarce capacity, helped ensure that the original PRSP was prepared within the given time frame. The Commissariat staff interacted well with donor representatives and adapted to the donor “language” with which the PRS process was imbued—ownership, participation, transparency, accountability, and so on. However, the subsequent transformation of the Commissariat from a planning and monitoring agency into the principal PRSP *implementation* agency carries a significant risk of undermining the role and capacity of the line agencies charged with executing the poverty reduction program.

Ownership, participation

Ownership of the PRSP by the government was strong from the outset of the process through presentation of the final PRSP document. The participatory process undertaken during PRSP preparation was greater than past attempts by government in Mauritania, and external commentators perceived the process to have been successful. Stakeholders in-country, however, report excessive government control over the choice of participants and issues discussed during formulation of the PRSP and note that the depth of participation did not evolve during implementation. Since achieving irrevocable HIPC debt relief, policy fatigue may have settled in. Sustained government commitment to the PRSP, therefore, is an area of concern in Mauritania. The ultimate test of government commitment to the process will be whether it continues without donor encouragement.

A national dialogue on the PRSP occurred through a variety of seminars and sessions. The PRSP draft was presented to CSOs and NGOs in two sessions. Additionally, four inter-regional poverty reduction seminars in November 2000 were attended by elected officials, representatives of NGOs, civil society, and development partners active in the 13 regions. To finalize the PRSP, national sessions on poverty reduction were held.

The PRSP was formally approved by parliament in July 2001. The legislature directed that the PRSP be implemented through regional

poverty reduction programs to be prepared for each of the 13 regions. The regional strategies are expected to include a participatory process, a diagnosis of poverty in the region, and a comprehensive approach to poverty reduction and development.

NGO participation was organized mostly by the government, which has sought to establish a national umbrella group for the local NGOs. Participation by NGOs in 12 thematic working groups has been uneven, and there has been a lack of interest and capacity among NGOs to participate in macroeconomic discussions. According to some observers, meetings tend to be highly structured, with little opportunity to depart from the agenda developed by the authorities or to question the basic approach to some issues.

It is also difficult to assess the depth of civil society participation in the PRS process. Interviews conducted with national stakeholders suggest that participation is only partial, again often because of the limited capacity of their representatives. A major problem for the donors working to strengthen and empower these groups is that the donors often work through the authorities, which permits the government to pick and choose its favorites and filter aid to them on that basis.

Private sector involvement in the PRS process has been limited. The authorities established a consultative group to identify and discuss issues, but private sector groups and individuals appear to prefer to operate through informal contacts with their customary interlocutors in the government.

Comprehensiveness, long term

The long-term goal of the Mauritanian PRSP is to reduce the number of people living under the poverty line to less than 17 percent by 2015. The government also aims to reduce by half the number of rural poor by 2015. To achieve these goals, the PRSP assumed an average growth rate of more than 6 percent in the medium-term (2001–2004), an assumption not borne out by events (box 6.1).

Mauritania’s PRSP acknowledges that poverty is a multidimensional phenomenon. In rural

Box 6.1**Key elements of Mauritania's PRSP**

The PRSP strategy contains four major themes:

- To enhance economic growth in order to improve the economy's competitiveness and make the country less dependent on external factors as a precondition for poverty reduction.
- To develop the growth potential and the productivity of the poor by promoting the sectors closest linked to the poor as well as the zones in which they are concentrated.
- To develop human resources and access to essential infrastructure in order to increase the productivity of the poor and improve their living conditions.
- To seek institutional development based upon good governance and participation.

Targets for poverty reduction include reducing the number of people living under the poverty line to below 27 percent by

2010 and to below 17 percent by 2015 and cutting rural poverty in half by 2015. Achievement of these goals was based on an assumption of 6 percent annual growth between 2001 and 2004.

The PRSP outlines five priority areas; *rural development, urban development, education, health, and water supply*. Priority goals include reaching universal schooling by 2004, enhancing the retention rate to more than 65 percent, and eliminating illiteracy and gender and regional disparities in the long run. Health-related goals include reducing infant and child mortality to 90 per thousand and 130 per thousand, respectively, and achieving universal access to basic health care (80 percent of the population should have access to facilities within 5 km). In terms of water supply, the aim is to equip all villages with more than 500 inhabitants with drinking water supply systems by 2010 as well as to increase the household water connections to 85 percent in urban areas by 2015.

areas, poverty reduction is constrained by low levels of agricultural production traceable to low availability of water and access to land, lack of financing and infrastructure, inadequate research and extension, poor integration of livestock trade into the formal economy, and the small size of the domestic market. For the urban poor, economic activities and opportunities have been constrained by the precariousness of land tenure, absence of accessible financing, inadequate skills, and lack of infrastructure and social services. In addition, the harshness of Mauritania's terrain, vulnerability to drought, external debt, high birth rates, continued migration to the urban areas, weaknesses in the managerial capacity of the administration, and low capacity of civil society organizations are also cited as key challenges to poverty reduction.

Partnerships

In 2001 the three largest donors in Mauritania were the EU (42 percent), IDA (19 percent), and Japan (13 percent), which together contributed 74 percent of the \$269 million of aid disbursements that year. Total disbursements in 2001 continued the three-year upward trend, following an eight-year low in 1998.

The PRSP provided a relevant mechanism for donor coordination, and donors initially announced their intent to align their programs with country priorities as set out in the document. OED interviews suggest that donors' initial enthusiasm dimmed, however, as they came to see the PRS process as being directed from Washington. Informants specifically referred to control over the deadlines and structure of the PRSP and to instances where the Bank met separately with the government in Washington or Paris to draft documents before other donors had the opportunity to participate.

The primary vehicle for donor coordination has been the Consultative Group meeting held every three years, which offers the government the opportunity to present, and receive support for, its development objectives. The meetings have encouraged closer coordination among the World Bank, United Nations, IMF, EU, African Development Bank, and bilateral donors. The quality of donor coordination is considered by most stakeholders to be good in Mauritania. Progress can still be made, however, in crosscutting areas such as governance, decentralization, public sector reform, and the environment.

Although donors have been mapping their programs to PRSP priorities, they have yet to shift from a project-based approach to general budget support, and there is considerable distance between donors on standards for auditing and procurement. Donors have expressed disappointment with the low level of their involvement in the formulation of PRSP Progress Reports.

Preliminary results—targets consistently proved overoptimistic

Overly optimistic targets and capacity constraints have caused implementation to lag behind original plans. Estimated spending on the PRSP program has varied from year to year but has been consistently overoptimistic. For example, estimated spending on the PRSP program for 2002–2004 almost tripled between the PRSP and the second Progress Report. The first Progress Report projected very large increases in expenditures in health and education, based on recently completed MTEFs in those sectors. Projected spending for education in 2002 tripled between the PRSP and the first Progress Report.

Actual expenditures have fallen far short of the projected costs. For example, allocations for growth promotion were projected to increase to almost 30 percent of total PRSP expenditures by 2004, but by 2002, actual spending was still only 0.4 percent of total PRSP expenditures. Projections for education were not realistic—actual spending was equal to about 35 percent of the target. In the second Progress Report, projections for the sector were revised down to about a quarter of the previous estimate for 2003.

With the exception of health and rural development, the low levels of spending emphasize the low absorptive capacity of the Mauritanian public sector for additional resources. Despite analytic work by donors, including the World Bank, that limitation is a serious risk to implementation of the PRSP program. The increased role of the Commissariat in PRSP implementation has also raised concerns, undermining the role and capacity of the line agencies charged with executing the poverty reduction program.

World Bank support—overall alignment with the PRSP

The World Bank has generally aligned its program with the priorities of Mauritania's PRSP. It began by providing economic and technical analysis to underpin the PRSP preparation process. The Bank's May 2002 CAS for Mauritania states that the Bank's main objective for FY2003–2005 is to assist the authorities in implementing the PRSP, and the proposed operations are designed to support implementation of the four strategic axes of the PRSP.

The first of the four strategic axes of the PRSP, *accelerating private sector growth*, is supported in the CAS by a Financial Support Reform Operation, a series of PRSCs, and a Partial Risk Guarantee to assist the government in the pending privatization of its national electricity company, SOMELEC. The proposed PRSCs would strengthen public sector and financial management, and support judicial reform and capacity building in the Ministry of Finance, the Commissariat, and the Ministry of Health.

The second axis, *growth anchored in the economic environment of the poor*, is supported by an Urban Development Program and the Aftouf-Es-Saheli Water Supply Project. The Bank is supporting the government through an MTEF for the infrastructure sector and by continuing work on municipal taxation.

The Education Sector Development Program forms the basis for the Bank's assistance on the third axis, *developing human resources and ensuring universal access to basic infrastructure and services*. This is to be accompanied by advisory services to measure the progress in the health and education sectors, particularly through support for annual rapid surveys and a demographic and health survey.

The proposed PRSC program, an Institutional and Capacity Building Project for Natural Resource Management, and the Mining Sector Capacity Building Project support *institutional development and governance*, the fourth axis of the PRSP. Core diagnostic work—such as a public expenditure review, a country financial accountability assessment, and country procurement assessment report—is planned to

support the government's efforts in governance and to build the framework for the PRSC.

The series of PRSCs is the centerpiece of the Bank's lending strategy. The focus on PRSCs was justified by Mauritania's strong macroeconomic progress, an improved fiduciary framework, and the MTEFs in health and education. The PRSCs are to take a progressively larger part of the lending program, underpinned by the analytical and diagnostic work. To cope with Mauritania's low capacity for aid absorption and program implementation, the shift to programmatic lending was to be phased in gradually, while the Bank continued with selected investment projects targeting poverty reduction, institutional strengthening, and capacity building. A number of donors interviewed by the evaluation team suggested a cautious approach to the near-term introduction of significant budget support given the government's limited implementation capacity.

During the first year of the CAS cycle, the level of Bank lending was less than foreseen. Two activities, a Mining Sector Capacity Development Credit and a US\$21 million grant for HIV/AIDS, were approved at the start of FY2004. The other planned FY2003 projects for financial sector reform and the first in the series of PRSCs have slipped. The largest project in terms of net commitments is an Urban Development Program (\$70 million), followed by an Education Sector Development Program (\$49.2 million) and an Integrated Development Program for Irrigated Agriculture (\$38.1 million).

As noted, the Bank's program of economic and sector work provided inputs into the PRS process. Between 1998 and 2000, the Bank substantially increased the size of that program in Mauritania and introduced smaller, government-led, analytic products dealing with a broad range of issues. For example, Bank support for the Household Survey was finalized just after the PRSP provided updated data for the Progress Reports. Macroeconomic modeling advisory services and analytical work on MTEFs in education and health contributed to the macroeconomic framework and program planning, and the MTEFs fed into the

preparation of the first Progress Report. Poverty and social impact analyses are planned or are under way in public health, education, mining, and water supply expenditures.

The evaluation mission identified many gaps in the JSAs of the original PRSP and the two Progress Reports. For example, the JSAs did not discuss key issues such as public sector efficiency, expenditure levels, and implementation capacity. Revenues from hydrocarbon are expected to constitute a major source of income for the country, but the use of the PRSP to channel hydrocarbon resources into poverty alleviation has not yet been discussed. The JSA of the PRSP assesses the quality of participation in contravention of the JSA guidelines and without identifying objective, measurable criteria for the assessment.

Conclusion—a process in danger of reversal

The sustainability of the PRS process in Mauritania is threatened by several related factors. By assigning responsibility for preparing the PRSP to a small group of competent and well-connected leaders, the Mauritanian authorities were able to produce in short order a full PRSP fully owned by the top echelons of government. But the centralized approach to preparation—coupled with government selection of participating NGOs and the weakness of civil society organizations—implies that country ownership of the PRSP is limited. Implementation of the PRS process is threatened both by reported “policy fatigue” within the government and the capacity constraints that made necessary the centralized approach to PRSP preparation. The shortage of capable personnel in the Mauritanian public sector is reflected in consistent overoptimism in estimating expenditures for PRSP priorities. That same lack of capacity means that the country has a very limited ability to absorb additional external aid, despite its pressing development needs and a generally good climate of donor coordination. Most donors, skeptical of the public sector's ability to use aid in a manner fully consistent with the PRSP, have shied away from providing assistance in the form of general budget support. For

similar reasons, the World Bank may wish to reflect on its decision to support the PRSP through the mechanism of PRSCs. Given the unexploited export potential of Mauritania's mining and fishing sectors, the underdevelopment of agriculture in the arable southern tip of the country, and the promise of significant

future revenues from oil sales, Mauritania's future may depend on a twin push to develop its public sector capacity (notably in the area of public expenditure management) and to strengthen the institutions through which that capacity can be effectively and transparently used to reduce poverty.



Mozambique

A joint IEO/OED evaluation team visited Mozambique in April/May 2003 and held meetings in Maputo and Inhambane province. Among the sources for the analysis presented here was a survey of 57 stakeholders representing government, civil society, and international partners. The report of the evaluation team covers the experience of Mozambique with the PRSP/PRGF process through mid-2003, although it also includes analysis of the Bank's 2003 CAS, completed in October 2003.

Poverty reduction as a peace dividend

Mozambique had a gross national income per capita of about US\$210 in 2001 and ranks near the bottom of UNDP's Human Development Index. However, although severe poverty is still the plight of most Mozambicans, available indicators of growth, life expectancy, education, and health, suggest a decrease in poverty over the last decade.

After winning independence from Portugal in 1975, Mozambique began constructing a centrally planned, state-led economy under the leadership of the Liberation Front of Mozambique (FRELIMO). Basic education and health services expanded substantially, but these gains were soon undermined by a long-lived civil war and economic collapse. The changing political situation in South Africa and pressure on the warring factions from the international community finally led to agreement over the need for a domestic political resolution of the civil war. In 1990, a new constitution provided

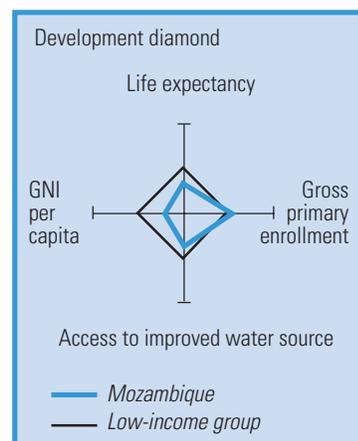
for multiparty elections and a free-market economy. A UN-mediated peace agreement finally ended the fighting in 1992 and paved the way for the country's first general elections in 1994, won by FRELIMO. In the second general elections in 1999, FRELIMO again won, but the results revealed a country deeply divided.

Real GDP growth has been strong, averaging more than 8 percent per annum between 1993 and 2002. After a sharp drop in 2000 due to adverse weather, growth rebounded in 2001–2002 (figure 7.2). Underpinning the growth performance has been a steady rise in domestic investment, financed in large part by foreign savings.

A number of governance challenges, partly linked to the uneven distribution of growth over the last decade, threaten to undermine the social and political stability of the country. Organized crime is reportedly on the rise, with the judicial system unable or unwilling to take effective action. Corruption, including grand corruption involving senior officials of the ruling

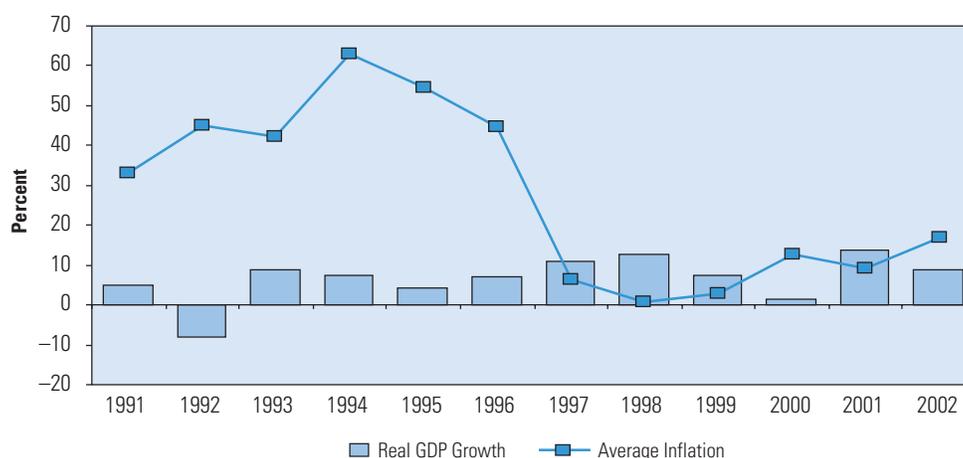
Figure 7.1 Mozambique at a glance

POVERTY AND SOCIAL	Mozambique	Sub-Saharan Africa	Low-income
2003			
Population, mid-year (millions)	18.8	703	2,310
GNI per capita (Atlas method, US\$)	210	490	450
GNI (Atlas method, US\$ billions)	3.9	347	1,038
Average annual growth, 1997–03			
Population (%)	2.0	2.3	1.9
Labor force (%)	2.1	2.4	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	54	..	..
Urban population (% of total population)	36	36	30
Life expectancy at birth (years)	41	46	58
Infant mortality (per 1,000 live births)	101	103	82
Child malnutrition (% of children under 5)	24	..	44
Access to an improved water source (% of population)	57	58	75
Illiteracy (% of population age 15+)	60	35	39
Gross primary enrollment (% of school-age population)	106	87	92
Male	107	94	99
Female	95	80	85



Source: World Bank.

Figure 7.2 Real GDP growth and inflation in Mozambique, 1991–2002



Source: IMF.

party and government, is a significant problem. The government budget has been heavily dependent on external aid. On average, grants and net external concessional borrowing were equivalent to 56 percent of annual total expenditures and net lending during 1994–2002. Debt relief has had a substantial impact on Mozambique’s debt service burden. The ratio of external debt to GDP fell from

240 percent in 1993 to about 65 percent in 1999, before climbing again to nearly 80 percent in 2002. Mozambique has been implementing economic reform programs with the support of the IMF and the World Bank since 1987, with the introduction of the Economic Rehabilitation Program. By mid-1996, the liberalization of the exchange rate, prices, and interest rates was almost

complete. Subsequently, progress was also achieved in the areas of privatization and restructuring of public enterprises, financial sector reform, the strengthening of tax and customs administration, the improvement of public expenditure management, and trade liberalization.

Using a sector-oriented approach, Mozambique has a long tradition of planning in the public sector, with the core of planning processes concentrated at the central level. There has been little tradition of effective involvement of civil society, and the scope for cross-sectoral bottom-up planning has been limited until recently. Mozambique had a separate Planning Commission until 1994, when it was merged with the Ministry of Finance to form the Ministry of Planning and Finance (MPF).

Poverty reduction was a key objective of government policy in Mozambique before the advent of the PRSP process. Five strategic programs were developed between 1989 and 1999. The content of the strategies evolved over the decade. The first poverty strategy (prepared in 1990) identified three priorities: employment creation, access to basic social services, and creation of safety nets for the poor. The government's sphere of influence at that time was largely restricted to urban areas. In 1995, the emphasis changed to rural areas, focusing on stimulating productive activity through the revitalizing of market mechanisms, and investing in education and health, with less emphasis on establishing safety nets.

Only with the preparation of Mozambique's Action Plan for the Reduction of Absolute Poverty (PARPA) developed for 2000–2004, did poverty reduction strategies begin to take the form of detailed plans with targets, time frames, and resource requirements; thus moving poverty reduction beyond mere policy statement to linkage with mainstream policy planning and resource allocation instruments.

The PRS process—a common point of reference with strong government ownership

The PARPA drew heavily on existing sectoral policies and programs, but it also reinforced public agenda issues related to participation in

domestic policy processes, including the role of representative government and political parties. PARPA has become the common point of reference on poverty reduction policies within government and for dialogue between the government, other national stakeholders, and international development partners.

The principal objective in the PARPA is reduction in the incidence of poverty from 70 percent in 1997 to less than 50 percent by 2010. Six priority areas have been identified to promote human development and create a favorable environment for rapid, inclusive, and broad-based growth (box 7.1).

The PRS approach has proven to be relevant to Mozambique, and its underlying principles have been applied to varying degrees in the PARPA process.

Ownership, participation

There is strong central government ownership of the PARPA. Its preparation was led by the MPF, with virtually no external support—reflecting an explicit decision by the government. Because the draft PARPA drew heavily on existing sector plans developed using new participatory processes involving national stakeholders and international partners, and because annual planning cycles include consultations with officials from provinces and districts, the government believed that the production of a draft PARPA for the national consultative process already involved a participatory process. Initially, therefore, the authorities resented what they saw as the externally driven, procedural requirements of the PRS process.

The draft PARPA went through a three-month consultation process that involved the participation of business associations, labor unions, religious bodies, nongovernmental organizations, media, central and provincial government institutions, and donors. Although it had its shortcomings,¹ it did lead to significant changes in the draft, most notably, the inclusion of good governance as one of the fundamental priority areas. Unfortunately, since its approval by the government, little has been done to disseminate the document; it is

Box 7.1**Priority areas of Mozambique's PRSP**

Overall goal: To reduce the incidence of poverty from 70 percent in 1997 to less than 60 percent in 2005, and to less than 50 percent by 2010.

Priority and complementary areas are identified to promote human development and create a favorable environment for rapid, inclusive, and broad-based growth (at an average rate of 8 percent per annum).

The six priority areas:

- Education, with targets related to adult literacy, rural female literacy, and gross primary enrolment
- Health, with targets related to infant and child mortality, maternal mortality, birth weight, malaria mortality, and HIV prevalence
- Agriculture and rural development, with targets related to annual growth in agricultural production, cereals and cashew nut production, and incidence of food insecurity

- Basic infrastructure, with targets related to coverage and quality of roads, access to electricity, and access to potable water
- Governance, with targets related to administrative decentralization, and improvement in justice sector services
- Macroeconomic and financial policies, with targets related to inflation rate, and fiscal revenue as percentage of GDP.

Complementary areas: Employment and business development, social action, housing, mines, fisheries, tourism, industry, transport and communications, technology, environment, and protection against natural disasters. Targets are defined in relation to expansion of social safety net and increase in access to housing for low-income households.

largely unknown in any detail outside Maputo and provincial capitals.

Parliament and political parties were not substantially involved in the consultation process, and PARPA was exclusively approved by the Council of Ministers and not taken to the Assembly.

Despite the fact that the government claims strong ownership of the PARPA and the policies in it, many of the representatives of civil society and the private sector met by the evaluation team expressed the view that the PARPA was too strongly influenced by policies supported by the IMF and the World Bank, with what they perceived to be excessive attention to macroeconomic stability, privatizations, and premature exposure of key production sectors to foreign competition. They also saw the requirement for endorsement by the Bank and Fund as limiting country ownership.

Comprehensiveness, long term

The PARPA recognizes the multidimensional nature of poverty and adopts a comprehensive approach to poverty reduction. It employs a wide range of indicators for measuring poverty. In addition to income- and consumption-based indicators, it also uses data on illiteracy, mortal-

ity, and water access rates and draws on the results of a qualitative participatory poverty assessment. Although the strategy provides a good description of regional differences of poverty incidence, it does not provide provincial- and district-level targets. There is a need for greater clarity on how national targets relate to provincial and district priorities.

The PARPA is based on a long-term perspective, but its operational framework is appropriately rooted in the medium term. Government officials emphasized to the evaluation team that the general priorities had been government policy for a long time, and that the broad objectives were unlikely to change even if specific elements were to be modified.

With the support of the United Nations Development Program, a process is under way to define a "Vision 2025." The government has tasked a group of individuals from government, political parties, and civil society to prepare a long-term vision and development strategy for Mozambique. It is too early to gauge the extent to which vision 2025 will complement the PARPA.

Partnerships

The PARPA process is partnership-oriented and builds on existing mechanisms for government-

donor relations. The process was launched at a time of broad consensus between government and donors on key priorities for poverty reduction. Most of the sector policies around which the PARPA was built were developed by the government in close cooperation with donors. Donors were consulted in the PARPA preparation process, but did not impose themselves. Both bilateral and multilateral donors offered assistance to prepare the PARPA, but the MPF declined these offers—and donors accepted being turned down. This relatively harmonious process reflected the fact that Mozambique already had a comparatively well-developed donor coordination mechanism. For example, SWAPs—including in health and agriculture—have developed since the mid-1990s. Cross-sector donor groups had existed previously but became more effective with the introduction of SWAPs.

Project financing is still the dominant form of aid in Mozambique, and although a shift in the composition of actual aid disbursements has not yet materialized, peer pressure among donors to move away from stand-alone projects seems to have increased because of PARPA. The donors that were already coordinating their balance of payments support before the PARPA process, indicated to the evaluation team that there is increased interest in the donor community in moving toward general budget support modalities and linking such support to spending targets in PARPA.

The willingness to consider budget support is a remarkable vote of confidence by donors given that fiduciary diagnostic work by the World Bank pointed to high fiduciary risks associated with using the government budget system. This may explain the intensive focus on public expenditure management by the group of donors that provide budget support. This group, currently made up of 11 donors, has formed a macroeconomic working group, in which the IMF and the World Bank participate as observers. The group is developing a joint Performance Assessment Framework. The objectives of that framework include greater alignment with PARPA, reducing transactions costs through increasing harmonization of

donor conditions, and making more transparent the links between government policy implementation and the disbursement of budget support assistance.

A high level forum—the Poverty Observatory—brings together the government, a broad range of national stakeholders, and Mozambique’s international development partners to review PARPA implementation on an annual basis. The focus is intended to be on drawing lessons from past experience and developing recommendations for improving implementation and monitoring.

Results orientation

The PARPA includes about 60 “outcome” and “intermediate” indicators at macro and sectoral level. In addition, it includes an operational matrix showing principal actions to be undertaken as well as annual targets for several indicators. The operational targets are largely taken from sectoral plans, and vary considerably in scope and precision. For example, targets regarding access to primary education are set at the output-level (enrollment rates), while quality targets are input-oriented (curriculum reform, training of school directors). In health, impact-level targets on mortality rates are included as well as targets related to service delivery. In some areas there are not yet specific targets (for example, anti-corruption).

The annually updated five-year medium-term budget framework (MTBF) is the principal instrument for translating the public expenditure priorities in PARPA into budgetary allocations. The key challenge is to ensure implementation of public policies and plans, and to reach district and community levels in poor areas. Capacity development and incentives are needed to translate plans into budgets, to make budgeted funds available, to ensure that they are spent as budgeted, to ensure quality of spending and to enhance monitoring and reporting. Presently the public sector is overly centralized and hierarchical, its staff poorly qualified and badly paid. Over-regulation and red tape flourish, and the executive branch of government is not effectively accountable to the legislature.

Weaknesses in Mozambique's public expenditure management system were highlighted in an assessment by the IMF and World Bank in early 2002.

Weak institutional capacity is affecting the quality of monitoring. Slow progress in integrating the PARPA monitoring indicators into the "normal" reporting system for the public expenditure system and the government budget suggests that for the foreseeable future, effective monitoring of PARPA will continue to rely on special exercises and studies tailored to that specific purpose. Senior officials emphasized to the evaluation team that procedures for monitoring and reporting on progress in implementation should be oriented around the strengthening of domestic processes, rather than fulfilling World Bank and IMF procedural requirements.

Preliminary results

Evidence on progress toward meeting PARPA targets and objectives is mixed, with significant progress in some areas (for example, education and health), and less progress in others (for example, agriculture). But in most areas, there is uncertainty about the extent to which progress is being made in improving quality of service delivery. These uncertainties reflect system weaknesses in budget execution, monitoring and reporting, and are being addressed as part of the reforms of the public expenditure management system.

There is a wide range of ongoing reforms in the public sector aimed at addressing capacity weaknesses related to implementation and monitoring of the PARPA. Although these reforms are meant to address capacity constraints, they appear to be taxing current capacity to the limit. At the same time, different levels of government (that is, central, provincial, and district) are putting great stock in these reforms—especially aspects dealing with decentralization of the planning and monitoring system—to improve the implementation of government policies and programs.

The first annual PARPA progress report was prepared by the MPF, with inputs from other central ministries but with no involvement of

either parliament or CSOs. The focus of the progress report was on measuring performance against PARPA targets, with little discussion of links between measures and outcomes, or of how policies might be adapted to enhance performance. Absence of data and weaknesses in implementation capacity and in monitoring and reporting systems have hampered analysis.

Sectors and activities deemed the most important for achieving PARPA's poverty reduction goals have been designated to receive priority in the allocation of public expenditures. Although the share of total spending accounted for by these priority areas has increased since 1999, it fell short of the PARPA targets for 2001 and 2002, including in the areas of education, health, and basic infrastructure.

The PARPA process appears to have enhanced policy discussions on poverty issues within the government (especially between central and provincial government officials), and to a lesser extent, between the government and nongovernment stakeholders. However, a broad range of those met by the evaluation team stressed the need to strengthen policy analysis capacity in and outside government for a more meaningful and sustainable participatory process.

World Bank support—an effective local presence

The Bank provided appropriate support during formulation of the PARPA—without being intrusive. Preparation of the PARPA was strongly country-driven, with the Bank providing comprehensive informal and formal comments, as well as offering relevant analytical inputs. Considerable work by the Bank preceded the PARPA process, including development of SWAPs, a country economic memorandum, participatory activities conducted in connection with the 2001 CAS, and preparation of a public expenditure review.

The end product of the formulation phase was clearly country-owned, despite several differences in viewpoint between the Bank and government. These included the scope of the strategy, which the Bank feared was too broad

and sector-focused, and public policies that were not sufficiently connected to poverty reduction.

Over the past five years the Bank has broadened and improved its contacts with civil society actors, including the business community. That improvement cannot be attributed to the advent of the PARPA process, but benefited from it. Donors expressed a more ambivalent opinion of their relations with the Bank, painting a mixed picture of the quality of sectoral dialogue but acknowledging that the Bank had been more sensitive to the views of other donors.

Bank lending and nonlending assistance since the PARPA have mostly been in line with its priorities. Significant adjustments have been made to the analytical work program, in line with government priorities, including work on decentralization, procurement, and financial accountability to advance the governance objectives of the PARPA. However, activities dropped or delayed have resulted in gaps in the Bank's support for important pieces of the PARPA strategy, most notably rural development—a critical area.

A new CAS was discussed by the Bank's Board in November 2003, and the planned assistance is broadly aligned with the PARPA. In addition, the results framework of the CAS is linked to PARPA goals.

The Bank intends to move with other donors toward providing assistance through budget support linked directly to the PARPA, through a PRSC, despite some cautionary signals from its own analytical work on government procedures and systems. Fiduciary risks may be partially offset by linking the PRSC directly to performance indicators related to progress in enhancing public expenditure management.

The Bank's experience with the PARPA process has implications for the way the Bank operates. First, the Bank's qualified local presence in key strategic areas is highly appreciated by government, national stakeholders, and other donors. It is also a prerequisite for continuous participation in policy dialogue processes, which are becoming

less dependent on the timing priorities of donors and more linked to domestic needs and events. Second, the Bank can provide a balancing, mediating voice within the donor community. The ability of the Bank to play this role is closely linked to its ability to deliver timely and high quality analytical and advisory inputs. It is important that the Bank ensure adequate resources to provide knowledge services.

IMF support—too low a profile with civil society

Reflecting the wishes of the authorities, IMF staff did not participate directly in the preparation of the PARPA. In particular, IMF staff did not participate in government-led consultations with stakeholders.

There was little public discussion of the macroeconomic policy content of the PARPA, and more generally, there continues to be little public discussion of macroeconomic policy issues. The IMF could help broaden discussion of macroeconomic policies in the country by facilitating wider dissemination and discussion of the analytical work that forms the basis for its policy recommendations, including the work of technical assistance missions.

Feedback from the authorities and donors on the role of IMF resident representatives was very positive. However, civil society organizations indicated that the IMF was invisible to them, reflecting its low profile outside official circles. The office of the IMF resident representative should be strengthened if it is to play all the roles expected of it.

The macroeconomic framework of the pre-existing PRGF-supported programs influenced the PARPA's macroeconomic framework, and PRGF objectives have become broadly aligned to PARPA goals. The PRGF emphasizes poverty reduction interventions (that is, pro-poor and pro-growth government budgets) and measures to improve public resource management and accountability, in line with PARPA objectives on good governance. On the other hand, little has been done to analyze the social impact of major macroeconomic adjustment and structural reform measures.

The fiscal stance in the PRGF-supported program continues to reflect the goal of significant reduction in aid dependence over a relatively short time (from very high levels associated with the 2000 drought), but in reality, programs have become more flexible in dealing with aid inflows. Thus, program reviews did adapt to the PARPA framework and the availability of higher aid than originally projected. In this sense, the program did not suffer from “aid pessimism,” but it is not possible to answer the more difficult counterfactual question of whether, if the program had targeted a higher level of external financing from the start, donors would have been “catalyzed” to provide more financing.

There has been significant streamlining in structural conditionality under the PRGF-supported program. This has meant transferring responsibility for areas vacated by the IMF to the World Bank. It is unclear, therefore, whether the burden of aggregate conditionality on the country has been reduced.

Bank-Fund collaboration

In addition to lessons learned by the IMF and World Bank individually, the PRSP process in Mozambique offers useful insight into collaboration between the two institutions in reducing poverty. In the future, attention should focus on strengthening the processes and findings of JSAs. JSAs for Mozambique have been candid in their evaluations, pointing out strengths and areas of significant improvement without glossing over weaknesses. At the same time, they have tended to understate the challenges to implementation posed by capacity weaknesses. Notably, the JSAs do not seem to have contributed much to enhancing partnership with other donors, who see the assessments as geared almost exclusively to the Executive Boards of the IMF and the World Bank. Some international donors would like to participate in such assessments rather than merely provide input to Bank and Fund staff. Such collaborative assessments could strengthen donor partnerships in Mozambique and other countries.

Problems associated with the production of the first PARPA Progress Report reflect weaknesses in monitoring and reporting

arrangements while raising important issues of alignment between government processes, on the one hand, and the requirements of external development partners, including the IMF and the World Bank, on the other. Assisting the authorities to strengthen the analytical content of national reporting instruments under parliamentary scrutiny would enhance the prospect for closer alignment.² In these ways collaboration can be strengthened in Mozambique and elsewhere, as the Bank and Fund further support the cause of poverty reduction.

Conclusion—toward general budget support

Poverty reduction as a key objective of government policy in Mozambique predates the introduction of the PRS approach by the IMF and the World Bank. However, the PARPA has become the common point of reference on poverty reduction policies within the government (across sectors and between central and provincial levels of government), and for dialogue between the government, other national stakeholders, and international development partners.

The PRS approach has proved to be relevant to Mozambique, and the underlying principles have been applied to varying degrees in the PARPA process. The process has been country-driven with strong government ownership; although the process was undoubtedly HIPC-driven initially. The consultation/participation process undertaken was a step forward, but its scope was limited, with parliament playing hardly any role at all, and CSO roles in implementation and monitoring not well defined. PARPA is result-oriented but there is scope for further prioritization of public actions and streamlining of the targets and indicators for monitoring. PARPA is comprehensive in recognizing the multidimensional nature of poverty and is based on a long-term perspective for poverty reduction.

There was little public discussion of the macroeconomic policy content of the PARPA. Broader participation would be facilitated by the establishment of a government-led macroeco-

conomic working group open to representatives from all stakeholder groups, to provide a forum for macroeconomic policy discussions. Initially, its agenda could be organized around links between the PARPA and the budget.

Integration of the PARPA into the government's planning, budgeting, and reporting processes is under way but by no means complete. The MTBF is the principal instrument that links the PARPA to the government budget, but it is not yet based on detailed costings of intervention programs.

The PARPA is partnership-oriented and has contributed to shaping a new agenda for international support to Mozambique, characterized by harmonized approaches by donors, with increasing interest in providing assistance through SWAPs and budget support linked directly to the PARPA. Increased budget support, underpinned by a common set of conditions imposed by providers of such support, comes with a risk of "herd behavior" among donors to cut back aid in the event of "bad news."



Nicaragua

A joint IEO/OED evaluation team visited Nicaragua in June 2003, and held meetings in Managua, Leon Norte, and Santa Rosa del Peñón. Among the sources for the analysis presented here was a survey of 83 stakeholders in government, civil society, and the donor community. The report was finalized in November 2003 and covers developments up to that point in time.

Poverty reduction in a polarized country

Nicaragua is among the poorest countries in Latin America, with a gross national income per capita of US\$710 in 2000. Very strong growth of agricultural output between 1993 and 2001, ascribable in part to a one-time peace dividend and the availability of unoccupied land, reduced the share of the population living below the poverty line from 50 to 46 percent, while extreme poverty fell from 19 to 15 percent. But poverty remains largely a rural phenomenon, heavily concentrated in the eastern and northern parts of the country.

Throughout the 1990s Nicaragua struggled with major macroeconomic problems, principally unsustainably large fiscal deficits and debt levels. Repeated efforts by successive governments to consolidate the fiscal situation proved unsuccessful, owing largely to recurrent spending overruns that pushed Nicaragua to the verge of fiscal collapse. Hurricane Mitch in 1998 seriously damaged the country's infrastructure and disrupted the macroeconomic situation and

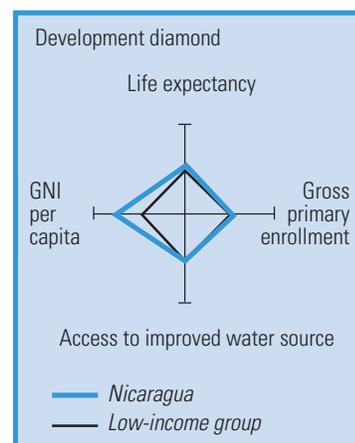
fiscal consolidation efforts. The government has made significant efforts to improve macroeconomic stability. But its weak parliamentary backing has forced it to seek support on a case-by-case basis for the passage of key legislation, including reforms necessary to reach the Completion Point under the HIPC Initiative.

Nicaragua's political instability has blocked consensus building, limited open policy debate and political participation, and produced a weak institutional framework that blurs the separation of state powers, weakens the rule of law and protection of property rights, and leads to manifold problems of governance. Among parties with very different political and ideological positions, agreement on policies tends to occur at very general levels—if indeed it can be found at all. The need to reduce policies to their lowest common denominator to broaden an otherwise elusive consensus has impaired the role of consultative institutions. This high degree of polarization has limited what can be achieved in the fight against poverty.

Figure 8.1 Nicaragua at a glance

	Nicaragua	Latin America & Carib.	Low-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (<i>millions</i>)	5.5	534	2,310
GNI per capita (<i>Atlas method, US\$</i>)	730	3,260	450
GNI (<i>Atlas method, US\$ billions</i>)	4.0	1,741	1,038
Average annual growth, 1997–03			
Population (%)	2.6	1.5	1.9
Labor force (%)	3.8	2.1	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	48	..	..
Urban population (% of total population)	57	77	30
Life expectancy at birth (years)	69	71	58
Infant mortality (<i>per 1,000 live births</i>)	32	28	82
Child malnutrition (% of children under 5)	10	..	44
Access to an improved water source (% of population)	77	86	75
Illiteracy (% of population age 15+)	23	11	39
Gross primary enrollment (% of school-age population)	105	129	92
Male	104	131	99
Female	105	126	85

Source: World Bank.



Poverty in Nicaragua is associated with high income and consumption inequality, high rates of unemployment and underemployment (especially for women), land-tenure insecurity, and poor access to infrastructure and public services. Fertility rates are twice the Latin American average; educational attainment is low; health services are inefficient and of low quality; and malnutrition is widespread. Moreover, the poor are vulnerable to recurrent natural disasters and the risk of periodic hunger, and are marginalized by insufficient information and lack of opportunities. Poor women are subject to a high incidence of domestic violence that raises concerns about their status and social cohesion.

Social indicators and the coverage of social services have improved in the period 1993–2001, but progress has been uneven. Primary enrollment accelerated and secondary enrollment improved considerably, but efficiency at the primary level has not improved. However, infant and child mortality rates decreased significantly in this period, including an impressive reduction of the infant mortality rate from 40 to 31 per thousand from 1998 to 2001. Maternal health has improved, but both prenatal care and institutional birth rates have only improved modestly.

In the context of the political polarization alluded to earlier, low participation, and low government capacity for planning and implementation, aid donors have exerted great influence in defining Nicaragua's development priorities over the past decade. In 1993 Nicaragua produced a medium-term development policy in close collaboration with the Bank and the IMF, and a three-year social agenda to provide support for the poorest and most vulnerable groups of the population and increase the effectiveness and efficiency of service delivery to the poor.

The launching of the Enhanced HIPC Initiative in late 1999 prompted the Nicaraguan government to prepare a Progress Report on the fight against poverty that contained the foundations of the later I-PRSP and the PRSP strategies and goals. This document concluded that the government needed to: (i) generate broad-based economic growth galvanized by the modernization of the countryside; (ii) improve the human capital of all, but particularly of the rural poor; and (iii) try to ensure an adequate safety net so those at the bottom do not slip further down. These three pillars later became the foundation of the PRSP—with the addition of governance at the insistence of the donor community.

Two additional strategy documents, parallel to the PRS process, are worthy of mention. The *Plan Puebla-Panamá*, launched in early 2001, envisaged major infrastructure investments in Nicaragua as part of efforts to improve transportation between Mexico and Central American countries. Some observers found a clash between this exercise and the PRS process. Second, the United Nations Development Program and the Organization of American States funded a participatory process to produce a “Vision of the Nation”—a strategy focusing on environmental and poverty issues—in 2001.

None of the above efforts was linked to the budget process or to specific allocations of resources. Actual resource allocations, policy developments, and legal initiatives have been determined by other political processes. Most of the planning exercises have come about in response to donor or international events, rather than from domestically driven processes.

The PRS process—too little focus on growth

The Nicaraguan government embarked on the PRS process because it was a precondition for obtaining debt relief under the HIPC Initiative. This underlying motivation appears to have driven many subsequent processes and decisions—notably the depth and scope of policy debate. Once launched, the PRS process moved quickly. In just one year the government submitted its Interim PRSP, reached the HIPC Decision Point, and completed the PRSP. But the timing of final agreement on the PRSP was decidedly poor—coming when the macroeconomic situation was in crisis and elections were unfolding. The outgoing government had seriously compromised authority.

On balance, the PRS approach has been relevant for Nicaragua’s national strategy process and its poverty reduction efforts. It addressed important gaps in past experiences, widened participation, focused on a comprehensive vision of poverty, and employed a framework emphasizing results. In a fragmented and largely donor-driven policy-

making arena, the PRS approach—which requires leadership and commitment of the government and a broad-based consultative process to broaden country ownership and generate consensus around basic policies—offered a means of widening participation in national strategy formulation. The PRS Initiative was designed to have direct and important implications for resource allocations, prioritization, and explicit results and indicators—elements that in practice had been missing from previous strategies.

The design of the PRSP itself, with its firm links to debt relief under HIPC and continued support from the Bank and IMF, limited the legitimacy of the PRS process in Nicaragua. But debt relief has been to some degree a catalyst for gradual building of domestic consensus on basic elements of a sustainable stabilization program and for concentrating efforts to tackle pressing macroeconomic issues.

Ownership, participation

The public consultation process for the PRSP was a step forward, but differences in views about its purpose and legitimacy have caused assessments to vary widely—not surprising in a country with a polarized political system. As a result, ownership of the PRSP has remained limited. Nevertheless, most observers agree that the dialogue among the government, donors, and civil society was useful.

The PRSP document was prepared in a highly centralized manner by a group that enjoyed support at the highest level of government. Key social ministries (education and health) participated in its design, but there was limited diffusion to other strata of government. Moreover, there was limited dissemination of the PRSP outside Managua.

The participatory process, initially limited, was subsequently broadened as a result of pressure from stakeholders, including donors. The consultations centered on human capital investments and protection of vulnerable groups, with relatively little focus on growth strategies and macroeconomic policies. Political parties chose not to get involved in the consultation process for fear of being co-opted

and losing bargaining power in the national assembly. More fundamentally, the two dominant parties perceived participation under the PRSP as part of a political game on the part of the government, intended to weaken their influence.

Civil society groups (NGO and labor union representatives) generally saw the PRSP consultations as a first, positive step, but many expressed frustration that the process had not moved from consultation to greater participation and influence on the ultimate policy decisions. At the national level, the process has had little impact on the debate on broader macroeconomic goals (including tradeoffs involved in the choice of growth strategy), which led some stakeholders to question the benefits of participation in consultative processes.

There has been no significant movement toward opening up the debate on the macroeconomic framework and alternative policy tradeoffs to a broader group of participants. Many senior officials and IMF staff interviewed argued that the urgency of the economic circumstances at the time the PRSP was being formulated—most notably the massive public sector deficits, the fragility of the financial sector, and the lack of government credibility stemming from poor macroeconomic management and earlier governance problems—limited the public exploration of alternative macroeconomic policies. As economic conditions improved and government credibility increased, the IMF gradually became more receptive to government initiatives on alternative policy settings and timing.

Comprehensiveness, long term

The PRSP is comprehensive in recognizing the multidimensional nature of poverty and has good quantitative and qualitative diagnoses of poverty. The quantitative analysis built on living standards measurement surveys conducted in 1993, 1998, and 1999 (post- Hurricane Mitch) and on demographic and health surveys. A qualitative poverty and exclusion study that analyzed the perceptions of the poor placed vulnerability at the center of attention and shed

light on the multidimensional implications of poverty.

The PRSP included a comprehensive series of targets and indicators to monitor the impact of policies on the poor. These included: (i) national objectives of poverty reduction and social development indicators; (ii) intermediate indicators, some measuring impact and others public service quantitative delivery; (iii) policy matrix targets (some at the service output level; others at the process level); and (iv) resource input targets, fixing, for example, expenditure levels for certain areas and programs, and including the resources available through HIPC debt relief. However, while the link between goals and intermediate indicators was clearly set out in the social sectors, there were no intermediate indicators for the productive area. This would make it difficult to trace the effects of public policies on the growth and the impact of growth on the poor.

With assistance from the Inter-American Development Bank the government has established SINASIP—a mechanism designed specifically to monitor the indicators of the PRSP and provide information that can be used to take corrective actions.

As noted in the joint Bank-Fund Joint Staff Assessment of the PRSP, the transparency of budget preparation, execution, and reporting remains inadequate, with questions surrounding the classification of certain outlays as poverty-reducing. The 2001 public expenditure review found a tendency to classify all programs in some rural development subsectors as important for poverty reduction along with virtually the entire social sector investment program, including many programs not especially targeted to the poor. The overly broad classification of pro-poor social spending was also underscored by some stakeholders interviewed by the evaluation team, who linked it to the incentives created by HIPC conditionality.

Partnerships

Highly aid-dependent, Nicaragua is among the top five recipients of official development assistance in the world, but the impact of aid has generally been below expectations—in part

because of severe deficiencies in the coherence of donor-funded projects and programs, poor targeting, and lack of a results-oriented approach that permits an assessment of outcomes.

According to various stakeholders, the fine line between *support* and *imposition* in several cases had been overstepped by donors. The value of many analytical inputs was recognized, but the perception remained that the social sector emphasis of the PRSP reflected pressures from donors that could not be easily questioned. For some, the strong donor backing of the PRSP was a manifestation that the strategy reflects a “Washington-consensus” on how poverty reduction is best achieved.

The new government’s desire to modify the PRSP by introducing, in fall 2002, a new national development strategy (ENADE) with a greater emphasis on directly productive investment caused tension between donors, who had expected the PRSP to bring a more durable policy framework, and the government, which felt constrained in its ability to pursue a revised strategy. ENADE promised a significant modification of some of the key propositions of the PRSP; in particular, substantial modifications of the (largely donor-funded) public investment program, with less emphasis on social infrastructure and more on productive infrastructure in areas judged by the government to be of high growth potential.

Although donors and the government agree that a key role of the PRSP is to align donor support, progress in reorienting ongoing projects and programs in key sectors of the PRSP is advancing very slowly because of limited capacity in government sector agencies and the unwillingness or inability of donors to reconsider projects that have already been approved.

Improved aid coordination will require efforts by all participants to clarify their own policies, positions, and procedures, to cede leadership to other donors where appropriate, and to help the government coordinate support.

Results orientation

The PRS process brought poverty issues to the fore of Nicaragua’s public policy agenda. Although this was not the first time that a

concerted effort to fight poverty had been attempted, most observers view the PRSP as the most comprehensive attempt to date to link poverty issues with a strategy for economic development. In a country historically characterized by a great deal of economic and political volatility, the PRSP offered a framework that promised some degree of policy continuity and some broadly shared objectives.

However, Nicaragua’s commitment to and ownership of the PRSP and its principles have been questioned. First, the design of the PRSP itself, with its firm links to debt relief under HIPC and continued support from the Bank and Fund, limited the legitimacy of the PRS process in Nicaragua.

Even if the government and the donor community commit to the PRSP as the guiding framework for their programs and projects, severe challenges to the government’s implementation capacity remain. The public sector has undergone a process of modernization and restructuring, but serious problems and capacity constraints make implementation a challenge. Implementation capacity at the municipal level, in particular, is very weak because of the lack of qualified staff, centralized decisionmaking practices, and limited resources.

Nicaragua’s poor system of public expenditure management is a particular hindrance to PRSP implementation. Some of the problems include the fragmentation of policymaking (for example, incremental budgeting processes and the effective separation of recurrent and investment budgeting), the widespread practice of earmarking budget funds, and the government’s inability to determine whether funds are being used efficiently or for the purposes intended, which places the public sector in a weak position to address governance issues. A 2002 joint study by the IMF and the World Bank also concludes that despite recent improvements, Nicaragua still has a relatively weak system of budget formulation, budget execution, and budget reporting.

Preliminary results

Although limitations in budget reporting need to be taken into account in interpreting budget

data, early evidence on expenditures from the 2002 PRSP Progress Report offers some promise. In 2002, Nicaragua spent \$211 million on PRSP outlays, just under the planned amount of \$217 million (table 8.1). As a percentage of GDP, PRSP expenditures were actually higher than planned. Expenditures of 15.6 percent of GDP represent an increase relative to 1997 levels, in which expenditures on PRSP outlays were estimated to be 14.7 percent of GDP. The composition of expenditures in 2002 was biased toward social protection, environment, and decentralization, at the expense of human capital investment and, in particular, education.

It is still too early to assess whether expenditures have translated into results, but progress has been made on some fronts. Data for 2002 were not available at the time of this evaluation, but of the 29 intermediate targets specified for 2001 in the PRSP, 20 have been achieved according to the PRSP Progress Report. The nine that are lagging are clustered in primary schooling and infant, child, and maternal mortality. The Progress Report notes that some targets are of particular concern because they have been static or slightly below the base year of 1999.

The modest results shown to date must be viewed in the context of the very difficult starting conditions described above. The PRSP did not initially strengthen policy processes, while poor public expenditure management has been a hindrance to implementation.

World Bank support—discussing options for growth

The Bank has provided important support to the PRS process, including relevant analytic inputs and advice that are well-aligned with the needs of Nicaragua. These included two poverty assessments, a PER, and an agriculture growth study. Ongoing analytical work includes a country financial accountability assessment, a country procurement assessment report, and a poverty and social impact analysis. The quality of the technical assistance and analytical advice provided by the Bank is held in high regard by most informants.

The Bank's CAS is well-aligned with the PRSP and closely follows the main strategic pillars, detailing specific support to each pillar in recognition of the constraints to poverty reduction identified in the PRSP. The Bank is aligning its loan program with the PRSP by moving to programmatic lending—in the form

PRSP outlays	2000	2001		2002		Plan vs. actual (percent)
	Actual	Actual	Revised	Plan	Actual	
In US\$ millions		218.5	268.4	217	211.8	–2.4
<i>As percentage of GDP</i>						
Total	17.3	14.9	14.1	14.4	15.6	8.3
Internally financed (including HIPC)	10.2	9.2	8.4	9.2	9.2	0.0
Externally financed	7.1	5.7	5.7	5.2	6.4	23.1
<i>Shares by PRSP pillar</i>						
Economic growth		37	35	44	43	–1.9
Human capital investment		33	29	35	27	–22.1
Social protection		14	13	9	13	43.0
Governance		1	0	1	2	17.1
Crosscutting themes		15	23	11	15	43.1
Total		100	100	100	100	

Source: Nicaragua PRSP and PRSP Progress Report.

of a Programmatic Structural Adjustment Credit and planned PRSCs.

The Bank is improving its behavior concerning the PRSP principles. According to stakeholders, the Bank has become more open to dialogue with the country and is taking steps to increase its responsiveness to civil society and the government. The agriculture growth study, for example, is being done at the request of the government. But the durability of a strategy requires both good substance and sound process. The Bank could do more to improve implementation in Nicaragua by strengthening country ownership.

The Bank also could do more to advance the debate on broad-based growth and the tradeoffs between growth and poverty-related spending in Nicaragua. It is widely believed that the emphasis on social-sector spending has been *imposed* by the Bank. In reality, there is an inherent incentive and a bias toward social sector spending by government under the HIPC Initiative.

The key issue is the absence of a frank discussion of growth issues in Nicaragua. The balance between growth and social welfare is both technically complex and fraught with contentious political issues—but precisely for that reason it must become a more public debate in an appropriate forum. The Bank should promote and participate in this discussion, integrating the process under the PRSP framework. The ongoing Development Policy Review, with its focus on sources of economic growth, may play a positive role in this regard.

IMF support—beyond stabilization

The Fund's policy formulation process for Nicaragua under the PRS approach was initially not very different from previous practices. Macroeconomic stabilization efforts took up most of the attention, while growth and poverty issues did not receive the consideration that would have been expected under the new approach. IMF technical assistance, in contrast, has generally supported the priorities highlighted in the PRSP, including tax reform and banking crisis resolution.

Program negotiations, rather than the PRSP, remained the driving force behind the formula-

tion of the macroeconomic framework, reflecting, *inter alia*, the difficult initial macro-stability conditions. Moreover, the macroeconomic framework of the PRSP was quickly superseded by events, and the PRSP lacked operational guidance on policy tradeoffs. Some sensitive but critical issues (resolution of the banking crisis and its fiscal consequences) were not part of the broader policy debate, at the election of the government.

The initial design of the PRGF-supported program did not differ significantly from earlier ESAF-supported programs. A key element of the macroeconomic framework was the path to fiscal consolidation. This was in part because both the government and the IMF staff considered stabilization a priority and made it the main axis of the program. More recently, fiscal flexibility appears to have increased—for example, in the accommodation of potentially higher aid flows.

Structural conditions in the PRGF-supported program were narrowed to focus on financial system and public sector issues that have major macroeconomic relevance in Nicaragua and are highlighted in the PRSP as key priorities. But the burden of quantitative performance criteria did not diminish.

The policy space for government-led initiatives and flexibility to political considerations in the context of the PRGF-supported program did expand over time in response to greater government credibility and a more stable macroeconomic environment. That expanded flexibility was reflected, for example, in the policy choices associated with the approval of the 2003 budget, the passage of tax reform legislation, and the process of asset recovery from liquidated banks.

Key components of the PRGF-supported program—the need for fiscal consolidation and macroeconomic stability—have been owned at senior levels of the government, but the program has lacked broader ownership. Despite recognition of increased outreach efforts by the Fund, the formulation of macroeconomic policy is still regarded as not being open to a broader policy debate outside of traditional negotiations between the IMF

staff and the authorities. To a large extent, this reflects the choice of the government. Opening program negotiations to nongovernment actors is not realistic, but efforts by both the government and the IMF to broaden the discussions of macroeconomic policy could contribute to better understanding of various policy choices and tradeoffs. So far, the PRSP has had little impact in this area, although the use of technical commissions, akin to the one employed to formulate tax reform proposals, may be worth exploring further.

Bank-Fund collaboration

The World Bank and IMF have collaborated closely since the PRSP. Resident representatives have played a key role, providing inputs to the respective programs and participating regularly in meetings with civil society groups. The area of governance and legal reform, of considerable importance in Nicaragua, is an example where collaboration appears to have been effective, leading to a clearer delineation of responsibilities and conditionality.

The JSAs of the Bank and Fund were insufficiently candid in some key areas (notably with regard to constraints on participation in the PRS process). Nevertheless, they played a useful role in identifying country-specific risks to the implementation of the strategy, as well as areas in which further development of specific policies or policy prioritization was needed. However, the PRSP Progress Report did not play the central role that would have been expected in the ongoing debate on the growth strategy and modification of the PRSP, and the associated JSA should have signaled this failing.

Conclusion—modest results under difficult initial conditions

Initially, the PRS process in Nicaragua did not clarify or strengthen the policy processes that together determine whether and how poverty will be reduced. If the intention of the process was to reduce the inherent complexities of poverty reduction in Nicaragua by having a comprehensive strategy to which all significant partners could subscribe, and if the expecta-

tion was that this broad-based, country-driven strategy would lead to better implementation of key policy elements, then the initial results must be assessed as modest. The linkage of the PRSP to budget processes has been an important area of weakness, in part because of major problems with public expenditure management, which has hindered PRSP implementation.

The assessment of modest results, however, should be weighed against what realistically could have been expected from the initial PRSP cycle in a country characterized by social and political fragmentation, weak institutions, and fragile economic conditions. Recent developments seem to point to a change in processes in the right direction, including consultation and the broadening of policy dialogue.

The PRS process has brought the critical and complex issues of poverty reduction out into the open, thereby laying the groundwork for a more effective approach to poverty reduction. Expectations of what could be achieved in the short term may have been too high—and the close linkage to HIPC undoubtedly caused the government to press the pace, with some adverse effects on the depth and comprehensiveness of the policy debate. Nevertheless, progress in this direction is no trivial or straightforward task and needs to be judged accordingly.

The consultation process for the PRSP was a step forward, but differences in views about the purpose and legitimacy of participation highlight the inherent difficulties of promoting participation in a country like Nicaragua, with its polarized political system. As a result of those differences, broad country ownership of the PRSP has not been achieved. Nevertheless, most observers agree that the PRS process was a helpful attempt to foster a dialogue among the government, donors, and civil society.

The experience with the introduction of the new development strategy (ENADE) illustrates some of the potential tensions between different elements of the PRS process, notably between the provision of greater policy space to the government and other objectives, including donor priorities. These tensions were

increased in the case of Nicaragua by the poor alignment of the PRS process with the domestic political cycle and the limited policy debate early in the process on the tradeoffs involved in the growth strategy (Pillar I of the PRSP). But even with the considerable imperfections in the process, the fact that the debate is now taking place should be welcomed.



Tajikistan

A joint IEO/OED evaluation team visited Tajikistan in June 2003 and held meetings in Dushanbe and Khudjand. Among the sources for the analysis presented here was a survey of 91 stakeholders from government, civil society, and the donor community. The team's report covers the experience of Tajikistan with the PRS process through mid-2003.

Surmounting regional strife to reduce poverty

Tajikistan is one of the poorest countries in the world—with per capita income of about US\$200 in 2002. Despite this, indicators for literacy, education, and health and the infant mortality rate are better than for many other low-income countries—but among the lowest in the former Soviet Union.

According to the headcount measure used by the government's statistical agency, about 83 percent of the population is considered poor, and 33 percent extremely poor. A poverty assessment undertaken by the World Bank in late 1999 found that although inequality was lower than in other countries of the region, it was rising, and that poverty incidence in the capital, Dushanbe, was much lower than elsewhere. Children are the most vulnerable demographic group—the higher the number of children in a household, the greater the likelihood of poverty. Poverty rates were also high where three or more elderly persons resided in the same household or extended family. A 1999

survey of living standards revealed higher, and growing, poverty rates among women—in part a legacy of the civil war. Female-headed households had less access to land, irrigation, and livestock. They also had lower food security and lower monthly income compared with male-headed households.

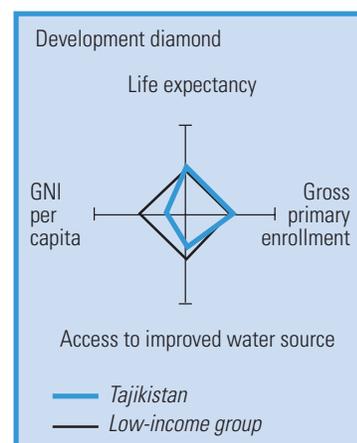
Tajikistan passed through a tumultuous decade after the collapse of the Soviet Union. A long civil war and sharp reductions in incomes and living standards left their mark on the country's economic infrastructure, while brain drain (chiefly to Russia) bled capacity from the public sector. Economic reforms gathered momentum in 1997 following a peace accord that marked the end of the war. Real GDP growth has been strong since 1998—albeit from a low base—and a measure of macroeconomic stabilization has been achieved.

The peace agreement brought a degree of stability to the country, creating a government considered to be one of the more inclusive in the region. Despite a functioning bicameral legislature and an active opposition, however,

Figure 9.1 Tajikistan at a glance

	Tajikistan	Europe & Central Asia	Low-income
POVERTY AND SOCIAL			
2003			
Population, mid-year (<i>millions</i>)	6.3	473	2,310
GNI per capita (<i>Atlas method, US\$</i>)	200	2,570	450
GNI (<i>Atlas method, US\$ billions</i>)	1.3	1,217	1,038
Average annual growth, 1997–03			
Population (%)	0.8	0.0	1.9
Labor force (%)	2.1	0.2	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	25	63	30
Life expectancy at birth (years)	67	69	58
Infant mortality (<i>per 1,000 live births</i>)	90	31	82
Child malnutrition (% of children under 5)	..	..	44
Access to an improved water source (% of population)	60	91	75
Illiteracy (% of population age 15+)	1	3	39
Gross primary enrollment (% of school-age population)	107	103	92
Male	109	104	99
Female	104	102	85

Source: World Bank.



regional and political rivalries remain a reality in Tajikistan, aggravated by the pressing socio-economic problems the country faces. The government remains highly centralized, with the president having broad powers.

Landlocked Tajikistan relies on good regional relations for access to trade outlets. Periodic border closings by some of its neighbors (Uzbekistan, Kazakhstan, and Russia) have been disruptive. The ouster of the Taliban in Afghanistan raised the prospect for greater stability along the country's southern border, while Tajikistan's support for the war effort and its strategic location raised the international profile of the country and strengthened international commitment to ensure its stability—as evidenced by a large increase in external aid pledged by international donors at the Consultative Group meeting held in Dushanbe in May 2003.

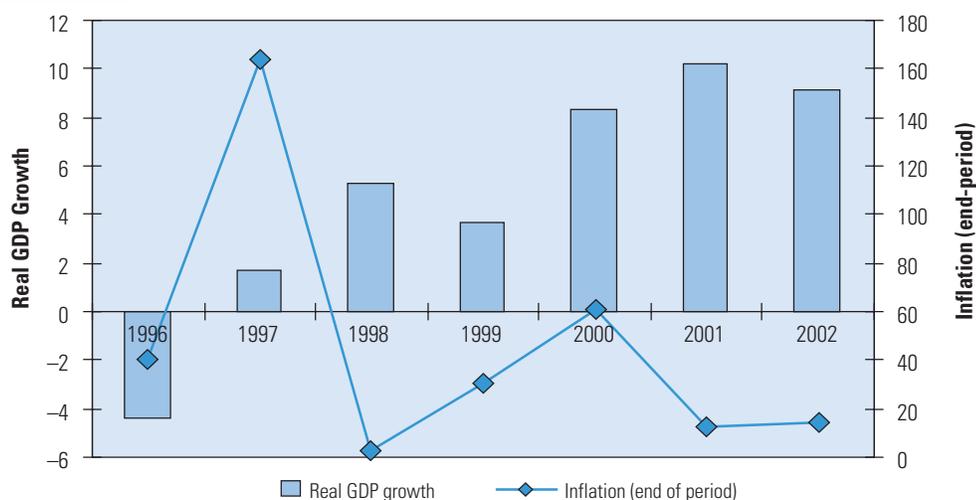
Economic reform programs supported by the IMF, the World Bank, and other multilateral and bilateral donors gained momentum after the end of the civil war. Since then, real GDP growth has been strong and inflation reduced (figure 9.2). The economy remains highly susceptible to external shocks, however, including those related to the terms of trade.

Tajikistan has achieved some success in fiscal matters since the mid-1990s—the fiscal deficit (excluding externally financed public investment) fell from nearly 6 percent of GDP in 1996 to near balance in 2002. However, substantial quasi-fiscal activities (especially in the energy and cotton sectors) raise concerns about sustainability, and the combination of low tax revenue and a heavy debt-service burden (figure 9.3) limit the scope for increasing government spending on measures to reduce poverty.

Agriculture remains the largest sector of the economy and the major source of employment, especially in rural areas, where more than 70 percent of the population resides. Reforms in the sector are incomplete, and further measures to remove distortions and disincentives to investment are widely regarded as holding the best prospects for significant poverty reduction in the country. Poor infrastructure and official interference in pricing, procurement, and marketing are major constraints.

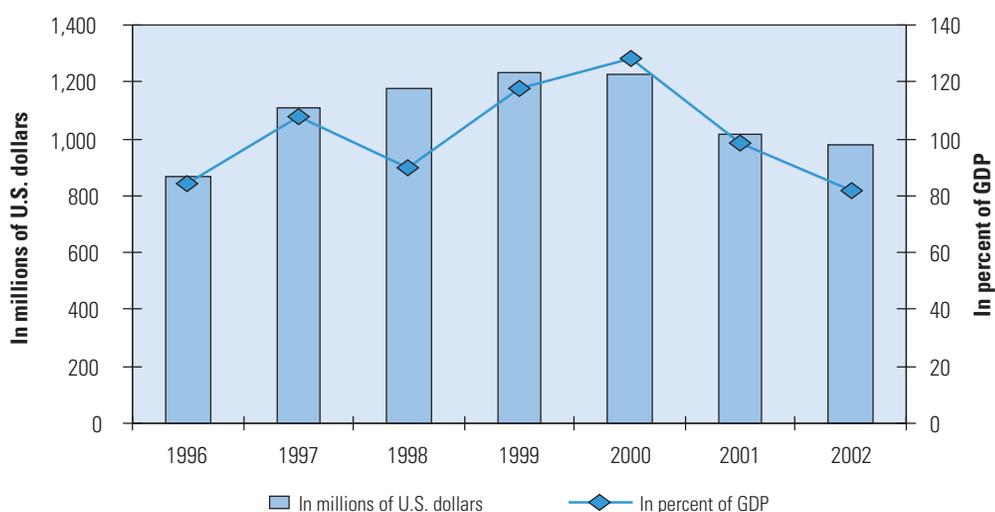
Privatization of small-scale enterprises has been completed and progress has been made on reform of large-scale enterprises, but several key sectors, including energy, are still dominated by public enterprises.

Figure 9.2 Real GDP growth and inflation in Tajikistan, 1996–2002 (annual percentage change)



Source: IMF.

Figure 9.3 Tajikistan's total external debt, 1996–2002



Source: IMF.

The PRS process—better governance for a better business climate

Since the collapse of the Soviet Union and the associated reduction in incomes and living standards, poverty has been a major concern in Tajikistan. But after the civil war, Tajikistan faced three impediments

in addressing poverty: (i) basic poverty benchmarks had not been established; (ii) within government, responsibility for policy formulation was spread among different ministries and departments; and (iii) the government's capacity to implement a coherent set of policies was weak.

Tajikistan submitted an I-PRSP in October 2000 and a full PRSP in June 2002. The PRSP sets a target of reducing the proportion of the population living in poverty from 83 percent in 2001 to 75 percent in 2006 and 60 percent by 2015. For that reason alone, it is clearly relevant to the country's needs and aspirations. The strategy for reducing poverty involves export-led, labor-intensive growth, with increasing reliance on the private sector; efficient and fair provision of basic social services; targeted support to the poorest groups; and efficient governance and improvement in security.

A major goal of the PRSP is to create a skilled, adequately paid, and corruption-free civil service capable of developing, implementing, and monitoring government policies. The civil service faces a challenge in attracting and retaining qualified officials with wages at their current levels. Low wages have also contributed to the institutionalization of corruption, with rent-seeking emerging as a mechanism for sustaining livelihoods. Strengthening of the judiciary is also important for protecting the poor and for fighting corruption.

Ownership, participation

The PRSP was prepared through a well-organized, government-led process that involved broad participation—including line ministries, scholars, and representatives of CSOs. Regional participation was a strong feature of the process, as scores of workshops and conferences were held across the country to discuss papers prepared by sector working groups. Other initiatives were undertaken to supplement the official regional consultations—among them a donor-funded NGO umbrella group (Counterpart Consortium Tajikistan) that compiled the views of local NGOs and communities in an NGO poverty assessment report. The World Bank and the Asian Development Bank supported a study (“Voices of the Poor”) that provided qualitative feedback from the poorest segments of the population.

Although the PRS process opened up the policymaking process to some extent, there is little familiarity with the final version of the document outside government. Furthermore,

the role of the participatory process in implementation and monitoring, and in future iterations of the strategy, has not been defined by the government and is a source of concern among stakeholders. NGOs described their interactions with government as having dwindled once the PRSP was finished.

Comprehensiveness, long term

The PRSP recognized the multidimensional nature of poverty by defining poverty broadly, to encompass income and nonincome aspects of poverty (including indicators that measure well-being and access to social services). The PRSP also highlighted differences in poverty incidence across geographical regions. To tackle poverty comprehensively, the PRSP proposed a crosscutting, intersectoral approach, whereby, for example, the improvement of infrastructure would be linked to the improvement of social services and vice-versa. The organization of the PRSP around nine sector working groups under the direction of an overall steering committee accentuated its comprehensive view (box 9.1). However, in several areas (for example, constraints to private sector development and links between the formal and informal sectors), greater coverage and more detailed discussion could have given the PRSP more cohesion.

Partnerships

The PRSP is partnership-oriented in that it has provided a point of reference for donor interactions with the government. However, it has not provided a basis for reconciling what appears to be a substantial difference between government preferences (top priority to infrastructure development) and what donors are willing to finance (spending on social sectors and on safety nets).

The size and composition of external aid to Tajikistan has evolved significantly over the last decade (figure 9.4), moving from humanitarian assistance to development assistance from a growing number of donors. Donors were involved to varying degrees in the preparation of the PRSP and believed, on the whole, that their inputs were taken into account. There is some evidence that donors are aligning their

Box 9.1

Key areas of Tajikistan's PRSP

Macroeconomic management. Establish a stable economic environment through appropriate fiscal, monetary, and exchange-rate policies.

Public administration. Create a skilled, adequately paid, and corruption-free civil service capable of developing, implementing, and monitoring government policies.

Social protection. Provide the poor with income through direct cash transfers, and with increased opportunity through access to productive assets.

Education. Ensure access to basic education for all, and raise the quality of education.

Health care. Ensure wide access to curative care and public health services, and provide the right balance between preventive and curative care.

Agriculture. Continue process of restructuring and privatization of state-owned and cooperative farms. Accelerate land reforms.

Employment creation. Promote agricultural development, create a favorable environment for private enterprise (including in the informal sector), ensure a well-functioning labor market, and privatize state enterprises.

Infrastructure and communication. Provide access to reliable and affordable energy, transport, communications, and safe drinking water. Improve reliability of urban infrastructure. In rural areas, provide access to services.

Environmental protection. Reduce the vulnerability of the poor to natural disasters through environmental protection, sustainable energy, and disaster prevention.

Tourism. Remove administrative obstacles to private development of the tourism sector. Promote a positive image of the country abroad.

programs to PRSP objectives, but with no clear links to the PRSP policy matrix. Because the PRSP is not prioritized, it is easy for donor programs to claim alignment with some PRSP objective or other.

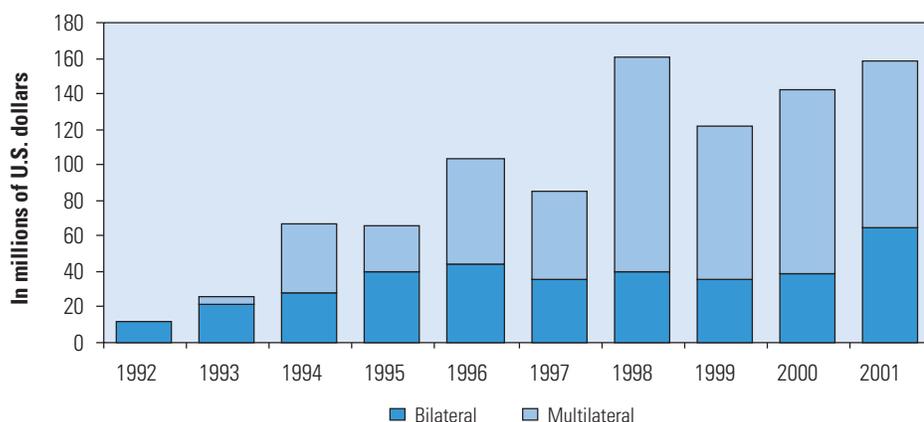
Results orientation

The PRSP is based on a long-term perspective for poverty reduction, with key targets linked

to the MDGs. However, as a guide to operations, it is insufficiently results-oriented, as the vast majority of its indicators relate to processes and policy measures rather than to outcomes. All major issues are covered in some form, but public actions needed to achieve goals are weakly prioritized, and there is a disconnect between the PRSP and the government's public investment program, with

Figure 9.4

External aid to Tajikistan, 1992-2001



Source: OECD.

neither well integrated into the budget process. By way of better orienting the government budget toward poverty reduction, the PRSP highlights reform of the public expenditure management system. Three other elements are in need of strengthening: (i) the MTBF; (ii) the Public Investment Program (PIP); and (iii) the annual budget process. Institutional arrangements for monitoring the implementation of the PRSP revolve around a unit that became operational only in the first half of 2003. In conjunction with other agencies, the new unit is developing a more focused set of indicators, including for measuring intermediate outcomes.

Preliminary results

The authorities indicated to the evaluation mission that they have been implementing measures specified in the PRSP policy matrix to the extent they can, citing lack of external financing as the major factor hindering implementation. All ministries contacted said that their budgets for 2003 and the proposals under formulation for 2004 were based on the PRSP. However, the evaluation mission formed the view that not much has happened by way of integrating the PRSP, PIP, MTBF, and government budget. This is an important task because the PRSP and the PIP appear to contain different priorities.

The government's attempt to coordinate donor assistance has led, paradoxically, to a proliferation of units with responsibilities that include liaison with donors. This has resulted in overlapping functions and reduced accountability.

World Bank support—a challenging shift to community-driven development

Both within government and among CSOs one finds awareness and appreciation of the Bank's role in support of PRSP formulation. Bank staff provided useful comments on the draft PRSP, helped the working groups mount workshops and consultations with civil society, and taught key officials about best practices in tackling poverty through workshops in Moscow and Budapest.

A key part of the Bank's assistance came as a result of the Poverty Assessment Report of June 2000—a well-argued, analytic document. While this report preceded the PRSP, it formed a cornerstone on which the authorities could base their proposals and measures. It also established poverty-line benchmarks and highlighted strategic issues to be tackled in the labor market, agriculture, education, health, social protection, and governance. The update of the Household Living Standards that is under way in the State Statistics Agency represents an important opportunity for the Bank to provide specific advice to the officials and data analysis so as to ensure that the poverty line benchmarks are brought up to date—and comprehensively.

In assessing sectoral differences, the evaluation mission's discussions with representatives of the PRSP working groups revealed that the Bank's work on education, poverty analysis, social protection, health, energy, and agriculture/land reform were appreciated for their direct relevance to the PRSP, whereas work in private sector development, the financial sector, water, and the transportation sectors were seen as having less influence in shaping the PRSP.

The Tajikistan CAS of February 2003, formulated after the PRSP, takes a medium-term perspective of 5–6 years—a good fit with the long-term perspective of the PRSP. Its guiding principles are in line with the PRSP pillars, an alignment that is further reflected in the Bank's lending program: a mix of adjustment lending and investment lending in the social sectors (education and health), agriculture, watershed management, banking, private sector support, and municipal infrastructure. To improve governance, the Bank will focus on reforming public sector management, strengthening the customs and tax departments, and improving the budget process.

The Bank is increasing its program of analytical work to strengthen the PRSP implementation phase. All major nonlending activities are associated with key areas of the PRSP, including the business environment and investment climate review, public expenditure review,

living standards and measurement survey and poverty update, social sector expenditure review (completed), and education sector review (completed). The PER is providing the prioritization that was missing in the PRSP by highlighting the main expenditure programs to be supported in the budget.

A key element in the CAS revolves around community-driven development (CDD). Discussion of the CAS within the Bank's board highlighted the riskiness of the CDD approach, while agreeing that it had a role to play in the country. Risks outlined by Board members included the substantial concentration of authority at the central government level, capacity constraints in coordination between the central government and the communities, and limited prior Bank activity in the area. The evaluation mission's discussions with NGOs and field visits outside Dushanbe confirmed those challenges and risks. Successful implementation of the CDD approach in Tajikistan will require managing capacity constraints; close monitoring to ensure timely scaling up; and close coordination with NGOs, local government, and other donor assistance.

Most Bank actions address the basic problem flagged in the formulation of the PRSP: weak institutional capacity throughout Tajikistan. The World Bank Institute's selection of Tajikistan as a focus country for its capacity-building programs should make it possible to deliver training and distance learning to key officials and to have those activities geared to support of PRSP objectives. Regional learning opportunities and seminars at the Bank's Kazakhstan hub office, and at other ongoing PRSP exercises such as in the Kyrgyz Republic, could also play a valuable role.

Five other areas merit the Bank's close attention:

- Creating stronger partnerships with other donors on PRSP issues
- Monitoring the effectiveness of Bank support in PRSP implementation
- Better sequencing of the Bank's work on poverty and social impact assessments (PSIAs), notably on energy and land reform

- Improving interactions between the Bank's regional office in Almaty, Kazakhstan, and the Dushanbe office, especially on PRSP issues.

IMF support—challenges of shifting to a new way of doing business while continuing to foster fiscal discipline

IMF staff, especially the resident representative, provided substantial support to the authorities in the preparation of the I-PRSP, but were more removed from the PRSP preparation process. In particular, they did not participate in the government-led consultative process, seeing it as a domestic stakeholders' affair. However, the PRSP acknowledged the influence of the IMF on its macroeconomic framework; for example, it indicated that monetary policy would be guided by the PRGF-supported program that was then under negotiation.

The inclusion of macroeconomic management as one of the nine sector working groups ensured discussion of macroeconomic issues in the PRSP consultation process. Several of the policy recommendations in the NGO poverty assessment referred to the earlier state-interventionist rather than market-based approach to economic management, but others emphasized the importance of strengthened institutions and greater transparency as essential elements of a sound macroeconomic framework. In practice, however, there was relatively limited public debate on either aspect. The issues raised demonstrate the potentially useful role IMF staff could play in raising broader awareness of macroeconomic issues and in promoting broader participation in policy discussions.

The IMF's technical assistance has been broadly consistent with priorities and objectives set out in the PRSP. In recent years, the areas covered by this assistance have included bank restructuring, tax policy and administration, external debt management, monetary operations, macroeconomic statistics, and economic legislation. Much of the assistance has been closely coordinated with program activities; for example, providing help in meeting structural conditions or redressing

capacity gaps revealed by poor implementation of program commitments.

Overall, the internal IMF policy formulation and review process has adapted to the PRSP/PRGF approach in some areas—such as allowing room for alternative options for meeting some program objectives. In other areas, however, notably those related to fiscal flexibility and to PSIA, there was little evidence of movement toward the “different way of doing business” suggested by the PRS approach.

The PRGF-supported program is playing a crucial role in maintaining a measure of discipline in Tajikistan’s public finances, but the authorities have gone along with important aspects of the PRGF-supported program that they do not fully agree with, mainly because they perceive that to do otherwise would reduce development assistance to the country. Participation in the formulation of Tajikistan’s IMF-supported programs continues to be limited to a relatively small circle of government and central bank officials. Typically, the discussions revolve around a draft memorandum of economic and financial policies (MEFP) prepared by IMF staff. This approach discourages government ownership and runs the risk of perpetuating dependence on IMF staff. IMF staff and the Tajik authorities should set a timetable for turning over responsibility for preparing the first draft of the MEFP to the authorities.

There has been a modest increase in government spending on social services in recent years, and this trend is projected to continue under the current PRGF-supported program. The program also provides for some compensation to low-income households to mitigate the impact of tariff increases in the energy sector and has recently placed a floor on government spending as part of conditionality under the program. With respect to growth, the PRGF emphasizes governance measures—especially to stop public officials’ interference in the affairs of private enterprises—more than fiscal measures.

The feature of “appropriate fiscal flexibility” encapsulated in the overall design of the PRGF (see chapter 1) is intended to allow room for programs to be more accommodating of

increased public spending—if linked to poverty reduction and financed in a noninflationary way (usually through concessional external financing). Although the program’s formal conditions do not cover concessional borrowing, there is an understanding that external borrowing to finance the PIP will be limited to no more than 3 percent of GDP. IMF staff justified this limit on grounds of debt and fiscal sustainability, as well as limits in the country’s capacity to absorb aid. However, some senior government officials question the rationale for the limit, viewing it as arbitrary. In the view of the evaluation team, justification of the 3 percent of GDP limit needs to be more firmly grounded in a quantitative sustainability framework and also in growth analysis.

The total number of structural conditions under programs has fallen, and their composition has changed slightly. In particular, conditions have been dropped for public enterprise restructuring and privatization but remain on sectoral issues deemed to have macroeconomic relevance, particularly when other international financial institutions—especially the World Bank—have no lending operation in the sector. Although staff have cited government capacity constraints as a reason for streamlining structural conditionality, in practice streamlining has been interpreted to mean clearer division of labor in relation to the World Bank. The aggregate burden of IMF and World Bank structural conditionality does not seem to have decreased.

There has not yet been a PSIA on any aspect of Tajikistan’s IMF-supported program, although programs have recognized that measures aimed at eliminating quasi-fiscal deficits in the energy sector will have severe adverse effects on the well-being of a large part of the population.

Bank-Fund collaboration

The staffs of the Bank and Fund have tried—not always successfully—to coordinate their work programs. Areas in which collaboration has been very effective include support to the government in ensuring that the priority status of the education sector in the PRSP is translated

into appropriate budget allocations (based on World Bank analytical work). Collaboration has also been good on issues related to the agriculture sector and land reform, though the IMF has now pulled back from those areas. Collaboration on energy issues appears to have improved over time.

Areas in which collaboration has either not been effective or has been slow in producing results include PSIA and expenditure policy. A promising area for more effective IMF–World Bank collaboration is in the preparation of PSIA on aspects of Tajikistan’s IMF-supported program.

The staffs of the IMF and the World Bank maintain contacts with staff of other international financial institutions, especially the Asian Development Bank, a major source of concessional loans to Tajikistan. Closer collaboration among the three institutions would enhance the effectiveness of assistance being provided to Tajikistan in at least three areas: (i) support for the development of a well-functioning Medium-Term Expenditure Framework that integrates the PIP into the budget process (requiring closer coordination of the various strands of the assistance that each institution is already providing to the budget process or PIP); (ii) energy sector reforms; and (iii) PSIA.

Conclusion—implementation requires clearer priorities, greater coordination

The PRSP was prepared through a well-organized, government-led process that involved the participation of line ministries, scholars, and representatives of CSOs. But that openness has not been sustained since the PRSP was adopted, in part because the roles of nongovernment sectors in implementation and monitoring are not well defined. We found little familiarity with the final version of the PRSP outside government circles, even among those who participated in the consultation process.

Although the PRSP recognized the multidimensional nature of poverty and proposed to tackle it comprehensively through a crosscutting intersectoral approach, it is insufficiently results-oriented, lacking adequate outcome indicators, clear priorities, and integration with the government’s PIP and budget. A set of

outcome-based indicators are under development by a new PRSP implementation unit that became operational in the first half of 2003.

The PRSP has provided a point of reference for donor interactions with the government, but to date it has not closed the gap between government preferences (infrastructure development) and what donors want to finance (social sectors and safety nets). Coordination among donors is poor, and donor alignment with the PRSP should be improved.

The Bank is increasing its program of analytical work in Tajikistan to support implementation of the PRSP. All major Bank activities are associated with key focus areas of the PRSP, because the 2003 CAS reflects the priorities of the PRSP.

The consultative process around the PRS process, including the forums organized for the NGO Poverty Assessment Report, demonstrated that there is scope to broaden participation in macroeconomic policy discourse in the country—and that the IMF can contribute to this process.

Although the PRGF-supported program is playing a critical role in maintaining a measure of fiscal discipline in Tajikistan, substantial differences of views between the authorities and the staff on aspects of external financing are undermining ownership of the program. In particular, the limit of 3 percent of GDP set for external borrowing to finance the authorities’ public investment program needs to be clearly justified in the context of a medium-term framework.

Participation in the formulation of Tajikistan’s IMF-supported programs is limited to a relatively small circle of government and central bank officials and IMF staff. To foster ownership and contribute to building capacity for undertaking macroeconomic policy formulation and analysis, we recommend that the IMF give the Tajik authorities responsibility for preparing the first draft of the MEFP. We also recommend that participation in the formulation of the structural reform components of programs be broadened to include implementing agencies; this is especially important in areas where IMF involvement partly reflects the absence, or limited presence, of other international financial institutions (including the World Bank).



Tanzania

A joint IEO/OED evaluation team made two visits to Tanzania in February and April 2003. The latter mission held meetings in Dar es Salaam and Dodoma. Among the sources for the analysis presented here was a survey of 100 stakeholders representing government, civil society, and international partners. The report of the evaluation team covers Tanzania's experience with the PRS process up to mid-2003. Subsequent developments, including the PRS review process for the second PRSP and the Third Annual Progress Report, are not discussed in the team's assessment.

A new resolve to fight pervasive poverty

By any measure, poverty in Tanzania is deep and pervasive. In 2001–2002, 12.6 million Tanzanians, 36 percent of the population, were living under the poverty line, with one in five living in abject poverty. Inequality is high, and regional and urban/rural income disparities are marked. Landlessness, lack of agricultural inputs, inability to obtain enough food, lack of access to health and education services, dependency and powerlessness, and physical disability are the defining characteristics of the poor.

Beginning in 1967, the government adopted a blueprint for the country's development strategy that involved the nationalization of most of the economy, as well as the resettlement of villagers in larger communities in the countryside to improve their proximity to services. This policy stance, based on *Ujamaa* (or African socialism), was supported by many

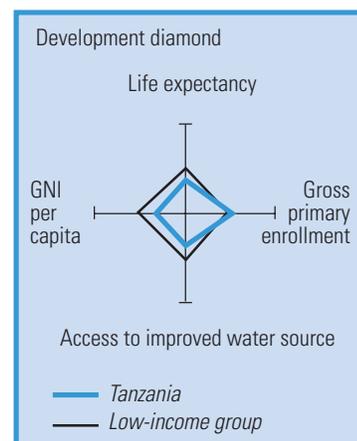
donor countries as well as multilateral institutions, resulting in considerable inflows of aid. However, the *Ujamaa* experiment failed to deliver the promised rapid social advancement. Although its goal was a self-reliant economy, Tanzania became more dependent on donors.

The late 1970s and early 1980s were marked by a deepening economic and social crisis. The war with Uganda at the end of the 1970s, and the second oil shock, led to a severe resource shortage. The collapse of the economic system in the 1980s led to a decline in growth. Tanzania's leadership came under increasing pressure to undertake democratic reforms, both from within the country and from its external development partners, but change—combining economic reforms with political liberalization and decentralization—has not been easy, in part because of opposition from entrenched groups with a stake in the existing

Figure 10.1 Tanzania at a glance

POVERTY AND SOCIAL	Tanzania	Sub-Saharan Africa	Low-income
2003			
Population, mid-year (<i>millions</i>)	36.0	703	2,310
GNI per capita (<i>Atlas method, US\$</i>)	290	490	450
GNI (<i>Atlas method, US\$ billions</i>)	10.6	347	1,038
Average annual growth, 1997–03			
Population (%)	2.3	2.3	1.9
Labor force (%)	2.4	2.4	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	35	..	..
Urban population (% of total population)	36	36	30
Life expectancy at birth (years)	47	46	58
Infant mortality (<i>per 1,000 live births</i>)	85	103	82
Child malnutrition (% of children under 5)	44	..	44
Access to an improved water source (% of population)	56	58	75
Illiteracy (% of population age 15+)	21	35	39
Gross primary enrollment (% of school-age population)	105	87	92
Male	109	94	99
Female	102	80	85

Source: World Bank.



system. The reluctance of the country's leaders to embrace change led to a cutback of external aid in 1994.

After a reform-oriented government was elected in October 1995 in the country's first multiparty elections, economic performance improved, with increased growth, lower inflation, and the return of aid donors (table 10.1). Since 1990, agricultural output has grown at an average annual rate of 3.7 percent. Mining has accounted for a large part of the recent expansion as investment by multinationals began to generate higher output. In contrast, manufacturing output has been below expectations.

In combining economic and political reforms with peaceful conditions at home, Tanzania has distinguished itself in a region

otherwise dominated by serious domestic disturbances. The most important budgetary challenge has been the government's poor capacity to generate revenue. The main causes are tax evasion, discretionary and statutory tax exemptions, a very limited tax base, and weak tax administration.

But social indicators paint a stark picture. In 2002, life expectancy at birth was only 43 years, while a third of children under five suffered from malnutrition and more than 40 percent from stunting. Infant mortality rates exceeded 100 for every 1,000 live births. In recent years, this situation has been exacerbated by HIV/AIDS, now the leading social concern, with serious demographic and economic implications. It is estimated that 10 percent of the

Table 10.1
Growth and investment indicators in Tanzania, period averages, 1991–2002 (percent)

Economic indicator	1991–1995	1996–1999	2000–2002
Real GDP growth	1.8	3.8	5.5
Real GDP per capita growth	–1.0	1.1	2.7
Inflation, average	27.4	14.0	5.3
External public debt (percent of GDP)	131.4	98.5	75.7

Source: Tanzanian authorities and IMF.

population was infected in 2000. An important exception to the above numbers is adult literacy. With 76 percent of the adults classified as literate, Tanzania is more literate than many of its neighbors—a product of high primary school enrollment rates in the 1970s, which have not, however, been sustained. Net enrollment rates for primary education increased marginally in the 1990s, but still were lower than in the early 1980s. Since 2000, rates have increased substantially—to 65.5 percent—as a result of the cancellation of user fees, but the quality of education has declined markedly during the period.

In the second half of the 1990s, the government introduced national strategies for development and poverty reduction and changed the process by which it made budget and policy decisions. Published in 1998, *Development Vision 2025* foresaw Tanzania becoming a middle-income country by 2025. The National Poverty Eradication Strategy (NPES, 1997) set goals for economic growth, income, primary education, access to water and sanitation, mortality and health, employment, and other areas, but it failed to specify priorities among its many planned interventions, making it inappropriate as an action plan. The Tanzania Assistance Strategy (TAS, 2000) was the government's attempt to restore local ownership of development programs after the deterioration of relations with donors in the early 1990s. By 1998—before the PRSP process was launched—the PER process led by the World Bank had become the main avenue for policy debate and strategy formulation among domestic stakeholders and donors.

The PRS process—a sharper focus, better data, and wider participation

The PRSP process picked up positive and negative features of earlier strategy exercises. Some of the eventual shortcomings of the PRSP, including lack of concrete operational guidelines and costing of interventions, were spillovers from earlier efforts.

The initial formulation of the PRSP took place within an extremely compressed timetable, under pressure to reach the comple-

tion point for participation in the HIPC Initiative. Officials at the Ministry of Finance initially were frustrated by the lack of clarity of what was expected from the PRSP. A country-led and comprehensive poverty reduction strategy, set in the context of the long-term *Development Vision 2025*, already existed in the form of the NPES. A 1994 report prepared by a joint donor group had initiated a fruitful dialogue with the country's external partners, and the TAS—aimed at coordinating donor assistance—was under formulation. So doubt about the added value of the PRSP is understandable. Nevertheless, three years of implementation suggest that the PRSP process has indeed added value in some important areas, although a process that built more explicitly on existing domestic initiatives would have been preferable.

Ownership, participation

A key contribution of the PRS process has been the opening up of a dialogue between the government and civil society. Although inputs from civil society had little influence on the initial policy content of the PRSP, civil society is now more actively engaged in national policy-making through channels such as participation in the PER, which has broadened to become the main avenue for public policy debate and strategy formulation in Tanzania. The institutionalization of the policy dialogue, through the PER process, where the World Bank played a critical supporting role, has been crucial—although it is not possible to attribute this development to the PRS approach per se. The PER process provided a forum for follow-up of the policy debate, very important given initial gaps in the poverty reduction strategy. It is broadly participatory, government-led, and encourages domestic and external partnership. It also facilitates a multisectoral and results-oriented approach to the PRSP through links to the budget and assessments of the poverty focus of expenditure.

Ownership of the PRSP is strongest at the level of top leadership and in the Ministry of Finance, followed by priority sector ministries. Ownership is much lower in nonpriority central ministries. Among civil society and local

government, ownership has been a function of each organization's involvement in the process, and groups based in the capital are more favorable in their view of the process than those outside. Parliament has been largely outside the process, and its ownership is low.

One area in which stakeholder involvement has been limited is macroeconomic policy—where the government, donors, the IMF, and the World Bank tend to dominate. While this is partly because of the weak technical capacity of civil society groups, it also reflects limited success by the IMF in framing key issues in a manner digestible to a wider audience and in ensuring that all major issues were included in that debate. IMF staff have been reluctant to intervene too actively in what was meant to be a government-led domestic debate.

Some NGO representatives believed that the World Bank's role in the overall PRS process was too influential—sentiments stemming in part from the position of the PRSP as a condition for access to HIPC relief. But it was the World Bank's insistence on a greater role for the NGOs that made possible a level of consultation that, despite its shortcomings, was wider than experienced before, and which opened the door for the broader consultative process that followed.

Comprehensiveness, long term

The narrow focus of PRSP implementation on human capabilities and survival raises concerns about whether the priorities of the PRSP are consistent with the objectives of the long-term *Development Vision 2025*—achieving a high quality of life for all Tanzanians, a society characterized by good governance and the rule of law, and an economy that is competitive, diversified, semi-industrialized, and macroeconomically stable.

An example of a less than comprehensive focus of the PRSP is in the education sector, which absorbs the bulk of PRS funding. PRSP targets focus exclusively on primary education, which has also seen the highest budget increases in recent years. The implementation of the Primary Education Development Program (PEDP) has favored access and enrollment rates

over issues of quality. There is a need to include PRS targets from—and gradually expand resource commitment to—the secondary and tertiary sectors to enable Tanzanians to face the challenges of globalization.

The government is planning to revisit the PRS in an effort to strike a better balance between income and nonincome aspects of poverty. According to the Second PRSP Progress Report (April 2003), next steps will include more attention to crosscutting issues, including the environment, gender, HIV/AIDS, and employment, as well as the implications of the restructuring of local government. The report notes that a measure of policy coherence has returned to agriculture with the completion of a sector strategy.

The financial sustainability of the PRSP in the long term is an additional concern. Investments in primary education and health care, without significant accompanying efforts to boost domestic resources through income generation and savings, are not tenable in the long run. The government has recognized that it must broaden its own revenue base in order to ensure the sustainability of programs in education.

Partnerships

From the beginning of the PRSP process, external partners were consulted regularly and at key points in the process leading to the PRSP. This participation was, on the whole, at a healthy arm's length so as not to interfere with the indigenous development of the PRS. During the implementation phase, the process has continued to engage development partners in shaping national policies and strategies. External partners view the PRSP as the guiding framework for development assistance and have attempted to streamline their processes accordingly.

External partners are also substantively involved through various forums, but particularly through working groups. They continue to wield substantial influence on strategy and policy formulation at the sectoral level, which eventually feeds through to the national level. Discussions are often dominated by external

partner representatives and specialists. Such domination, and related complaints about external participants setting meeting agendas or writing consultants' terms of reference indicate the continuing influence of external partners on domestic policymaking, raising concerns about the ownership of strategies and programs, even in high-priority sectors.

An important outcome of donor efforts at aid harmonization and policy alignment was the establishment of the Poverty Reduction Budget Support (PRBS) group in early 2000. Consisting of 11 like-minded donors, the PRBS group participates in the PER process, holding regular meetings with the government, and is seen as an important player in the poverty reduction strategy. Support from the PRBS group is directly channeled to the budget, with loan conditions based on a commonly negotiated performance assessment framework that focuses on macroeconomic management, public expenditure management, and governance. Generally, external partners are keen to participate in these harmonized processes.

Through the PER process, the government has been able to establish a database on donor commitments to the country over the medium term, enabling it to design its MTEF.

Two issues of concern on partnerships are the low levels of involvement of the business community and the high transaction costs for the government of numerous donor missions, some of which are still not well coordinated.

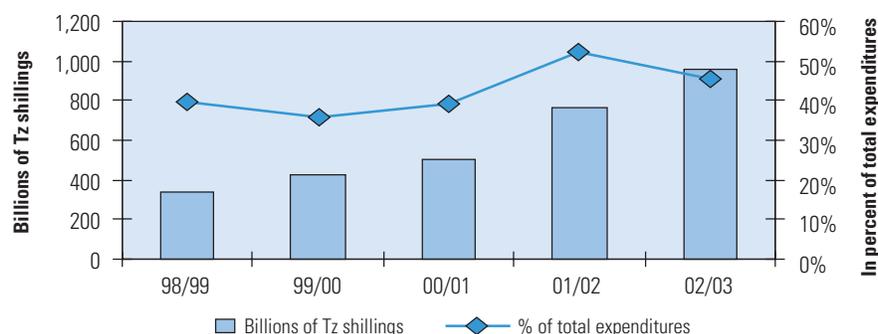
Results orientation

The PRSP process is clearly results-oriented and focused on outcomes that benefit the poor. It has enhanced the prioritization and the mobilization of financial resources in the priority sectors (figure 10.2). The share of priority-sector expenditure increased from an average of just over half of recurrent expenditures in FY99 and FY00, the two years prior to the PRSP, to 68 percent of recurrent expenditure in FY02. Improvements in strategic resource allocation through the MTEF process have been supported, and indeed facilitated, by the participatory PER process, active in Tanzania since FY98. However, spending within sectors is not well targeted to the poor, although the PER uses PRSP targets as the benchmark for assessing overall performance in the sector.

The PRSP process has substantively enhanced national processes for poverty monitoring, and a master plan now guides all monitoring activities, but a major gap remains between PRSP monitoring and actual policy formulation and performance. Information across the results chain (inputs, outputs, outcomes, and impact) has not been integrated by policymakers in a meaningful way. Capacity constraints and the political economy of changing policies and budget allocations imply that the penetration of the process and principles at the lower levels, arguably more critical levels for achieving results, is slow.

Figure 10.2

Expenditures in priority sectors of Tanzania's PRSP, 1998/99–2002/03



Source: World Bank.

In retrospect, the issue of poor domestic capacity, individual and institutional, has not been adequately considered, given the broad agenda of reform—both within the process of implementing the PRSP and more broadly as part of ongoing government reforms. Establishing a realistic mechanism for implementation at the subnational levels of the multiple initiatives being implemented in fiscal and administrative decentralization, civil service reform, and public sector reform remains the biggest challenge that the government faces in delivering the results promised by the PRSP. Lack of capacity, particularly acute at the subnational level, has led to serious delays and may ultimately lead to inadequate outcomes.

Preliminary results

In the initial phase of its implementation, the PRSP focused on improving service delivery, particularly in education and health, by increasing social sector expenditures. The income-oriented elements of a broader growth and poverty reduction strategy were delayed by the late completion of sector-specific strategies, notably for agriculture and rural development. This also reflects the legacy of the initial focus on social expenditures of the HIPC process. The completion of sector strategies and action plans in later years and the more elaborate PRSP progress reports have helped to expand on and balance the implementation of the strategy.

Although it is too early to give a definitive evaluation of the impact of the PRS approach, at the time of the evaluation mission observers reported a noticeable improvement in service delivery, including at the village level. The Second PRSP Progress Report records a sharp increase in gross enrollment at the primary school level, from 77.6 percent in 1990 to 100.4 percent in 2002, although concerns about the low quality of education persist. In the health sector, the supply of drugs has greatly improved, including at local health units, which is attributed to an innovative cost-sharing approach drawing on the views of local communities. However, the high prevalence of HIV/AIDS and malaria has implied a rather

marginal impact on the overall disease burden and other health indicators.

World Bank support—too intrusive or not intrusive enough?

During the short formulation period of the PRSP, the World Bank played a facilitative role, providing technical advice to the government and identifying key issues that influenced the sectoral contents of the strategy and helped promote a more participatory process. Stakeholders were critical of the Bank's "intrusive" influence in the initial stages of the formulation of the strategy but acknowledged that this tendency to intervene was tempered by the country office. Overall, the principal drafters of the PRSP described the formulation as a government-led process, with the Bank and Fund not influencing the substance of the final strategy.

Civil society members, in contrast, criticized the Bank for not exerting *more* influence on the government during formulation to increase participation. But they were cognizant of the dilemma faced by the Bank in urging the government to expand the consultative process while respecting the country-led principle. Further, the Bank, like many civil society groups, was reluctant to trade progress toward the Completion Point under the HIPC Initiative for a more extensive consultative process. During implementation, the Bank has promoted the participation of civil society within the national PRSP processes—with encouraging results. Civil society participation has been a feature of the PER process and is being further strengthened year by year.

An area where the Bank could have been better prepared for the PRSP was in assisting Tanzania to conduct a household budget survey before 2000. During implementation of the PRSP, Bank staff have provided substantial technical advice in analyzing the results of the latest household budget survey and in establishing a national poverty monitoring system. The Bank's technical expertise and sectoral inputs in education and health and through the PER process have supported the first and second PRSP Annual Progress Reports—those contributions have been

greatly appreciated. The PER process, in particular, has been well recognized for its support of the PRSP and its principles, and the Bank has played a leading role in promoting and expanding the PER from an external technical assessment to a country-led participatory process involving a wide range of stakeholders.

In other areas of the Bank's analytical support, some key shortcomings came to light in the formulation of the PRSP—and some of these remain. There are continuing gaps in knowledge of the linkages between micro- and macroeconomic policy, specifically in relation to: (i) the social and poverty impacts of macroeconomic and structural policies; (ii) the sources of growth; and (iii) the poverty impact of alternative policy and strategy options. At the sectoral level, the depth and breadth of the Bank's analytical work was uneven prior to the formulation of the PRSP. Work in agriculture, for example, should have started much sooner, and the Bank could have been more assertive in promoting the growth agenda in the PER and MTEF.

The Bank's lending portfolio in the last three years has been well aligned with the PRSP. The focus of the current CAS—private sector and infrastructure development, sustainable rural

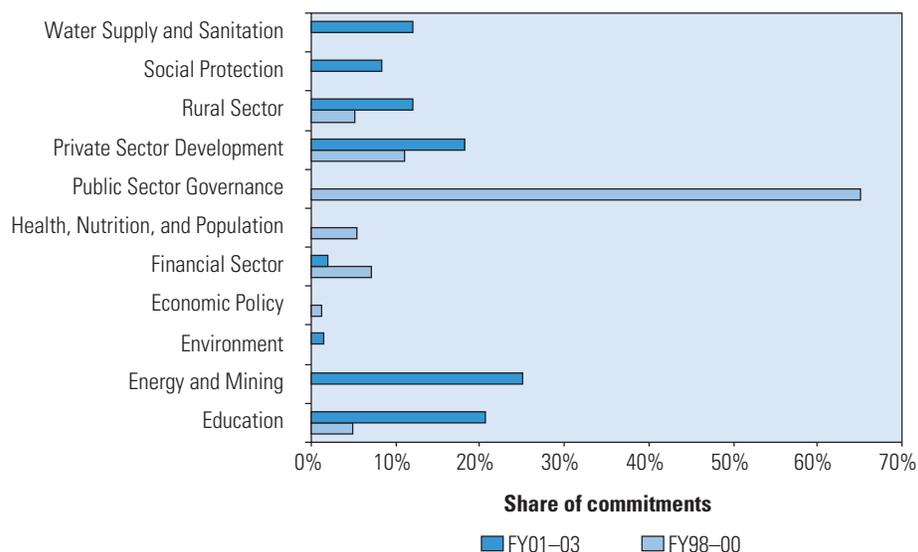
development, improved social infrastructure, public sector reform, and institution building—is in line with the priorities of the PRSP. New commitments across the three-year CAS period reflect a similar picture of alignment: projects that fall into PRSP priority sectors comprised 75 percent of new commitments. Compared with the previous three-year period, Bank commitments have broadened from public sector governance and private sector development into priority areas such as education, social protection, and water supply (figure 10.3).

The recently introduced PRSC signals a further shift toward alignment with country processes. The PRSC is a programmatic lending instrument specifically designed to support the implementation of the PRSP. It supports government efforts in three areas: (i) reforms in agricultural and rural development, (ii) institutionalizing Tanzania's monitoring and evaluation systems, and (iii) strengthening public sector performance and efficiency and effectiveness in the use of resources. It contains fewer conditions than previous policy-based lending instruments.

The Bank has continued to promote the partnership principle. Its proactive role in the

Figure 10.3

World Bank commitments by sector, FY98–00 and FY01–03



Source: World Bank.

participatory PER process, the alignment of the PRSC within the framework of the multidonor PRBS group, and its engagement with the Development Assistance Committee of the OECD are important steps that have enhanced the collaboration of donors in Tanzania. Complaints remain about the large numbers of missions that regularly arrive from the Bank. At the same time, stakeholders have acknowledged that complaints at the sectoral level are strongly correlated with capacity problems within ministries, an area that Bank and donor technical assistance has been unsuccessful in addressing.

IMF support—gradual alignment with the PRSP and opening up of the debate on program design

The IMF's program in Tanzania, supported by the PRGF, complemented the overall strategy for growth and poverty reduction in three respects. First, public expenditures were increasingly prioritized, with emphasis on accountability and ability of local level recipients to provide feedback to the center. Second, the program encouraged further reforms in key areas of economic activity such as taxation, land reform, and the financial sector, notably microfinance, with a view to expanding private sector activities, not only in the modern sector but also in the informal sector and the rural areas where most of the poor derive their livelihood. Third, with respect to growth, the program focused on the consolidation of macroeconomic stability and creation of incentives for investment.

The medium-term objective of the PRGF was to create conditions favorable for higher growth, with a particular focus on poverty reduction. Macroeconomic objectives included increasing growth from 5.2 to 6 percent annually by the end of the program and reducing inflation from 7 percent to rates comparable with those among Tanzania's main trading partners—about 4 percent. Monetary expansion was to be kept at about 10 percent per year. Surprisingly, for a program focusing on poverty reduction and the expansion of service delivery, total government expenditure

was expected to remain relatively unchanged at about 16 percent of GDP. Grants as a percentage of GDP were also projected to decline by a full percentage point during the program. The implication was that increasing priority expenditure would require reduction in nonpriority spending relative to GDP. At that stage, the higher resource inflows expected from the HIPC Initiative and grants had not yet been sufficiently factored into the projections. The original PRGF thus projected a fairly restrictive fiscal stance.

Over time, the consultation processes under the PRSP had a significant impact on the content of macroeconomic policies—and the PRGF-supported framework did show considerable flexibility. In this sense, the PRGF eventually became aligned, although incompletely, with the key objectives of the PRSP—even though the alignment did not occur through preparation of the original PRSP. In assessing how the PRSP process affected the scope of policy choices available to the government and how the PRGF adapted to these policy choices, we examined in depth four policy issues in the macroeconomic area. They included two cases, the PRGF programming framework and cash budgeting, where a broader debate in the PER working groups led to a more flexible fiscal stance, and increased priority expenditure better insulated from temporary budget shocks; one case, trade reform, where the political nature of the problem and the lack of a domestic debate on the lines of the PER evaded easy resolution; and a last case, fiscal federalism, which, though considered a priority by the government and with clear relevance for the PRSP, was approached very cautiously by IMF staff, in light of the fairly limited local capacities and the IMF's own experience in other countries.

Lack of capacities within government led to delays in policy formulation and implementation, although the process of interaction and debate finally led to the convergence of views on key macroeconomic issues. Concerns by some key government officials and donors that the initial macroeconomic framework did not sufficiently accommodate increased aid flows,

helped trigger a broader debate on aspects of program design. That debate benefited from contributions from local and foreign academic consultants. Discussions in the PER macro working group and workshops organized by the government, informed by these technical contributions, did help move the process forward and contributed to some significant adaptations in the macroeconomic framework underlying the program design. In this sense, the substantive revisions made in the original PRGF program design reflected an effective contribution of the institutional framework set up for consultations between stakeholders and the use of outside expertise to strengthen capacity. However, this participatory process was incomplete, as it largely involved government, the Bank and the Fund, and bilateral donors—with civil society stakeholders largely on the sidelines.

The IMF's technical assistance is focused on the key areas of expenditure management, tax administration, and fiscal decentralization, and therefore appears to have been aligned with PRSP objectives. However, government officials are demanding more say in the use and mode of delivery of the IMF's technical assistance, which they still see as too closely linked to program targets rather than capacity building.

The PRS process has had impacts on internal IMF procedures, with the timing of IMF missions becoming better aligned to the budget cycle of the government. Still, with a limited presence in the field, the IMF has yet to meet demands for broader interactions with civil society groups and to devote more time to explaining its macroeconomic policies.

The IMF's ability to gauge the impacts of these interventions on poverty has been limited by the lack of poverty and social impact assessments.

Conclusion—a healthy process that has become embedded in domestic institutions overcomes defects in the original document

Tanzania is a good illustration that it is the PRS *process*, not the *document* itself, that matters. The initial PRSP was weak in many respects.

However, three years after its launch, policy-makers have been able to flesh out the strategy and improve poverty monitoring mechanisms. The process has provided an opportunity to mobilize and focus resources in the priority sectors; enhance the monitoring of poverty reduction targets; and encourage broad-based participation of civil society in national processes—all previously lacking in national strategy formulation.

Ownership is ultimately judged by commitment to the strategy, which has been high, especially among the top leadership. Among civil society and local government, ownership has been mixed—with Dar-based groups more favorable to the process than those outside, and the priority ministries more committed to the PRSP than others. An important limitation is that parliament and the private sector have been only marginally involved in the process. To extend the political legitimacy of the PRSP process and ensure sustainability, it will be necessary to bring both groups more formally into the process.

With time, the PRS process has become more participatory and inclusive. Early conflicts over civil society participation reflected ambiguity about what participation was meant to achieve—consultation versus participation in policy decisions. Civil society involvement was more limited in macroeconomic policy issues than in other areas. While partly an issue of technical capacity, that limitation also reflected ambiguity about the IMF's role in the broader policy issues, including its role in framing those issues in a manner digestible to a wider audience and ensuring that all major policy issues were included in the domestic debate.

However, the institutionalization of the policy dialogue, through the PER process, where the World Bank played a critical initiating role, was crucial. It provided a forum for follow-up of the policy debate that was very important given initial gaps in the strategy. The PER process today is broadly participatory, government-led, and encourages domestic and external partnership while focusing the PRSP on results through links to the budget and assessments of the poverty focus of expenditure.

On the whole, the PRS process has been results-oriented and focused on outcomes that benefit the poor. It has enhanced the mobilization of resources and the focus on priority sectors—with PERs as major inputs. During the process the shares of priority sectors in expenditures have risen steadily, although PER analyses have shown that spending within priority sectors needs to be better targeted to the poor. The process has substantively enhanced national processes for poverty monitoring, and a poverty monitoring and master plan now guides all monitoring activities. However, the feedback between monitoring of results and policy actions requires improvement.

The success of the PRS process was premised on effective management and coordination at the subnational level, particularly in rural areas.

However, both central and local government structures lacked adequate technical skills to implement and follow up on key aspects of the process. Lack of capacity led to serious delays and still may produce inadequate outcomes.

The PRSP process has fostered greater coordination among the World Bank and IMF teams working on Tanzania, helping to dispel the uncertainty among Tanzanian officials over what was expected from a PRSP. But important gaps remain—notably the setting of priorities for timely delivery of PSIA. The PRS process should be more explicit about what the Bank and Fund will deliver. For example, a clearer delineation, as part of the PRSP framework, of what analytical inputs should be delivered, when, and by which institution, would be consistent with the results-based emphasis of the PRS approach.



Vietnam

The IEO evaluation team conducted interviews with stakeholders in Hanoi and Ho Chi Minh City in June/July 2003. Among the sources for the analysis presented here was a survey of 78 stakeholders in government, civil society, and the donor community. The evaluation reviews developments up to December 2003.

Successful poverty reduction

Vietnam was one of the first Asian countries to produce a PRSP. Its tradition of basing public policy on medium-term socioeconomic planning and its reputation for consensus-based decisionmaking (albeit within the framework of a single-party system) made it an interesting case for evaluation. Vietnam is widely considered a development “success story,” having reduced poverty levels in the past decade more rapidly than virtually any other low-income country.

The Vietnamese economy experienced strong growth over the last decade, averaging just under 6 percent annually since 1996 (table 11.1). During the Asian crisis, growth slowed to 3.5 percent, but recovered thereafter. Inflation has been in the single digits since 1996, falling to negligible levels in 1999 and 2001. Central government fiscal deficits have been modest for the most part, averaging less than 1 percent of GDP per year between 1996 and 1999. They increased to more than 3 percent in 2000 and 2001, reflecting increases in government

expenditures, including poverty reducing expenditures.

Per capita income rose steadily from US\$272 in 1996 to US\$428 in 2002. The 1997/98 Vietnam Living Standards Survey estimated that 90 percent of poor households lived in rural areas. With growth strongly concentrated in major centers such as Ho Chi Minh City, this has led to perceptions of a widening gap between rich and poor within the country. Literacy rates—of more than 90 percent in 1998—are high compared with other low-income countries.

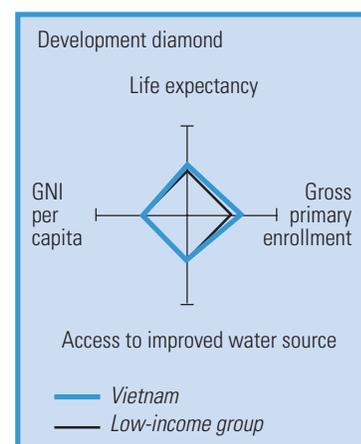
Vietnam is one of the largest aid recipients in the world; Japan is its largest bilateral donor, providing more than half of total official aid. Vietnam was one of the pilot countries for the CDF and was a case study for OED’s 2002 evaluation of the CDF.¹ It also was one of the six countries chosen in 1998 as a pilot for enhanced World Bank–IMF coordination.

The authorities have demonstrated clear commitment to development and poverty reduction and, with the benefit of solid growth,

Figure 11.1 Vietnam at a glance

POVERTY AND SOCIAL	Vietnam	East Asia & Pacific	Low-income
2003			
Population, mid-year (<i>millions</i>)	81.3	1,855	2,310
GNI per capita (<i>Atlas method, US\$</i>)	480	1,080	450
GNI (<i>Atlas method, US\$ billions</i>)	38.8	2,011	1,038
Average annual growth, 1997–03			
Population (%)	1.2	1.0	1.9
Labor force (%)	1.6	1.1	2.3
Most recent estimate (latest year available, 1997–03)			
Poverty (% of population below national poverty line)	29	..	..
Urban population (% of total population)	26	40	30
Life expectancy at birth (<i>years</i>)	70	69	58
Infant mortality (<i>per 1,000 live births</i>)	20	32	82
Child malnutrition (% of children under 5)	30	15	44
Access to an improved water source (% of population)	77	76	75
Illiteracy (% of population age 15+)	4.6	10	39
Gross primary enrollment (% of school-age population)	115	111	92
Male	117	112	99
Female	113	111	85

Source: World Bank.

**Table 11.1****Selected macroeconomic indicators for Vietnam, 1995–2002 (percentage of GDP)**

	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP growth	9.5	9.3	8.2	3.5	4.2	5.5	5.0	5.8
Inflation (end of period) annual percent change	12.9	4.5	3.6	8.6	0.1	–0.5	0.7	4.0
Total expenditure	23.8	24.9	24.8	22.2	20.6	23.9	25.6	24.8
General government education and health expenditures	—	—	—	5.0	4.9	5.2	5.8	—
Total poverty reducing expenditures ^a	—	—	—	—	5.1	5.4	6.0	6.1

a. IMF estimate based on (i) current expenditure on education, training, health, and family planning and (ii) capital expenditure on education, training, health and poverty-related projects in the agriculture, transportation, electricity, and water sectors.

Source: IMF.

have exercised strong leadership in setting the reform agenda. For the most part, the authorities, the donor community, and the IMF have agreed on broad reform objectives—for example, poverty reduction and private sector development—but there have been disagreements on how, and how quickly, these objectives should be achieved, resulting in lengthy delays in reaching agreement on an IMF-supported program.

The PRS process—concurrent strategies

The government of Vietnam initiated the preparation of an Interim PRSP in mid-2000, which coincided with an intense planning

phase in the country's policy cycle. The planning phase led to the production of the current 10-Year Socioeconomic Development Strategy and 5-Year Socioeconomic Development Plan (SEDP). The I-PRSP was presented to the Executive Boards of the Bank and the IMF in March 2001, along with a request for a three-year PRGF-supported program and the first World Bank-supported PRSC. The full Comprehensive Poverty Reduction and Growth Strategy (CPRGS, as the PRSP is known in Vietnam) was finalized just over a year later. At the same time, the second review under the PRGF-supported program was also completed. Its principal elements are outlined in box 11.1.

Ownership, participation

Vietnam's CPRGS is widely considered to be domestically owned. The authorities maintained a firm hand throughout the drafting process, much of which was done in Vietnamese, with only selected drafts translated into English.

By contrast, the participatory process used in the formulation of the CPRGS, was not fully country driven, with international partners (the World Bank and international nongovernmental organizations) initially assuming a leading role in the organization and financing of public consultations. Government engagement with the participatory process intensified during the formulation stage, but the true extent of the authorities' ownership of, and commitment to, a participatory approach to policymaking will only be tested once they take the driver's seat in future participatory consultations.

To ensure that the process is viable over the long term, several shortcomings should be addressed. For example, discussions of the macroeconomic framework and many of the associated structural reforms underpinning the strategy were notably absent from the participatory process, reflecting, among other things, a lack of interest and expertise in discussing the macroeconomic framework on the part of the organizers of the participatory exercises, the absence of a systematic effort on the part of the IMF to encourage public discussion of these issues, and the perceived lack of pressing macroeconomic problems that would warrant the allocation of scarce time during participatory workshops.

The relationship of the CPRGS to the existing indigenous planning processes and documents, notably the 10-Year Strategy and the 5-Year Development Plan, also remains unclear, with the authorities looking to the socioeconomic development plan as the embodiment of the country's development strategy, whereas donors and the international financial institutions view the CPRGS as playing this role. The two strategies are largely consistent, but their emphasis differs: the socioeconomic development plan places more emphasis on industrialization and modernization, while the CPRGS emphasizes social

Box 11.1

Vietnam's PRSP policy matrix

Promote economic growth, raise income, and create opportunities for the poor

A legal environment for fair and competitive business

A stable macroeconomic environment

Public administration reform

Develop major sectors and areas to ensure sustainable growth, and for poverty reduction

Policies and measures to develop sectors and create opportunities for the poor

Balanced development, gender equity, and advancement for women

Social safety net to support the poor and vulnerable

Monitor and evaluate

Improved macroeconomic statistics

Poverty monitoring

expenditures and poverty reduction. This difference led one major donor to encourage the authorities to add a new chapter to the CPRGS on large-scale infrastructure.

Comprehensiveness, long term

The CPRGS addresses poverty as an issue defined not only by levels of income, but also by demographics, ethnicity, gender, and access to social services. The CPRGS also acknowledges that the rapid economic growth has led to a widening of income distribution and the emergence of urban poverty as a major challenge in parts of the country.

The CPRGS is seen as results-oriented and, on balance, has made a positive contribution to the policymaking process in Vietnam. It is generally seen to have helped improve interministerial coordination which, along with its timetable for policy implementation during 2003–2005, has promoted transparency. While it has led to improvements in the mandate and capacity of data producing entities such as the General Statistics Office, the CPRGS's monitoring and evaluation framework—containing 136 indicators—appears to have been excessively ambitious and would have benefited from streamlining and priority setting to better reflect the country's administrative capacity.

However, prioritization among these indicators with regard to development objectives and measures continues to be a challenge for the government.

Partnerships

The CPRGS process has brought some increase in donor coordination, notably through formation of a Like-Minded Donors Group, some of whose members are involved in the co-financing of PRSCs. Scope exists to improve coordination—some major donors are still reluctant to adapt their programs to align with the strategy. The breadth and generality of the CPRGS, moreover, have made it relatively easy to justify most pre-existing donor activities and therefore have not constrained donors from pursuing their own preexisting priorities.

IMF support—flexibility, despite some persistent disagreements

Performance has been mixed with respect to adapting IMF-supported programs to reflect both PRSP principles and the key features under the PRGF. Initially, alignment of policies in the PRGF-supported program with those of the CPRGS was only partial, although it improved over time. This was particularly true with respect to reform of state-owned enterprises (SOEs), where vagueness about the

authorities' priorities in the CPRGS initially masked differences between PRGF program commitments and the authorities' desire for a substantial and continuing role for the public sector in the economy.

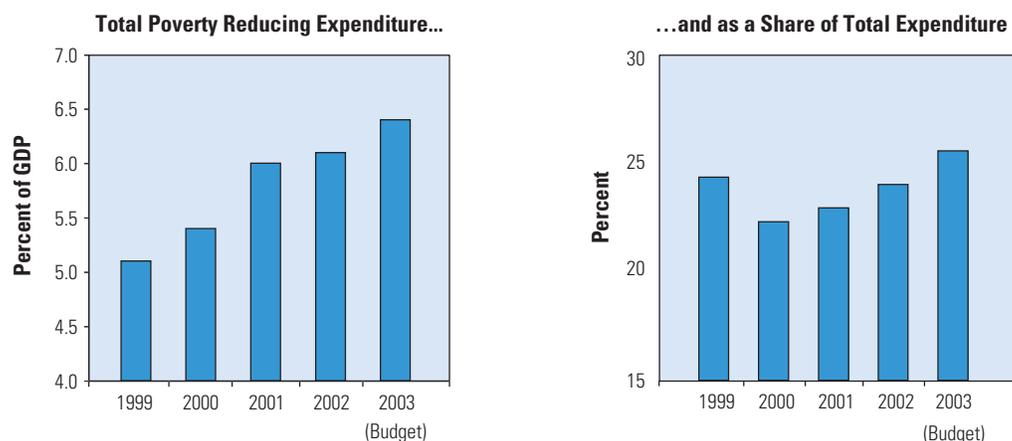
At the level of the macroeconomic framework, there were persistent differences of view between staff and government authorities on GDP measurement and macroeconomic prospects. This resulted in two separate medium-term forecasts, with the authorities' forecast underpinning the CPRGS and that of IMF staff underpinning the PRGF-supported program. However, this difference of view was transparently reflected in IMF staff reports and the CPRGS.

Despite such differences, and perhaps reflecting the authorities' good track record in conducting fiscal policy, significant fiscal flexibility was integrated into the PRGF-supported program. The program accommodated higher-than-expected levels of spending in priority social sectors, partly by avoiding overly conservative projections of official development assistance (figure 11.2). Particularly notable was the absence from the PRGF-supported program of quantitative conditionality (such as performance criteria or benchmarks) on major fiscal variables.

During the years of the PRGF-supported program, poverty reducing spending increased

Figure 11.2

Poverty-reducing spending in Vietnam, 1998–2003



Source: IMF.

as a share both of GDP and of total expenditure. However, it is not clear that this trend can be attributed to the PRGF-supported program (or the CPRGS), since it began well before the adoption of the program (or the strategy).

The government made some effort to assess the expected impact of proposed program measures on the poor and most vulnerable. Of particular note were efforts to establish and finance a social safety net for workers displaced by SOE reform. It also made a preliminary attempt to assess the social and poverty impact of trade liberalization, but the analysis was of only limited value in informing policy design. Beyond these examples, PSIA did not figure prominently as an input to PRGF-supported program design, partly reflecting the IMF staff's sense that proposed reforms would not have a major negative impact on the poor. Looking forward, an agenda for PSIA work has been endorsed jointly with World Bank staff, including with respect to trade and tax reforms.

Bank-Fund collaboration

The JSA of the CPRGS does not appear to have played a significant role in the CPRGS process—few bilateral donors or officials were aware of its contents. If JSAs are to serve their intended purposes (one of which is to encourage coordination between the Bank and the Fund), they must provide a clear and frank assessment of a country's PRSP. In Vietnam, two omissions from the JSA undermined its usefulness. There was no explicit discussion of the implications of the ongoing disagreement with the authorities over parts of the macroeconomic frameworks contained in the PRGF-supported program and the CPRGS. Second, the JSA failed to provide an accurate description of the relative roles of external agencies and the authorities in the participatory exercise.

Problems related to Bank-Fund coordination also were evident with respect to program conditions. The clear division of labor between the Bank and the Fund on structural conditionality did not overcome shortcomings in the coherence of the two institutions' approach on some issues. This was particularly evident with respect to state-owned enterprise (SOE)

reform. This is an area of overlapping interest between the Bank and the Fund, but one for which the Bank has the lead responsibility for the design and monitoring of conditionality. Reflecting different mandates and institutional priorities, the Bank's objective of promoting private-sector development through large numbers of equitizations of small- and medium-sized SOEs—while in line with the government's priorities—did not address the Fund's medium-term fiscal concerns, which were focused mainly on the largest SOEs. In the event, the IMF attempted to address its longer-term structural concerns through short-term macroeconomic conditionality (a limit on credit growth), a tactic that was neither adequate nor successful. The rather general language on SOE reform that was contained in the CPRGS did not help to clarify these issues. This experience shows that, in formulating conditionality in areas of overlapping Bank-Fund interest, it should not be assumed that Bank and Fund objectives are identical—nor is it always appropriate that they should be so. Therefore, where differences in approach or priority exist, they need to be discussed more explicitly. This should go beyond a simple description of the division of labor in staff reports to include substantive discussion of the consistency of Bank and Fund objectives.

Even though Vietnam was known for strong ownership of its reform program, the Fund's design of the PRGF did not take advantage of the opportunity to streamline conditionality. Instead, the PRGF required numerous prior conditions and increased the number of structural conditions.

Conclusion—merging parallel policy processes

Vietnam is an atypical low-income country because of the extent of domestic ownership for the reform process, the breadth and level of donor support, the strong tradition of consensus-based decisionmaking, and high literacy rates. It raises important questions about the value added of an IMF-supported program in a low-income country experiencing macroeconomic stability and no pressing need for external

financing from the IMF. While program financing was clearly appreciated in Vietnam, it is not obvious that a PRGF-supported program was the most appropriate mechanism to support sound macroeconomic performance. Most donors appear to have valued primarily the “signalling” role that the program provided, but discussions with bilateral donor representatives suggested that the absence of such a program would not have significantly affected their aid decisions.

While these considerations limit the extent to which the lessons of Vietnam can be extrapolated to other country situations, a number of lessons do emerge. One concerns the relationship between the PRSP process and indigenous planning processes. Vietnam remains committed to using the SEDP as the paramount mechanism to articulate its policy agenda over the medium term. Comments from donors and the Bank and Fund, in contrast, suggest that the CPRGS, not SEDP, should fill this role. Paralleling this difference of opinion, the SEDP is more widely known within Vietnamese society, and the CPRGS is better known among international stakeholders.

The merging of these two processes could be an important part of any effort to clarify policy priorities and guide budgetary allocations. The resulting product could be more clearly linked to the internal budgetary process and resource allocations. The significant progress made over the last decade in reducing poverty in Vietnam suggests that the authorities are—as one donor representative said—

“doing something right.” This should raise the comfort level of the international community with a poverty reduction strategy that is truly home-grown and country-driven.

With respect to the impact of SOE reform on displaced workers, the PSIA undertaken before adoption of the PRGF-supported program and PRSC I proved useful. However, a medium-term agenda for PSIA was articulated only two years after the design and approval of the PRGF-supported program. Where resources are not readily available within the Bank or the Fund to undertake the PSIA in a timely manner, staff should be encouraged to approach other stakeholders to meet PSIA needs.

Finally, the importance of broad-based ownership and participation implies greater emphasis on building long-term relationships between the Fund and domestic stakeholders. IMF’s resident representatives are well placed to develop such relationships—and they have done so in Vietnam, with good results. Staff at IMF headquarters should take full advantage of this achievement by systematically integrating the resident representative into program negotiations and surveillance work.

More broadly, if the participatory expectations of the PRS Initiative are to be met, a sustained effort may be needed over the long term to build domestic capacity for meaningful participation in discussions of the macroeconomic framework. Such a strategy would need to promote understanding of the relevance of the macro-economy to poverty reduction.

ANNEX: GUIDELINES FOR THE COUNTRY CASE STUDIES

The 10 case studies summarized in this volume were prepared under the following guidelines, which were developed jointly by OED and IEO in advance of the country work.

Approach

Given the country-specific nature of the PRS process, case study analysis will be used as a key source of evaluative material. The methodology will combine two types of case studies identified in the evaluation literature, “program implementation” (primarily explanatory) and “illustrative” (mainly descriptive).¹ The case studies will be “program implementation” case studies as they intend to investigate the implementation of the PRS process in each country relative to its underpinnings. They will also be illustrative in nature as they will add in-depth examples to other sources of evaluative material including external evaluations, thematic studies, cross-country analysis, and survey work.

To capture the diversity of country experiences with the PRSP Initiative, OED plans to conduct eight case studies for the evaluation, four of which will be conducted jointly with IEO. IEO is planning to conduct another two case studies independently from OED. In total, therefore, OED and IEO will perform an in-depth investigation of 10 of the 23 countries with completed PRSPs through December 2002.

A range of criteria were considered in selecting the PRSP countries for case studies: geographic balance; HIPC and non-HIPC; range of country conditions and PRSP experience; and both mature and recent programs. Country selection also took into account the country coverage of previous or ongoing work.² The following countries were selected based on the

criteria set out above: Mozambique, Nicaragua, Tajikistan, and Tanzania (joint OED-IEO); Albania, Cambodia, Ethiopia, and Mauritania (OED); and Guinea and Vietnam (IEO).

Details on Methodology

The following guidelines define the basic parameters for the case studies, and can be further tailored to reflect country characteristics. The guidelines have been informed by experience from lead missions in Albania (OED) and Tanzania (joint OED-IEO).

A local consultant will be sought to assist in each of the case studies. The local consultant will be expected to contribute to the team in line with their level of expertise and knowledge. This is expected to yield a range of local consultant assistance across the case studies, from assisting in scheduling meetings and providing local knowledge, to preparing background papers and briefs. Local consultants will also be used to coordinate implementation of the country stakeholder survey (see below).

Key informant interviews will be held in Washington D.C. and in the field. Interviews will be conducted with relevant World Bank and IMF staff who have been associated with the country team and/or the PRS process. This will be followed by in-country consultations to be conducted for a period of at least two weeks. These consultations are the primary input for the fieldwork and will be targeted at a broad range of stakeholders including; key ministries (central and line), key government units involved in the PRS process, local governments, bilateral and multilateral donors, local and international NGOs, private sector representatives, media, and, wherever possible, Parliamentarians.

Interview modalities will vary and may include group consultations. Finally, an exit workshop (see below) will be held, which will target stakeholders consulted during the mission.

In-country **field visits** outside of capital will be conducted in each case country, unless precluded by country conditions. Advance field visits were conducted in both Albania and Tanzania and provided considerable value-added. The modalities of field visits will vary from country to country.

An informal **exit workshop** will be held in each case country at the conclusion of the mission. The purpose of the workshop is to seek feedback on the emerging findings of the case study from a representative group of stakeholders, including stakeholders involved in the field interviews.

A **stakeholder survey** jointly designed by OED and IEO is being conducted in each country to provide input for both the OED and IEO studies. The survey will supplement information gained from key informant interviews and will target each category of stakeholder involved in the PRS process. Coverage will include the central government ministries (Planning and Economy/Finance) and Central Bank, line ministries, donors, NGOs, and representatives of the private sector and other civil society groups (for example, trade unions, labor unions, academia, media, and faith organizations). The goal of the survey is to obtain institutional responses (not individual views) on the PRSP and Bank and IMF performance in supporting the process. As a result, the criteria for respondents include good knowledge of the PRS process and familiarity with their respective institution's positions on specific issues. A core set of stakeholders has been identified, which each country survey must target, including key ministries involved in the PRS process, but outside of these parameters, the specific coverage and number of responses is likely to vary from country to country. Local consultants will be used to administer surveys in each case country further enhancing the independence of the exercise.

Case studies will use multiple methods for data collection, including reviews of relevant

documents and databases, in-depth interviews of key informants both in Washington D.C. and in the country, and an in-country workshop. Relevant documents may include official government data and reports, Bank and Fund analytical and advisory work, related policy documents, staff reports to the Boards of the IMF and World Bank, internal documentation, prior OED and IEO evaluations, external evaluations and materials from research institutes and civil society.

An extensive analysis of the data will be carried out using the technique of triangulation in which the reliability of findings will be developed through multiple data sources and findings will be validated through agreement across multiple types of data. An example would be assessing process changes in public expenditure management in a country. The country's Public Expenditure Review may yield an initial finding which could then be verified with multiple data sources (for example, interviews with Bank staff in the regional Public Expenditure thematic group, officials in the Ministry of Finance, and civil society). Economic data on budget execution could be cross-checked against budget laws and qualitative data on disbursements and procurement, that is, data would be validated across multiple types of data. Likewise, to assess the realism of macroeconomic projections made by the IMF, one may assess the extent of deviations from recent trends, compare projections with outcomes, and cross-check that against views expressed at the time by the authorities, review departments, and the World Bank.

Phases and Key Deliverables

Phase 1—Desk Review: A desk review will be conducted in advance of field work in each of the case countries. The desk review will analyze and summarize main findings from available research materials and collate the necessary data. A desk brief will be prepared following a standard outline to provide an initial basis of information for the country study.

Phase 2—Washington-Based Interviews and Mission Planning: Phase 2 will build on the desk review through interviews with Bank

and Fund staff. Key persons for interviewing in the field will be identified, evaluative questions will be tailored around the emerging evaluative hypotheses, and arrangements for the workshop and field interviews will be finalized.

Phase 3—Country Visit: The field work will investigate the key evaluative questions in-country and seek to address open issues. Structured interviews with key informants and an in-country workshop will form the basis for consultations. As noted above, an in-country stakeholder survey will be applied after field work has been completed.

Phase 4—Final Washington-Based Analysis: In Phase 4, the case study team will agree on the main findings and supportive evidence, submit them to a new round of triangulation with staff from the Fund and the Bank, and draft a report. The case study teams

may present their findings to key internal stakeholders at a World Bank or IMF brown bag lunch. The draft final report will be shared with the authorities for comment.

Staffing of Joint Case Study Teams

For joint case studies, teams will consist of at least one core evaluation team member from each evaluation unit, along with at least one senior in-country national consultant. Either OED or IEO will be assigned overall responsibility for coordinating the case study. The team will also be supported by junior consultants to be assigned by each unit as deemed necessary. The OED and IEO teams will nominate a case study coordinator. His/her responsibilities include overseeing coordinating interviews, arranging the in-country workshop, overseeing the production of inputs, and production of the final report.

ENDNOTES

Chapter 1

1. See “The Poverty Reduction Strategy Initiative: An Independent Evaluation of World Bank Support Through 2003” (OED 2004). “Report on the Evaluation of Poverty Reduction Strategy Papers (PRSPs) and the Poverty Reduction and Growth Facility (PRGF),” document number EB/EVC/04/3, June 1, 2004. These documents are available in PDF format at the World Bank and IMF Web sites: <http://www.worldbank.org/oed/prsp/> and <http://www.imf.org/External/NP/ieo/2004/prspgrgf/eng/index.htm>

2. The full country case studies are available at <http://www.worldbank.org/oed/prsp>

3. A larger group of more than 80 low-income countries is required to complete a PRSP to receive continued concessional lending from the World Bank and IMF.

4. A coup attempt in Mauritania during early June 2003 and subsequent political uncertainties obliged the mission to limit its coverage relative to the other case studies in this volume.

5. Information on developments in aggregate Bank-Fund conditionality, discussed in IEO’s main evaluation report, is too limited to permit conclusions on trends in aggregate conditionality.

Chapter 2

1. See *Transition—The First Ten Years: Analysis and Lessons for Eastern Europe and the Former Soviet Union*. World Bank, 2002, p. 61.

Chapter 5

1. The most recent JSA by the World Bank and the IMF reached the standard conclusion that Guinea’s PRSP “presents a credible poverty reduction strategy and provides a sound basis for Fund and IDA concessional assistance.” The shortcomings discussed in this section were unevenly addressed in the JSA. The JSA did convey that weak institutional capacity was a

risk to implementation, but without implying that it put the credibility of the PRSP in question or suggesting remedial actions.

Chapter 7

1. In discussions with the evaluation team, representatives of CSOs characterized the process as inadequate, since it excluded the poor, and did not allow sufficient time for preparation (for example, materials were distributed late, and there was insufficient time for CSOs to consult members at grassroots levels). The quality of consultations was also questioned by respondents to the OED-IEO survey of PRSP stakeholders. The majority of respondents disagreed that their group had been adequately consulted during formulation of the PRSP.

2. The process for preparing subsequent Annual Progress Reports has moved significantly in this direction, with the primary emphasis on a domestic reporting instrument that is also used by the Bank and the Fund.

Chapter 11

1. See *Toward Country-led Development—A Multi-Partner Evaluation of the Comprehensive Development Framework: Findings from Six Country Case Studies*. (OED: Washington, D.C., 2003). Available online at <http://www.worldbank.org/oed/>

Annex

1. See Lois-Ellin Datta, “Case Study Evaluations,” GAO/PEMD-91-10.1.9, United States General Accounting Office, November 1990. Also Linda G. Morra and Amy C. Friedlander, “Case Study Evaluations,” Operations Evaluation Department, World Bank.

2. 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. See *Toward Country-led Development—A Multi-Partner Evaluation of the Comprehensive Development Framework: Findings from Six Country Case Studies*. (OED: Washington, D.C., 2003).

