



The Poverty Reduction Strategy Initiative

An Independent Evaluation of
the World Bank's Support
Through 2003



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Foreword

The Poverty Reduction Strategy (PRS) Initiative is a major effort by the World Bank and IMF to make aid more effective in reducing poverty. Introduced in 1999, it has resulted in first-generation strategy documents and important process changes in more than 35 low-income countries. The Bank intends to extend the PRS Initiative to all low-income countries.

The key principles underlying the PRS Initiative—ownership, results focus, and country-led partnership—were derived from the Comprehensive Development Framework (CDF). OED’s multi-stakeholder evaluation of the CDF, *Toward Country-Led Development*, found that implementation of the CDF principles requires difficult changes in the behaviors and practices of both donors and recipients. Strong country leadership is needed to end fragmented donor programs and promote harmonization.

The Bank and Fund launched the PRS Initiative to underpin the Highly Indebted Poor Countries (HIPC) Initiative, which was intended to ensure that resources freed up by debt relief would be directed toward poverty-reducing public sector programs. OED’s evaluation of the HIPC Initiative found that it provided highly indebted countries with a fresh start, but that countries still face challenges in finding sustainable paths for growth and poverty reduction.

This evaluation builds on OED’s earlier work to assess how well the PRS Initiative has helped thus far in putting the CDF principles into action, how relevant it is to countries’ quest for sustainable poverty reduction, and how effectively the Bank has supported and aligned its own programs with the PRS approach.

OED conducted this evaluation in parallel with an evaluation by the IMF’s Independent Evaluation Office (IEO) on Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility. OED and IEO jointly carried out four case studies and pooled findings from their separate case studies and analytical work. The IEO study was submitted to the Board of the IMF for discussion in July of 2004.

Main Findings

The Initiative is relevant but its benefits vary

The Initiative has improved the poverty focus of national strategies. The integration of sector programs in an overall strategy has helped policymakers to link sector strategies with poverty reduction. Sector expenditure plans are being challenged to meet poverty reduction criteria. But progress depends on each country’s public sector capacity, government-partner relationships, and relations among donors. The Initiative has added the most value in countries where gov-

ernment leadership and aid management processes were already strong.

Tensions in the Initiative’s design have caused problems during implementation

There is inherent tension in a Bank/IMF–driven initiative involving conditionality that is also meant to foster a country-driven process. This has led to two problems during implementation. First, there is no mechanism or guidance to adapt the Initiative’s processes and requirements to differing country conditions. Countries have focused more on completing documents, which give them access to resources, than on improving domestic processes. Second, there are no intermediate indicators for what the principles are expected to achieve, which makes it difficult to assess progress. This lack of clarity has led to different and sometimes incompatible expectations among stakeholders.

Key areas need strengthening

- *Analytical base.* The PRS process has underscored the need for more analytical work about how development policies and programs can best lead to poverty reduction. First-round PRSPs could not have been expected to fill these long-standing analytical gaps, but the PRS process could be used more effectively to begin to address them.
- *Growth policies.* Most PRSPs to date have not considered the full range of policy actions required for growth and poverty reduction. They focus largely on public expenditures and pay more attention to spending on social programs than on infrastructure, rural development, and other areas with poverty reduction potential.
- *Alignment.* External partners have supported the PRS process during formulation, but neither donors nor the Bank have defined whether or how they should change the *content* of their programs to reflect PRSPs. Donors have changed their *processes* by raising their participation in budget support instruments and streamlining performance monitoring.
- *Results focus.* The development of country-specific indicators and monitoring systems to track them is at a preliminary stage in most

countries. The information gathered is generally not linked to decisionmaking.

The Bank has effectively supported PRSP formulation, but alignment has not entailed major changes in Bank programs

Bank staff supported national stakeholders preparing PRSP documents by providing analytical work, commenting on drafts, and promoting participatory activities. Clients observed that decentralization of staff and authority to country offices has enhanced the quality and usefulness of the Bank’s support and its relations with partners.

Since the launch of the Initiative, Bank lending has increased for countries with PRSPs completed through 2003. The content of Bank assistance strategies formulated subsequent to PRSPs overlaps with the content of PRSPs. But PRSP programs are broad and not well prioritized, so this overlap has not entailed major changes in Bank programs.

The Bank has conducted more economic and sector work in PRSP countries than it did before the Initiative—largely in the form of diagnostic studies of key fiduciary functions. Critical gaps remain in linking policies and programs to poverty impact.

The Bank management’s process for presenting a PRSP to the Board undermines ownership. Stakeholders perceive this practice as “Washington signing off” on a supposedly country-owned strategy. The analytical quality and coverage of Joint Staff Assessments (JSAs) are mixed. JSAs are not widely shared with national stakeholders. These shortcomings limit the usefulness of JSAs as a basis for Bank support and as a feedback tool for country clients.

Recommendations

The low-income countries that have completed PRSPs are those with better policies and institutions. The PRS process has yet to be introduced in the most difficult country environments. To increase the likelihood of gains in these more challenging countries—and to deepen the PRS process in existing PRSP countries—the Initiative requires reorientation along the lines noted below.

PRS Process

- The Bank should emphasize improving country processes for planning, implementing, and monitoring public actions geared toward poverty reduction. It should encourage countries to establish goals and benchmarks in these areas that are appropriate to country circumstances and within current country capacity to monitor and use. It should place less emphasis on completion of documents.
- The Bank should provide transparent, comprehensive, and candid feedback to countries on their PRS processes and develop a review procedure more supportive of ownership and more effectively linked to decisions about the Bank's program.

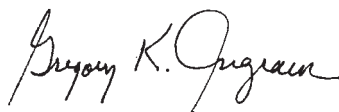
PRSP Content

- The Bank should help countries address key analytical gaps about the poverty impact of

policies and programs. Analysis should address areas such as sources of growth, the quality of strategies in other than the social sectors, and the integration of macro frameworks with structural and social reforms.

Partnership and Alignment

- The Bank, in concert with other donors, should facilitate use of the PRSP as a partnership framework and make clear the expectations about how external partners should support their PRSPs. The Bank should assist countries in setting priorities within their PRSPs and demonstrate how the content of Bank programs has changed in light of improved PRSPs. The Bank should encourage government-led aid management and selectivity and integrate its own assistance with the efforts of other partners.



Gregory K. Ingram
Director-General, Operations Evaluation

Acronyms and Abbreviations

APL	Adaptable Program Loan
APR	Annual Progress Report
BWI	Bretton Woods Institutions (World Bank and IMF)
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessments
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (U.K.)
ESAF	Enhanced Structural Adjustment Facility
ESW	Economic and Sector Work (World Bank)
EU	European Union
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IDB	Inter-American Development Bank
IEO	Independent Evaluation Office (IMF)
IMF	International Monetary Fund
JSA	Joint Staff Assessment
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
NGO	Nongovernmental Organization
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department
PA	Poverty Assessment
PAF	Performance Assessment Framework

PEM	Public Expenditure Management
PER	Public Expenditure Review
PFP	Policy Framework Paper
PIU	Project Implementation Unit
PREM	Poverty Reduction and Economic Management Network (World Bank)
PRGF	Poverty Reduction and Growth Facility (IMF)
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Assessment
QAG	Quality Assurance Group
SPA	Strategic Partnership with Africa
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
WBI	World Bank Institute
WTO	World Trade Organization

Summary of Findings and Recommendations

The Bretton Woods Institutions (BWIs: the World Bank and the International Monetary Fund) launched the Poverty Reduction Strategy (PRS) Initiative in 1999 to improve the planning, implementation, and monitoring of public actions geared toward reducing poverty. The Initiative centers on promoting a PRS process in each country that is expected to be country-driven, results-focused, long-term, comprehensive, and partnership-oriented. Low-income borrower countries are required to complete a PRS paper, or PRSP, for continued access to World Bank and Fund concessional lending and to HIPC debt relief: almost half have already done so. PRSPs are also meant to serve as the framework for assistance from external partners, including the World Bank. This evaluation reviews the Initiative's progress against these aims and assesses the effectiveness of the World Bank's support.¹

The Initiative's contribution so far has varied widely across countries, depending mainly on the initial conditions in each country's public sector capacity, government-partner relationships, and relations among donors. 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 public sector capacity or with donor-dominated aid relationships. Because the

Initiative includes a uniform requirement—completion of an acceptable document—it has not been sufficiently tailored to match the full range of capabilities and public policy priorities found in low-income countries. Most PRSPs deal primarily with the composition of public expenditure and give inadequate treatment to growth and other poverty-reducing actions. External partners have supported the PRS process during formulation, but have not yet systematically adapted the content of their assistance programs in a coordinated manner around the content of PRSPs. Shortcomings in the strategies themselves are partly responsible for this.

The PRS Initiative is an improvement over the Policy Framework Papers of the 1990s, but remains a work in progress. It has not yet fulfilled its full potential to enhance the poverty reduction efforts in low-income countries. The World Bank should continue to support it, while making changes in three main directions:

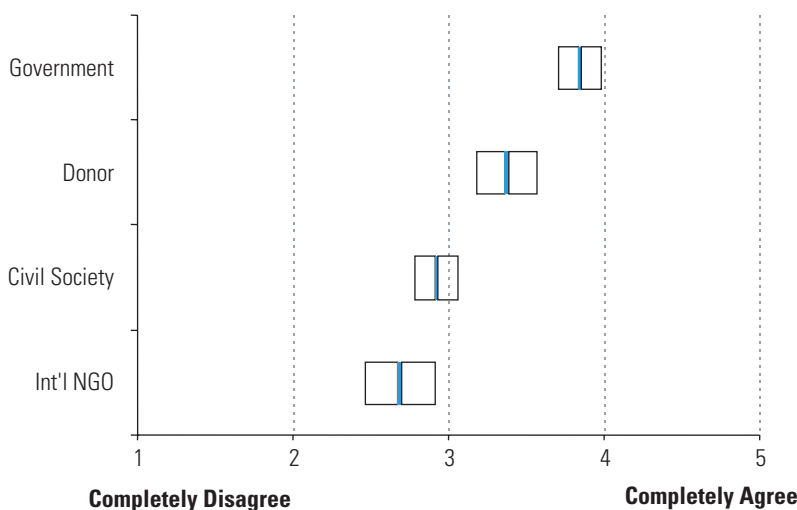
- Reduce or eliminate uniform requirements and foster better customization.
- Encourage PRSPs to explore a wider range of policy options, including those aimed at enhancing growth.
- Help define clearer partnership frameworks around PRSPs, with accountabilities for both countries and partners.

Tensions in the Initiative’s Design Have Caused Problems during Implementation

There is an inherent tension in the design of a BWI-driven initiative involving conditionality that is simultaneously meant to foster a country-driven process. To promote ownership, the BWI policy papers underlying the Initiative were circumspect in important areas. This has led to two problems during implementation. First, there is no mechanism or guidance to adapt the Initiative’s processes and requirements to differing country conditions, especially the weak public sector capacity found in many low-income countries. During implementation, countries have understandably focused on completing the documents that give them access to resources. This attention to requirements has often been at the expense of adaptation of the PRS process to country circumstances. The BWIs’ initially ambitious timetable for completion of first round PRSPs in HIPC and Poverty Reduction and Growth Facility (PRGF) countries reinforced the tendency to generate standardized strategies in the early PRSPs.

The PRS process is expected to follow five principles—country ownership, results orientation, comprehensiveness, partnership, and a long-term perspective. Countries typically report on steps they have taken to put these principles into practice. But what results should a country expect from their successful implementation? Moreover, during implementation the process specifies no intermediate indicators or milestones for what the principles are expected to achieve, which makes it difficult to assess progress toward the achievement of the Initiative’s objectives. This lack of clarity has led to different and sometimes incompatible expectations among stakeholders (see figure 1). For example, stakeholders agree that the extensive consultations conducted in most PRSP countries during strategy formulation have brought new actors into the development dialogue and increased transparency. On this criterion, participation has been a success. But civil society organizations consider that this openness has had only limited impact on the design of PRSPs or on domestic policy and that participatory activities

Figure 1 Was the PRS Process Country-Driven?



Note: The thick lines indicate the mean score from the survey of national stakeholders in the 10 case study countries (from 1: completely disagree to 5: completely agree) on a composite of four questions on whether the PRSP process was country-driven. The box around the bands shows a 95 percent confidence interval. The mean score for the government respondents was significantly higher, at a 95 percent confidence level, than that of donors. The means for both these groups were significantly higher than that for international nongovernmental organizations (NGOs) and civil society. The difference in scores was not significant between the latter two groups.

have sometimes waned once the PRSP was formulated. Along these dimensions, participation has not achieved all its aims.

Other Implementation Experience and Areas for Strengthening

Improved focus on poverty. Most stakeholders agree that the Initiative has improved the poverty focus of dialogue during formulation of national strategies. The need for PRSPs to be based on a sound poverty diagnosis has highlighted the poor data on the main characteristics of poverty in many countries and, in some cases, has already resulted in marked improvements in data quality. The PRS process has played an important role in emphasizing multidimensional income and non-income poverty indicators. The process of gathering sector programs under one strategic umbrella has helped policymakers better appreciate the links between sector strategies and poverty reduction, and sector expenditure plans are being challenged to meet poverty reduction criteria.

Added attention to monitoring, but results focus remains weak. The PRS process has begun to orient stakeholders toward a results focus, although the development of country-specific indicators and monitoring systems to track them is still at a preliminary stage in most countries. Available information is generally not linked to decision-making. Some countries have adopted PRSP targets that are unrealistic in light of their initial conditions, resources, and recent track records. In many cases, monitoring systems are designed to meet donor data requirements—for example, through the progress reports, even when these exceed the country's needs or capacity. Since most low-income countries will probably not be able to meet most of the Millennium Development Goals (MDGs), PRSPs must be more effective in enabling countries to select and monitor relevant indicators that can support domestic decisionmaking on a sustained basis.

Weak analytical base for consideration of tradeoffs and linkages. It remains poorly understood how development policies and programs can best

lead to poverty reduction, and the PRS process has underscored the need for more analytical work on these issues. The PRSP formulation process has not been much help in reducing these knowledge gaps, because it has rarely entailed robust consideration of policy options, cost-effectiveness, and tradeoffs. Most PRSPs do not integrate the macroeconomic framework with sectoral strategies through a rigorous consideration of the sources of growth, the social impact of macro policies, or other macro-micro linkages. These first-round PRSPs could not have been expected to fill these longstanding analytical gaps. But the PRS process could have been used more effectively to identify the key analytical gaps and to develop a research agenda to address them.

Inadequate attention to growth policies. Most PRSPs to date have not considered the full range of policy actions required for growth and poverty reduction. They focus largely on public expenditures. And within the realm of public expenditures, they pay more attention to health, education, and other social programs than to the poverty reduction potential of spending in other areas such as infrastructure and rural development.

External partners' alignment with the PRS process. Most partners have accepted that the PRSP has the potential to be an overarching framework for aid management. Many have provided well-coordinated assistance to governments to formulate PRSPs. PRSPs have generally provided a constructive framework for transparent policy dialogue among external partners and with government. Given the PRSPs' broad scope and lack of prioritization, alignment would not necessarily entail changes in donors' programs. Neither donors nor the Bank have defined specifically whether or how they should change the *content* of their programs to reflect PRSPs. Changes in donors' *processes* are more readily evident. In the most positive cases, the PRS process bolstered an already robust government role in aid coordination and increased participation in, and greater coordination of, budget support instruments and attempts to streamline performance monitoring. But overall, there

is still little evidence that donors have coordinated and selected the majority of their programs in response to PRSPs. Where the government-donor dialogue was previously weak or donors continued to drive the agenda, PRSPs by themselves have not noticeably promoted donor coordination or increased government management of external assistance.

Effectiveness of World Bank Support

As a proponent of the Initiative, the World Bank has accepted the responsibility to support the application of the PRSP's underlying principles and to provide its assistance in support of governments' poverty reduction strategies. Thus, the PRSP entails a new way of doing business in low-income countries for the World Bank.

Staff support during PRSP formulation. World Bank staff have supported national stakeholders preparing PRSP documents by providing comments at various junctures, while generally not imposing a particular World Bank viewpoint. The Bank actively promoted participatory activities by funding advisers and facilitating arrangements for dialogue. Clients observed that decentralization of staff and authority to country offices has enhanced the quality and usefulness of the Bank's support.

Alignment of World Bank support. The content of Bank assistance strategies formulated subsequent to PRSPs overlaps with the content of PRSPs. But since PRSP programs are broad and not well prioritized, this overlap has not entailed major changes in Bank programs. The Bank should assist countries in improving the prioritization of their PRSPs, and subsequently demonstrate how the content of its programs has changed in light of these improved PRSPs.

Lending. Bank lending has increased for countries with PRSPs, although these are also the countries with higher-quality policies and institutions, and they would ordinarily receive more resources under the International Development Association (IDA) policy of performance-based allocations. The World Bank has introduced a new programmatic lending instrument, the Poverty Reduction Support

Credit (PRSC), to support PRSPs. PRSCs' longer time frame and programmatic flexibility have the potential to match with medium-term PRSP programs more effectively than does conventional adjustment lending. It is too early to tell whether these design improvements will translate into better outcomes. PRSCs in the case study countries have helped to promote ownership and to improve donor coordination. Budget support is viewed as a vote of confidence in the government's program and processes, and the World Bank is seen as "joining the team" of donors providing budget support. Bank task managers report that preparing and implementing PRSCs has led to more cross-sectoral interaction by staff, but some sector staff express worry that channeling more lending through the PRSC instrument could lower the quality of technical inputs.

Economic and sector work. The World Bank's economic and sector work has added value to country planning. Poverty Assessments and Public Expenditure Reviews have been found most useful during PRSP formulation. The World Bank has conducted fewer Poverty and Social Impact Assessments than envisioned, even though it emphasizes the importance of analysis of the impacts of policy reform on the well-being of the poor. In PRSP countries, the Bank has conducted more economic and sector work than it did before the Initiative. This additional work largely takes the form of fiduciary core diagnostics. Critical gaps remain in linking policies and programs to poverty impact.

Partnerships. The World Bank has promoted the PRSP as a coordinating framework for donor activities. The Bank has improved its own coordination and relations with other external partners, especially through its field-based staff. This improvement is not necessarily attributable to the PRS Initiative alone, because the Bank has been emphasizing decentralization and aid coordination for several years. The Bank could still do more to apply the partnership principle by encouraging government-led aid management and selectivity and integration of its own assistance with the efforts of other partners.

Bank-Fund collaboration has improved, 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.

Board review of the PRSP and the role of the Joint Staff Assessment (JSA). The Bank management’s process for presenting a PRSP to the Board undermines country ownership. Stakeholders perceive this practice as “Washington signing off” on a supposedly country-owned strategy. Executive directors already have several mechanisms for authorizing Bank support to a country—notably their endorsement of Country Assistance Strategies (CASs) and their approval of individual lending operations. In this context, their review of the PRSP appears redundant, as well as attenuating ownership in the eyes of most stakeholders. The Review recommends that management develop a review procedure that is more transparently supportive of ownership and more effectively linked to decisions about the Bank’s program.

The JSA was designed to provide the Bank and Fund Boards with an assessment of the soundness of the PRSP as a basis for support. It was also designed to provide feedback on how a country’s PRSP could be improved over time. The JSAs have shortcomings that undermine achievement of these goals: mixed analytical quality and comprehensiveness, inadequate focus on the quality of process orientation, and limited awareness of their findings and recommendations among stakeholders. Instead of being a comprehensive review that underpins a discussion of selectivity and comparative advantage, the JSA is influenced by anticipated lending activities. For these reasons, the quality of feedback on PRSPs should be more candid, transparent, analytically rigorous, and comprehensive, and it should strengthen partnership through greater involvement of other stakeholders.

Going Forward

The low-income countries that have completed PRSPs are those with better policies and insti-

tutions. The PRS process has not yet been introduced in the most difficult country environments, including those where ownership may be most lacking. To increase the likelihood of achieving gains in these more challenging countries—and to deepen the PRS process in existing PRSP countries—the Initiative requires reorientation along the lines noted below. In addition, the World Bank should deploy its economic and sector work, financial support, and leadership among donors more effectively to enhance the implementation of the Initiative and to keep the focus on process and results.

PRS Process

- The World Bank’s country activities under the Initiative should help foster greater emphasis on improving country processes for planning, implementing, and monitoring public actions geared toward poverty reduction, and less on completion of documents. Tailoring of the Initiative to country conditions should be actively promoted, including establishment of goals and benchmarks that are appropriate to country circumstances and that respond to domestic priorities.
- The World Bank should provide transparent and effective feedback to countries on their PRS processes and develop a review procedure that is more supportive of ownership and more effectively linked to decisions about the Bank’s program. It should strengthen the operational link between PRSPs and CASs and demonstrate more clearly how each CAS is anchored in the PRSP.

PRSP Content and Analytical Underpinnings

- The World Bank, in concert with other partners, should help countries build the capacity to address key analytical gaps about the poverty impact of policies and programs. Analysis at the country level should address areas such as sources of growth, the quality of sector strategies, and the integration of the macro framework with structural and social reforms.
- Monitoring inputs, outputs, and outcomes of ongoing activities is critical to a better under-

standing of what works and what does not. The Bank should assist in defining indicators that are specific to country priorities, realistic, and within current country capacity to monitor and use. The scope of monitoring and evaluation can grow with capacity over time.

Partnership and Alignment

- The World Bank, together with other donors, should assist PRSP countries in strengthening

the use of the PRSP as a partnership framework. Countries should be encouraged to make clear their expectations about how external partners—including the World Bank—should support their PRSPs. The Bank should lead by example in using the PRSP as the foundation for its assistance, taking into account other partners' activities and the Bank's comparative advantage, and in promoting country leadership in managing external assistance.



The PRSP Initiative: Objectives and Relevance

The Poverty Reduction Strategy Papers (PRSP) Initiative, introduced in 1999, has been under implementation for more than four years. To provide the basis for assessing implementation progress over this period, this chapter first reviews the objectives and key design features of the Initiative and presents the implications of the Initiative for the Bank's work in low-income countries. The scope of the review and evaluative material are outlined, and the chapter concludes with an assessment of the Initiative's relevance and design, highlighting several inherent implementation challenges.

What Is the PRSP Initiative?

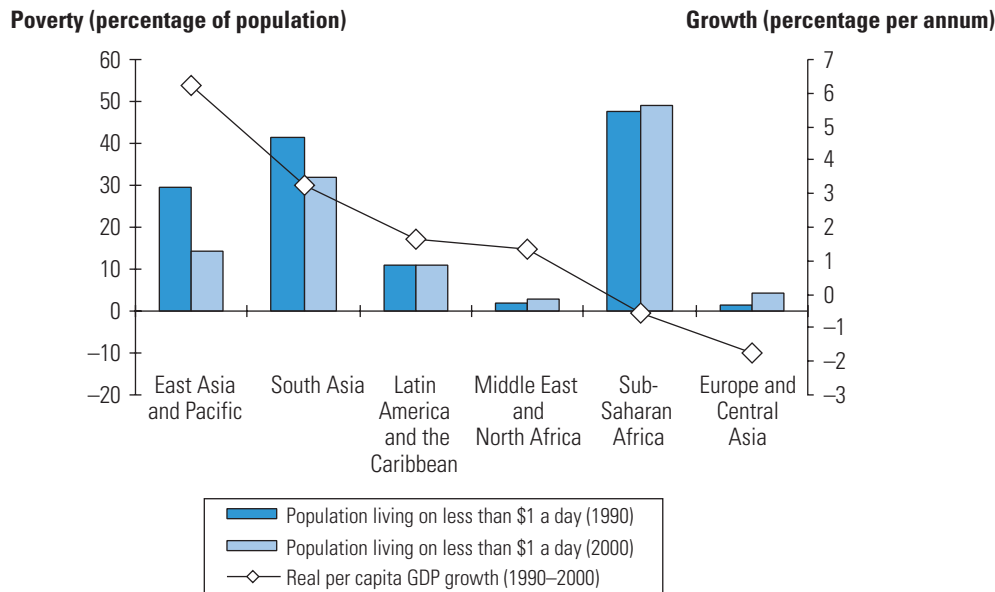
The PRSP Initiative—launched by the World Bank and the International Monetary Fund, together known as the Bretton Woods Institutions, or the BWIs—is intended to improve development outcomes. Stakeholder groups were disappointed by the poverty reduction impact of past development assistance, particularly the poor results in low-income countries. In Sub-Saharan Africa, the \$1 per day poverty headcount index rose from 47 to 49 percent from 1990 to 2000, as shown in figure 1.1. Experience suggests that rapid and sustained growth is required for poverty reduction.¹ The international community recognized the need to reduce poverty more effectively in low-income countries, amid calls for greater accountability from external partners. The International Development Goals² and the subsequent Millennium Development Goals

(MDGs) were proposed as time-bound and outcome-based targets for poverty reduction.

But how could better poverty outcomes be achieved? The international community reached a consensus during the 1990s on a new development paradigm for enhanced aid effectiveness and better development results. The key ingredients for growth and poverty reduction were drawn from several sources, including examples seen as promising country experiences (for example, Bolivia, Mozambique, and Uganda). In these cases, local ownership, improved donor coordination through country leadership, and empowerment of the poor were central. Messages that reinforced these themes came from work by the World Bank (for example, *Assessing Aid, Aid & Reform in*

In Sub-Saharan Africa, the \$1 per day poverty headcount index rose from 47 to 49 percent from 1990 to 2000.

Figure 1.1 Poverty Reduction and Growth below Expectations in the 1990s



Source: World Bank and IMF 2004; World Bank 2003a.

Africa), international nongovernmental organizations (NGOs) (such as Oxfam 1995), academics (Sen 1999, for example), and the external review of the IMF’s Enhanced Structural Adjustment Facility (Botchwey and others 1998). These ingredients were packaged in the form of the Comprehensive Development Framework (CDF), introduced by the World Bank.³ But while the CDF encapsulated “a way of doing development,” it lacked an operational link to decision-making in the World Bank and IMF.

The catalyst for this operational link came in 1999. Following a successful campaign by a network of NGOs and their supporters to strengthen the poverty impact of debt relief, the BWIs modified the Heavily Indebted Poor Countries (HIPC) Initiative to require the 38 qualifying HIPC countries to prepare and

The key objective is to assist low-income countries in developing and implementing more effective strategies to fight poverty.

implement PRSPs as a condition for debt relief. They also required a larger group of more than 80 low-income countries

to complete PRSPs to receive continued concessional lending from the World Bank and IMF. These decisions made the PRSP a centerpiece for BWI relations with low-income countries.

Objectives. To achieve the overarching goal of poverty reduction, the *key objective* of the Initiative enunciated by the BWIs is to assist low-income countries in developing and implementing more effective strategies to fight poverty (that is, strengthening the poverty impact of public actions, including policies and spending) through supporting and sustaining a country-driven Poverty Reduction Strategy (PRS) process in low-income countries.⁴

In addition to this key objective, the policy documents detail several *subsidiary objectives* (box 1.1) that add to country-specific actions and introduce goals for the Bank and other development partners related to the CDF, the HIPC Initiative, aid effectiveness, and the effectiveness of World Bank assistance. PRSPs are meant to operationalize the CDF, emphasizing the CDF’s underlying principles in the various phases of the PRS process.⁵ PRSPs should serve as the

framework for all external assistance geared toward poverty reduction, and thus enhance public use of aid in general, and the use of debt relief and World Bank assistance in particular. The Bank and the Fund are to increase their coordination around the PRSP framework—for example, through joint missions and the drafting of Joint Staff Assessments.

Key Features. There are two key features of the PRSP Initiative: five underlying principles and several process requirements that link PRSPs to concessional BWI lending and HIPC debt relief. The five **underlying principles** were drawn from the CDF and are set out in general terms for countries to follow. They indicate the PRS process should be:

- *Country-driven*, involving broad-based participation
- *Comprehensive* in recognizing the multi-dimensional nature of poverty
- *Results-oriented* and focused on outcomes that benefit the poor
- *Partnership-oriented*, involving coordinated participation of development partners
- Based on a *long-term perspective* for poverty reduction.

The **process requirements** call for preparation of PRSPs and their endorsement by the Boards of the BWIs for countries to gain access to resources. To obtain irrevocable HIPC debt relief, countries are required to produce an initial PRSP and implement it successfully for a year, as

reflected in an Annual Progress Report (APR). Recognizing the considerable time required to formulate a full PRSP and the need for HIPCs to receive debt relief in the short term, debt relief is permitted to begin when a country completes an Interim PRSP.⁶ To obtain concessional resources from the BWIs, low-income countries are required to complete PRSPs, or signal progress toward a full PRSP through an Interim PRSP or a PRSP Preparation Status Report. The Boards of the BWIs must endorse each of the required documents—Interim PRSPs, PRSPs, Annual Progress Reports, and PRSP Preparation Status Reports—on the basis of a Joint Staff Assessment (JSA) prepared by Bank and Fund staff.

Phases of the PRS Process. BWI policy papers, and later guidance provided by the JSA Guidelines, focus on how to prepare the PRSP document, couched in a dynamic process of planning, implementation, monitoring, feedback, and strategy adjustment (the PRS process). The Guidelines explain that planning requires a comprehensive understanding of poverty and its determinants, choosing poverty reduction objectives/indicators/targets, and formulating programs and policies for growth and poverty reduction. This phase is expected to culminate in completion of a PRSP document. Progress toward intermediate and longer-term outcomes is to be monitored

Preparation of PRSPs and their endorsement by the Boards of the BWIs are needed for countries to gain access to resources.

Box 1.1

Stated Objectives of the PRS Initiative

Over-arching goal: Sustainable poverty reduction.

Key objective: Assist low-income countries in developing and implementing more effective strategies to fight poverty.

Subsidiary objectives:

- Operationalize the CDF.
- Strengthen the link between debt relief and poverty reduction.
- Make the support of all development partners more effective.
- Enhance the poverty impact of the Bank's work in IDA countries.
- Strengthen Bank/Fund collaboration.

Source: World Bank and IMF policy papers (see Annex A).

during implementation and fed back to inform adjustments, sustaining the long-term process. Participatory activities involving government, civil society, and external partners are envisioned throughout the PRS process.

Implications for the Bank's Work. For the Bank, the launch of the PRSP Initiative implied a new way of doing business in low-income countries. As one of the proponents of the Initiative, the Bank

For the Bank, the launch of the PRSP Initiative implied a new way of doing business in low-income countries.

accepted the responsibility to support the application of the PRSP's underlying principles and to align its assistance with governments' poverty reduction strategies.

Internal guidance outlined the significant changes that would be required in the Bank's work to achieve the objectives of the Initiative.⁷ Policy Framework Papers (PFPs), which had previously been the basis for BWI support, were replaced with country-owned PRSPs.⁸ The Bank's economic and sector work, financial assistance, assistance strategies, and interactions with other stakeholders were expected to help countries strengthen PRS processes (discussed in Chapter 2) and to support implementation of the PRSP through alignment of International Development Association (IDA) assistance with country priori-

ties and coordination with other external partners (discussed in Chapter 4).

What Is This Review Evaluating?

Scope. The objective of this review is to assess the progress of the PRS process toward meeting the challenge of poverty reduction and to assess the World Bank's role in support of the process, with a view to informing and making recommendations to strengthen the implementation of the Initiative and to increase the effectiveness of World Bank support.

The review pursued *three main evaluative dimensions*, as laid out in the Approach Paper:⁹

- **RELEVANCE OF THE OVERALL APPROACH:** Are the design features of the PRSP framework aligned with the key impediments countries face in developing and implementing effective poverty reduction strategies?
- **APPLICATION OF THE UNDERLYING PRINCIPLES AND PRELIMINARY RESULTS:** Have the underlying principles been applied to the planning and implementation processes of the PRSP? Have the process requirements met their objectives? What are the preliminary results of the process?
- **EFFECTIVENESS OF WORLD BANK SUPPORT AND ALIGNMENT:** How effectively has the World Bank promoted the PRSP principles, and to what

Box 1.2

Key Evaluative Material for This Review

- *Entry workshop* in Washington, D.C., to receive input on scope and methodology of evaluation.
- *Ten country case studies*, providing detailed evidence on the application of PRSP processes and on the effectiveness of Bank assistance. *Exit workshops* were conducted at the conclusion of each field visit to discuss preliminary findings.
- *Two thematic studies* on capacity enhancement and public expenditure management.
- *Cross-country analyses*, including reviews of PRSPs, JSAs, APRs, CASs, public expenditures, aid flows, and Bank lending and non-lending activities.
- *Four focus group sessions* of a cross-sectoral mix of Bank task managers working in PRSP countries.
- *In-country stakeholder surveys* conducted in the 10 case study countries.
- *Existing evaluative material* from both inside and outside the BWIs.
- *Cross-country workshop* of national stakeholders in Addis Ababa, Ethiopia, to compare findings across the case studies.

extent is its assistance aligned to country priorities?

OED constructed a country-level results chain, shown in figure 1.2. This review assesses the *inputs* and *outputs* of the PRS process with respect to both the progress made and the effectiveness of the World Bank’s support. In addition, the evaluation assesses the *intermediate outcomes* of the process, to the extent possible. Since the process has been under way for less than a full PRSP cycle, it is too early to evaluate the extent of its achievement of the desired impact—poverty reduction. Even after a full PRSP cycle, it will be difficult in many countries to evaluate the degree to which poverty reduction has been achieved.

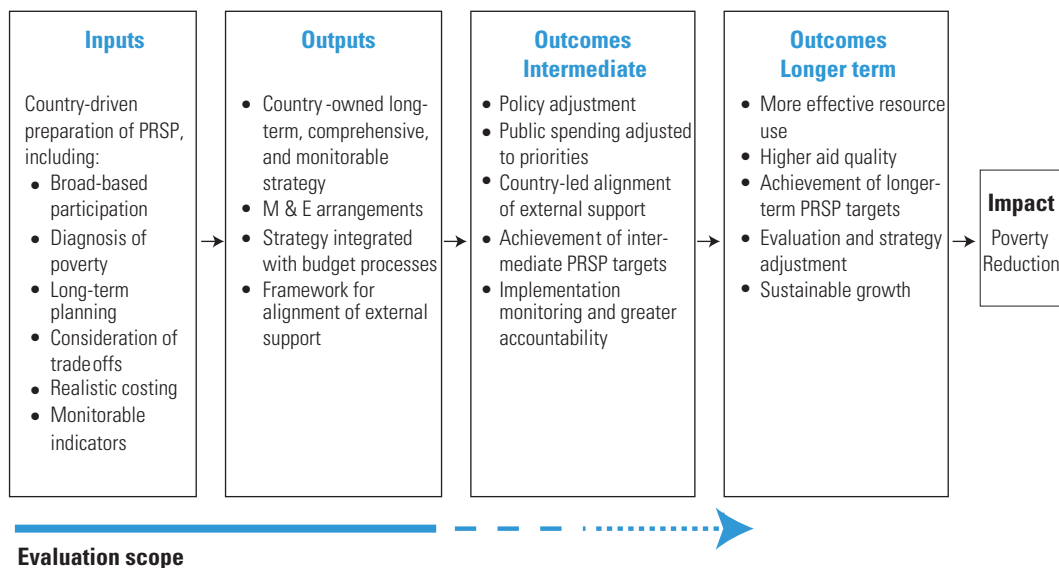
This review used a variety of evaluative techniques as the basis for its findings and recommendations. A list of key evaluative material is provided in box 1.2. The 10 *country case studies* provided evidence of how the process has unfolded.¹⁰ The *cross-country analyses* drew from a broader sample of PRSP-related documents and data.¹¹ The review also considered evaluation results from outside the

World Bank, discussions with staff, and analysis of data from inside and outside the institution. Some common criticisms of the Initiative from outside the Bank are summarized in box 1.3.

An Assessment of Relevance

The majority of stakeholders view the Initiative as relevant, as evidenced by the national stakeholder survey.¹² Roughly 60 percent of stakeholders surveyed noted that they agree or completely agree that the PRSP approach is a good model for addressing poverty reduction and that it improves on past modalities for donor assistance.¹³ The case studies reveal that the underlying principles were seen as relevant in all 10 countries because they either addressed country-specific areas of weakness or reinforced areas of strength. The “fit” between the PRSP approach and country circumstances was most frequently noted with regard to integrating existing strategies, emphasizing a sorely needed results focus, and providing an organizing framework to guide (and manage) relations with external partners. In practice, however, design of the Initiative presents several tensions between application of the principles and the process requirements.

Figure 1.2 A Country-Level Results Chain



Box 1.3

Some Common External Criticisms of the PRSP Initiative

Members of the development community, including bilateral donors, NGOs, and researchers, have reviewed country experiences with the PRS process. There is consensus that PRSPs represent an important innovation in development aid. Many have observed that the process has the potential to transform policymaking and partner dialogue in a positive way, and that new spaces for domestic policy dialogue have been created.

These reviews have also highlighted the following criticisms of the Initiative:

- Political dimensions of ownership and sustaining public and parliamentary understanding are as critical to success as technical commitment to PRS processes.
- Civil society organizations have not been adequately involved in consultations on the macroeconomic or structural policies in PRSPs.
- The current approach complements but does not replace past structural adjustment policies with short-term anti-poverty actions and longer-term distributional considerations.
- Capacity constraints and limited government interest in engaging civil society have hampered the quality of participatory processes, which, for the most part, have not been institutionalized.
- Macroeconomic and growth policies have tended to be neglected in PRSPs in favor of attention to the social sectors.
- Linkages between existing planning instruments of partner governments and donors need to be strengthened.
- International support, through increased aid and greater market access, is as important as a greater domestic policy effort.

Source: ActionAid (2004); CIDSE/Caritas Internationalis (2003); Danish Ministry of Foreign Affairs (2003); Maxwell (2003); ODI (2003); Sanchez and Cash (2003); SDC (2003); UNDP Evaluation Office (2003a); UNCTAD (2002); Wilks and Lefrançois (2002); World Vision (2002); Oxfam (2001, 2004); McGee and Norton (2000); Whaites (2000).

There is inherent tension in a BWI-driven initiative involving conditionality that is simultaneously meant to foster a country-driven PRS process.

Issues with the design of the Initiative. There is inherent tension in a BWI-driven initiative involving conditionality that is simultaneously meant to foster a country-driven PRS process. The BWIs expect each country's authorities to establish benchmarks and targets for results of the PRSP Initiative, thereby reinforcing the principle of ownership. At the same time, the BWIs expect countries—if they want access to concessional resources—to complete PRSPs and their related progress reports according to BWI-set guidelines and timetables. This expectation is inconsistent with ownership. It is no surprise that this tension has led to implementation problems as countries have tried to adapt the key features of the Initiative (the underlying principles and process requirements) to their specific initial conditions and manage the domestic and external incentives they face.

Although the Initiative was designed to be country-owned, it pro-

vides inadequate guidance for adapting its **requirements** to country conditions. All countries, even those with very weak public sector capacity, must submit documents acceptable to the BWI staff and Boards to qualify for HIPC debt relief and IDA/PRGF resources. Because countries have a strong incentive to quickly obtain these resources, many have relied on external consultants during PRSP formulation—a reliance that in some cases inhibited capacity building. The ambitious timetable initially set out by the World Bank and the Fund for completion of first-round PRSPs in HIPC and PRGF countries discouraged experimentation in adapting the PRS process to country circumstances. In addition, the Initiative's **underlying principles** have been applied somewhat uniformly to widely varying situations. Countries have different needs and priorities in applying principles such as participation and partnership, depending on their starting points. Yet the Initiative does not adequately guide authorities to define the results and milestones they hope to

achieve from implementing these principles in their countries.

Tensions in design have also caused stakeholders to view the Initiative's purpose differently, as summarized in box 1.4. In most case studies, country authorities see the Initiative predominantly as a condition for continued BWI support. Authorities in some countries have incorporated features in the strategy document that they thought the BWIs would prefer, especially an emphasis on expenditures in the social sectors.¹⁴ Limited dissemination of information about PRS architecture to the broad spectrum of interested stakeholders has contributed to the gap in expectations. In the case studies, few beyond the core group of government representatives that worked closely with the World Bank were familiar with these policy documents.

The rest of the report is structured as follows. Chapter 2 asks how the design features outlined in this chapter, specifically the underlying principles and process requirements summarized above, have been implemented and assesses the Bank's support of these activities. Chapter 3 assesses the preliminary results of the process. Chapter 4 reviews how well the Bank's assistance has been aligned to the PRSP. And Chapter 5 summarizes the main findings of the evaluation and offers recommendations detailing how the Bank can improve its support and strengthen implementation of the Initiative.

Authorities in some countries have incorporated features in the strategy document that they thought the BWIs would prefer.

Box 1.4

The PRSP Initiative Means Different Things to Different People

In most case study countries:

- Governments see the PRSP as added conditionality to give them access to resources through HIPC debt relief, or to continued concessional assistance from the BWIs.
- NGOs in many countries see the PRSP as a means for gaining greater political participation and voice.

- For many donors, the Initiative is an opportunity to enhance accountability and transparency in the use of external assistance.

These differences in expectations can interfere with collaboration across stakeholder groups toward the PRSP Initiative's goal of poverty reduction. Greater clarity and transparency in the Initiative's focus and objectives are needed at the country level to minimize this challenge.



Implementation of Design Features

This chapter assesses how the two key features of the PRSP Initiative—its underlying principles and process requirements—have been implemented. The first section addresses the extent to which the five **underlying principles** of the PRSP approach have been applied, especially in PRSP formulation. The second section addresses the value added of three **process requirements**: Board endorsement of PRSPs, the Joint Staff Assessments (JSAs), and the Annual Progress Reports (APRs).

The analysis is based primarily on the in-depth assessment of progress on the ground in the 10 OED/IEO case study countries—a representative sample covering roughly half the PRSPs that had been discussed by the Board at the time of the evaluation’s design (table 2.1).¹ The case study countries were chosen to cover a variety of country situations and stages of PRSP implementation.² To assess changes in the process of national stakeholder interaction in working toward a country’s development goals, interviews were conducted with government officials, civil society, international NGOs, and other external partners in the case study countries. The interviews were supplemented by in-country stakeholder workshops. Finally, OED and IEO held a multi-country workshop to discuss findings across all the case studies.³

Evidence for this chapter is also drawn from other sources, which are mentioned explicitly when used as a basis for findings in the text. These include: (1) a survey of national

stakeholders in each of the 10 countries, targeted at individuals familiar with the PRS process in government, civil society, international NGOs, and other external partners; (2) a content review of PRSPs; (3) reviews conducted separately by OED and IEO of JSAs of PRSPs; and (4) a review of APRs.

Application of the Underlying Principles

Country Driven

Country ownership is a key tenet of the PRS process because effective development requires policies and priorities to originate from, and be driven by, national stakeholders. Three criteria are used to assess the extent to which the PRS process has been country-driven:⁴

- *Locus of the initiative:* **Country ownership is a key tenet of the PRS process.**

Table 2.1 Case Study Countries

Region	Country	PRSP Date	Years of Implementation	First Annual Progress Report ^a	Second Annual Progress Report ^a	HIPC	OED/IEO
AFR	Ethiopia	17-Sep-2002	1.7	17-Feb-2004		Yes	OED
	Guinea	25-Jul-2002	1.9			Yes	IEO
	Mauritania	6-Feb-2001	3.3	18-Jun-2002	18-Jul-2003	Yes	OED
	Mozambique	25-Sep-2001	2.7	25-Jul-2003		Yes	OED/IEO
	Tanzania	30-Nov-2000	3.3	27-Nov-2001	27-May-2003	Yes	OED/IEO
EAP	Cambodia	20-Feb-2003	1.3			No	OED
	Vietnam	2-Jul-2002	1.9	19-Feb-2004		No ^b	IEO
ECA	Albania	20-Jun-2002	1.9	10-Jul-2003		No	OED/IEO
	Tajikistan	5-Dec-2002	1.5			No	OED/IEO
LCR	Nicaragua	25-Sep-2001	2.7	11-Dec-2002	22-Jan-2004	Yes	OED/IEO

Note: Dates represent dates of discussion at Bank Board.

a. As of May 2004.

b. While eligible for debt relief under the Enhanced HIPC initiative, Vietnam is potentially sustainable without HIPC assistance.

- *Country commitment:* How committed are stakeholders to the process, and to what extent has the PRSP been mainstreamed?
- *Participation:* Has there been broad, sustained, and purposive participation in the process?

Locus of the initiative. One of the objectives of the PRSP Initiative was to serve as a framework for access to concessional resources and debt relief under HIPC. Borrowers in case study countries undertook PRSPs largely based on these external conditionalities. The BWI origins of the Initiative present an inherent tension in fostering a country-driven process. Positive examples in the case studies, however, show that this tension can be managed. This has been the case in Mozambique and Tanzania, where the governments effectively broadened their focus from document preparation and endorsement by the BWIs as a condition for HIPC to implementation of a PRS process. Although the Mozambican authorities initially viewed the introduction of the PRSP as additional conditionality being imposed on the country by the IMF and World Bank under the

HIPC Initiative, they soon embraced the approach, linking it to existing poverty reduction policies and ongoing analytical work on poverty.⁵ In other cases, PRSP-related activities were cut back once BWI requirements for HIPC or a Fund Poverty Reduction and Growth Facility (PRGF) were met. In Guinea, the government did not convene working groups to continue relevant discussions after the PRSP was completed. In Tajikistan, consultations with civil society declined dramatically after government approval of the PRSP.

The BWIs initially laid out an aggressive timetable for PRSP production, focused on HIPC and PRGF countries. This pressure to complete a PRSP under short deadlines in order to access resources contributed to an excessive government focus on preparation of a document, rather than on a long-term process to enhance a country's ability to plan, implement, and monitor progress toward long-term goals.⁶ Stakeholders in 4 of 10 countries reported that they experienced pressure to complete PRSPs in time to meet BWI deadlines, including the Fund's PRGF cycle (e.g., Cambodia, Mozambique, Nicaragua, Tanzania).

In Tanzania, the formulation of the PRSP took place in an extremely compressed timetable, under pressure to reach HIPC decision point, and the first Progress Report was rushed to reach HIPC completion point.⁷ The PRSP was completed and submitted to the Cabinet just 6 months after the I-PRSP (Interim PRSP), compared with a current average time between I-PRSP and PRSP of 20 months.⁸ In Cambodia, the pressure to hastily produce an I-PRSP originated from the decision to convert the Fund's Enhanced Structural Adjustment Facility (ESAF) arrangement into a PRGF arrangement which, under IMF operational guidelines, required links with a PRS process.⁹ This initial pressure was in tension with the ongoing preparation of the country's five-year socio-economic development plan.

Even though the BWIs influenced the *timing* of the process, national stakeholders in case study countries have confirmed that during the preparation processes, interactions with Bank staff generally did not compromise ownership. Bank staff were supportive and keenly interested, but largely gave room for country ownership and did not impose a Bank viewpoint. This observation was most prevalent in countries where strong country-driven processes already existed, such as Tanzania, Ethiopia, and Mozambique, where the Bank was perceived to have changed its business model and culture to foster ownership. Clients observed that decentralization of Bank staff and authority to country offices was especially helpful because staff in the country office are more effective than sector missions from Washington at considering alternative viewpoints and ceding control to the ministry. For example, the designation of a PRSP point person in the Albania office enhanced the quality of the Bank's role by providing a real time and continuous interface throughout the process. But in several case study countries, the content of PRSP strategies was influenced by the BWI origins of the Initiative. The Bank was closely involved both in the preparation of previous strategies and in analytical work such as Poverty Assessments, Country Economic Memorandums, and Public Expenditure Reviews that fed into PRSPs. Government officials reported that they had considered that the PRSP needed to

emphasize social sector expenditures in order to receive BWI endorsement. In Mozambique and Nicaragua, civil society informants expressed the view that government already knew what the BWIs wanted—and knew they had to pass the BWI review process, including the JSA. The BWIs did not need to impose their agenda—holding the string to the HIPC purse was sufficient. Stakeholders see these tensions with ownership as embodied in the submission of the PRSP document to the Boards of the Bank and Fund, a process perceived as “Washington signing off.”

Country Commitment. Government commitment and country commitment are not the same. Country commitment for the PRSP goes beyond the decision of government to prepare a strategy to include the commitment of a wider range of national stakeholders. All case study governments declared political commitment to the PRSP, and in many cases commitment comes from the highest levels of government, as in Tajikistan, where the PRSP was introduced by Presidential Decree. Such high-level “PRSP Champions” play an important role in initiating and motivating the process. But interviews across a broad range of stakeholders in the case studies suggest that country commitment to the PRS process varies considerably. Within government, commitment to the strategy is strongest among those closest to its preparation (typically the finance or planning ministries) and those who perceive the greatest benefit from the process—for example, through increased resource allocations. Commitment fades in sector ministries, especially ministries with low PRSP priority, and regional/local administrations. Civil society commitment depends on the extent to which the PRSP accommodates the particular position of an organization. The involvement of parliaments has been a particularly weak aspect of the process in the case study countries (see box 2.1). This dispersion in stakeholder commitment was echoed in survey results on percep-

During the preparation processes, Bank staff were supportive and keenly interested, but largely gave room for country ownership.

tions of how country-driven the process was (see figure 2.1).

The integration of PRSPs into domestic processes such as elections, the budget, and prior strategies is another marker of country commitment. Although in a few countries the PRSP feeds into existing processes, in most case study countries it is yet to be mainstreamed into national policymaking. In Tanzania, the participatory Public Expenditure Review (PER)

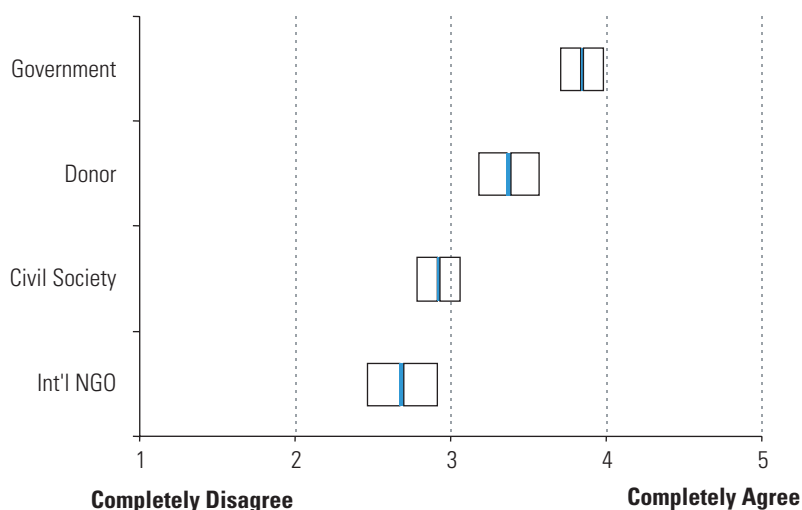
process, a key forum for policy debate, has supported the PRSP analytically and has embraced its principles, to the extent that it is now known as the participatory PER/PRS process. Key policy decisions continue to be made outside the PRSP, notably in Ethiopia, where the government took a series of important decisions in resettlement, education, and technology immediately after the endorsement of the PRSP, outside of the

Box 2.1 **Parliaments and the PRSP**

Lack of involvement of elected officials in participatory activities during PRSP formulation is well documented in the literature (for example, Oxfam 2003). This was validated in the case studies. In Albania, parliament was out of session during PRSP consultations, and Mozambique’s National Assembly did not discuss the PRSP. In Tanzania, stakeholders described parliamentary approval of the PRSP as a rubber stamp.

This lack of engagement was often attributed to the dominance of the executive branch in many PRSP countries and the low capacity of parliaments to engage in detailed policy discussions. The Bank and others have recently undertaken activities to address this issue, but the effects have not yet been felt in the case study countries.

Figure 2.1 **Was the PRS Process Country-Driven?**



Note: The thick lines indicate mean score in the survey (from 1: completely disagree to 5: completely agree) on a composite of four questions on whether the PRSP process was country-driven. The box around the bands shows a 95 percent confidence interval. The mean score for the government respondents was significantly higher, at a 95 percent confidence level, than that of donors, and the means for both these groups were significantly higher than that for international NGOs and civil society. The difference in scores was not significant between the latter two groups.

PRSP framework. Where it has been mainstreamed, the PRSP has proved to be more durable under political change. In Albania, the PRSP provided a useful fixed point for the civil service during a number of changes in government. In Nicaragua, however, the PRSP was not mainstreamed because the government responsible for its formulation was voted out of power shortly after its completion. The new government proposed its own strategy outside the PRSP framework to avoid jeopardizing progress toward HIPC completion point. Subsequently, the government has worked toward finalizing its strategy as an update to the original PRSP.

Participation. The BWIs, as well as other donors, actively promoted broad-based participation as a component of the Initiative’s design. In all 10 case studies, governments undertook extensive consultations during formulation of PRSPs, including in several countries with little tradition of direct government-to-civil-society dialogue (for example, Albania, Cambodia, Tajikistan). A broad range of stakeholders was involved, with the composition of participants relatively consistent across countries. NGOs and donors figured prominently in most processes, while organizations located outside the capital, the private sector, and political parties have been less involved. Feedback from private sector groups suggests two explanations for their general lack of engagement. First, they often have well-established channels of communication with government, which they prefer to use over formal participation in the PRSP. And second, they often do not see the PRSP as being very relevant to their concerns about investment and growth. Consultations were generally based on draft PRSPs or sector strategies, and the agenda of broad discussions often focused more on poverty diagnostics relative to macroeconomic policy and structural reforms.¹⁰ Government officials and civil society participants at the Addis Ababa workshop noted that the limited capacity of civil society to engage in detailed policy analysis was a barrier to greater participation (for example, Mozambique, Tanzania). Multi-stakeholder “sector working groups” were commonly used to organize formal

outputs of consultations. *Although in a few countries the PRSP feeds into existing processes, in most case study countries it is yet to be mainstreamed into national policymaking.* Participatory activities dropped off considerably after formulation of the PRSP, as illustrated in box 2.2. The Bank actively promoted participatory activities, funding participation advisers in countries with limited experience (for instance, Cambodia and Tajikistan), facilitating arrangements for dialogue (for example, Albania and Vietnam), or putting civil society contacts in its local offices (for instance, Mozambique). Because of these efforts, the Bank was seen as opening the door, or increasing the voice, for NGOs in these case study countries.

The impact of participation is difficult to assess because of the lack of clear and shared objectives among stakeholders.

- For **governments**, country-driven objectives for participation were not well defined, and participatory activities for the PRSP were weakly linked to established domestic participatory processes, where they existed. With governments mostly reporting on the size and coverage of consultations and not on the tangible outputs of the process, it appears that consultations were, at least initially, conducted mainly to fulfil a requirement for the PRS process.
- **Civil society** expected participation to increase the transparency of decisionmaking, and allow them to meaningfully contribute to the formulation and implementation of the strategy. By including nongovernmental stakeholders, the PRS process has opened up the dialogue space, thereby meeting the first expectation to some degree in almost all the case study countries.¹¹ But civil society has been disappointed with regard to their second expectation. They perceive that they have had little or no influence on the strategies,¹² with exceptions of bringing governance issues

The Bank was seen as opening the door, or increasing the voice, for NGOs.

Box 2.2**Participation Has Largely Not Been Sustained**

Consultations with civil society in PRSP formulation have been sustained during implementation in a minority of the case study countries. Positive cases include the creation of a participatory institutional framework for monitoring (the Poverty Observatory in Mozambique and the Poverty Monitoring System in Tanzania), and internalization of the independent facilitator's role during formulation (the Carter Center in Albania). More often, dialogue between the authorities and nongovernmental national stakeholders dropped off after PRSP completion. During in-country discussions in Tajikistan, NGOs and other civil society

representatives queried the OED/IEO evaluation team for information on post-PRSP progress. The mechanism for civil society input during PRSP formulation (the NGO Counterpart Consortium) had faded in the absence of sustained donor funding. In Vietnam, the government began to play a leadership role in the Bank-managed participatory process during formulation, but overall the government appears to have assigned low priority to the process since then. In Ethiopia, civil society's engagement in the PRS process fell off considerably following their close involvement in the consultations for the PRSP.

more prominently on the table (for example, Guinea and Mozambique) and canceling user fees for primary schools (for example, Tanzania).¹³ They are concerned about the decrease in engagement in some countries, attributing the decline to a lack of genuine commitment to broad-based participation and low capacity on the part of governments.

- The *BWIs*' objectives from the participatory process, like those of governments, are not well-defined. They are not noted in the JSA guidelines, which stipulate that Bank and Fund staff should describe, but not assess, participation (World Bank and IMF 2000b). The World Bank's *PRS Sourcebook* (World Bank 2002a), though not technically Bank policy, ascribes the following desired outcomes to participation: enhancing accountability, transparency, and efficiency of policymaking; increasing equity in policies, goals, and outcomes; and a shared long-term vision among all stakeholders (World Bank 2002a, p. 239).

In summary, views differ significantly across stakeholder groups on the intent of participatory activities. These polarized views are illustrated in the survey results, shown in figure 2.2, in which the least agreement across stakeholder groups was seen for questions dealing with participation.¹⁴

Comprehensive

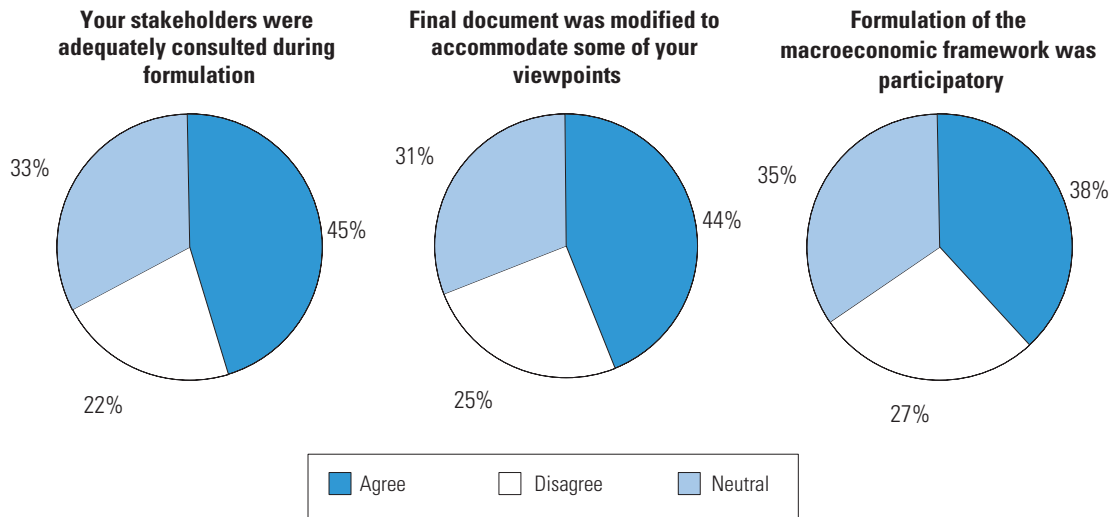
The PRSP aspires to provide a comprehensive view of poverty and a coherent strategy for its

reduction. The following section assesses whether PRSP strategies and processes have included two elements:

- *Poverty Diagnosis*: a multi-dimensional poverty profile with a sound analysis of the determinants of poverty
- *Comprehensive Strategies* that ensure consistency between a country's macroeconomic, structural, and social policies and poverty reduction.¹⁵

Poverty Diagnosis. All the case study country PRSPs discuss the need to address poverty comprehensively and include multidimensional income and non-income poverty indicators.¹⁶ Poverty data systems are at nascent stages of development in most countries, so poverty profiles were based on the best data available, which in some cases were incomplete or outdated. In many countries, poverty analyses have drawn from Poverty Assessments conducted or supported by the World Bank, and initiated prior to the launch of the PRS process. In Cambodia, by contrast, a large body of uncoordinated poverty analyses led to problems in comparability and uncertainty about the poverty baseline. In all cases, the Initiative's focus on defining poverty and its determinants has usefully highlighted data gaps and shortfalls in poverty analyses, and in Ethiopia and Tanzania has resulted in efforts to improve the quality of quantitative data.

Figure 2.2 Opinions Diverge on Participation



Comprehensive Strategies. PRSPs in the case study countries focus largely on leveraging public expenditures to reduce poverty and have not uniformly delineated non-expenditure-related policies or actions for enhancing growth or explored their impact on poverty reduction. Examples include macro-related areas such as tax/revenue policies and exchange rate management, plus the role of the private sector, trade, price policies, and privatization. Consideration of broader obstacles to growth is weak. Within the domain of public expenditures, allocations to expanding service delivery in the social sectors (education, health, and social protection) dominate over investments in economic or productive sectors such as infrastructure, agriculture, and rural development, as depicted in table 2.2. While full analysis of all areas is an unrealistic expectation for the early stages of the Initiative, the quality of initial PRSPs highlights the need for more comprehensive work to serve as the basis for poverty reduction strategies, including in the areas of macroeconomic and growth policies and the non-social sectors.

The bias toward a social sector expenditure model of poverty reduction was created by a combination of influences: first, the emphasis in the enhanced HIPC Initiative on allocating “savings” from debt relief to the social sectors

and the regular BWI tracking of expenditures on health and education in HIPC countries (OED 2003b); second, the strong donor preferences for these sectors, also manifested in the relative dominance of social sector targets in the MDGs; third, the more likely “quick wins” in these sectors

PRSPs in the case study countries focus largely on leveraging public expenditures to reduce poverty. Consideration of obstacles to growth is weak.

Table 2.2	Top 10 Priority Sectors in PRSPs by Expenditure
1	Social sectors
2	Infrastructure
3	Rural development
4	Agriculture
5	Public sector
6	Private sector development
7	Urban development
8	Environment
9	Financial sector
10	Economic management

Source: Sectoral allocations of costed PRSP programs.

because of more mature poverty-linked sector strategies; and, fourth, the paucity of analytical work in defining broad-based or pro-poor growth strategies, specific interventions to accelerate growth with an understanding of their poverty impact.

Results Oriented

To what extent have countries adopted a results orientation in preparing and implementing a PRSP? Desired features of a results orientation are:

- *Setting Goals*: with time-bound and monitorable indicators of progress
- *Prioritizing/Costing*: public sector resources and weighing tradeoffs to achieve the goals
- *Monitoring Arrangements*: providing a system to monitor implementation and make necessary adjustments.

Poor progress in these areas has contributed to results-orientation being the weakest of the principles assessed in the case study countries. Similar messages were echoed in OED's workshop in Addis Ababa. For example, the Guinea civil society representative stated that "the PRSP is too theoretical, not linked to the budget, and falls short of being an operational road-map."

Setting Goals. The PRSP has played an important role in encouraging countries to define indicators and quantitative and qualitative targets for poverty reduction. In Albania, for instance, the second iteration of the PRSP includes assessments by line ministries of their progress toward self-defined goals. Efforts to set targets have been hampered by the lack of adequate data in many of the case study countries. A review of the case study PRSPs, as well as broader reviews in

The PRSP has encouraged countries to define indicators and quantitative and qualitative targets for poverty reduction.

the Bank (see Swanson and others 2002), shows a significant overlap between PRSP indicators and the MDGs, although the quantitative targets are often different. PRSP targets are also often

unrealistic, given the initial conditions of the country and recent track records, and, in some cases, long-term targets are more ambitious than the MDGs (OED 2003c). PRSPs can be used more effectively in enabling countries to select and monitor relevant country-specific indicators that will provide a continued basis for informed decisionmaking.

Prioritization and Costing. Many PRSPs have not been reliably costed and fail to provide strategic prioritization, which is symptomatic of the weaknesses in public expenditure management systems in these countries. A review of 25 completed PRSPs found 8 with serious deficiencies in the costing of programs—some had not been costed at all (Albania, Kyrgyz Republic, Tajikistan, Uganda), and others had insufficient detail, inconsistencies, or a lack of clarity in their costing (Benin, Guinea, The Gambia).¹⁷ In almost all PRSPs, the assumptions underlying the costing are not discussed, nor is any attempt made to relate the cost of activities to success in achieving desired outcomes. A number of governments in case study countries described the costing exercise as a strain on capacity, and noted that they would have appreciated Bank support. The hard choices in prioritizing actions over the short to medium term have not been made in most PRSPs. In The Gambia and Kyrgyz Republic, priorities cover almost all areas of economic activity. Knowledge gaps about the impacts of various public actions have impeded tradeoffs with the result that the quality of prioritization and costing depends on the quality of underlying sector strategies. The health and education strategies were the clearest in priorities and targets, while the weakest sector in almost all PRSPs was private sector development. In Ethiopia, strong health and education strategies allowed the government to present well-prioritized and -costed PRSP programs in those sectors.

Monitoring Arrangements. Progress in establishing effective monitoring systems in the case study countries has been slow, and has been hamstrung by a lack of capacity in monitoring and evaluation (discussed in Chapter 3). A

number of PRSPs do not define clear strategies for improving monitoring (such as Mauritania and Guinea). Nicaragua has proposed a highly ambitious centralized tracking system that aims to expand the state’s presence in all 16 departments or provinces. Mozambique and Tanzania are the only case study countries where mechanisms involving civil society have been established—the Poverty Observatory in Mozambique, and a Poverty Monitoring Committee in Tanzania. Besides capacity issues, governments in most countries are monitoring results as a requirement, and results are not being used to adjust strategies or to enhance accountability for performance. Albania is an exception, where the measurement of indicators—for example, in the education sector—has enhanced the definition of programs, including the need to improve the quality of tuition and the maintenance and upgrading of infrastructure.

Partnership Oriented

An increased partnership orientation would involve:

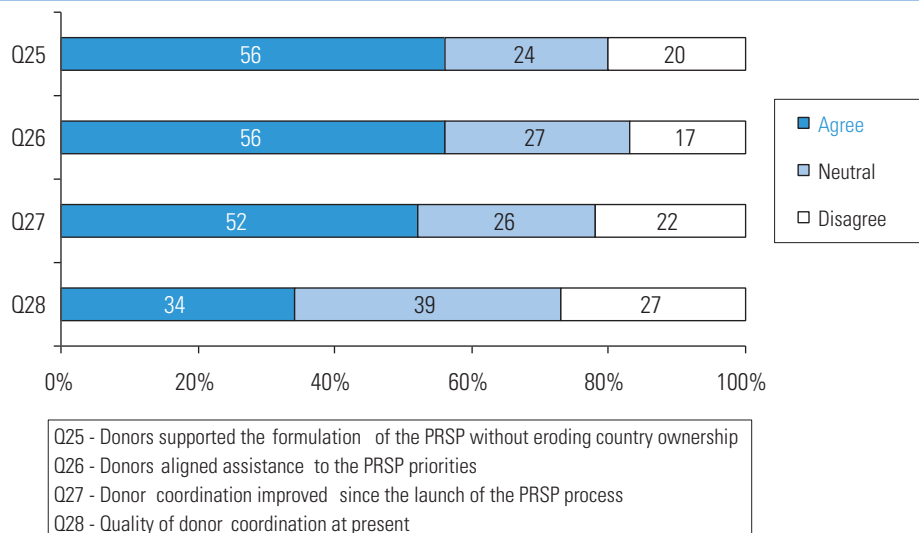
- Adequate and *coordinated donor assistance during PRSP formulation*

- Coordinated *policy dialogue* among donors and with government
- Coordinated and country-led *alignment of donor assistance* to the PRSP
- *Reduced transactions costs* for the government.

Partnership orientation was the most positively assessed of the underlying principles in the survey.¹⁸ It received uniformly high marks across stakeholder groups, including international NGOs, for whom this principle was the only one that merited a score above neutral. Support for formulation, improvements in donor coordination, and alignment of assistance were rated highly, as shown in figure 2.3. However, respondents felt that the quality of donor coordination was still poor.

Donor Assistance during Formulation. During formulation, donors have provided well-coordinated assistance to governments. In Ethiopia, the PRSP approach pushed donors to agree on a common substantial input in the form of an *Issues Note* presented during the federal consultations (see box 2.3). In Tanzania, donors were consulted at regular intervals during formulation so as not to interfere with

Figure 2.3 PRSP Process Scores High on Partnership Aspects, But Much Lower on Current Quality of Donor Coordination



Note: On question 28, respondents ranked the quality of donor coordination at present from 1 (poor) to 5 (excellent).

the indigenous development of the PRSP. In Nicaragua, the United Nations Development Program (UNDP), the U.K. Department for International Development (DFID), and the Inter-American Development Bank (IDB) provided funding for the consultative process and the World Bank supported the technical drafting unit and contributed several analytical inputs during formulation. However, donor inputs in Nicaragua were perceived as overstepping the line between *support* and *imposition*, pushing the government toward a social sector emphasis in the PRSP.

Policy Dialogue. The PRSP has provided an arena for transparent policy dialogue among external partners and with the government. Since the completion of the PRSP in Ethiopia, government and donors have formed a joint task force on harmonization and have agreed on a dialogue architecture to facilitate dialogue on high-level policy issues. In Vietnam, the PRSP Initiative has provided focus to a group of “like-

The PRSP has provided an arena for transparent policy dialogue among external partners and with the government.

minded” donors¹⁹ who meet regularly to exchange information and coordinate activities. Part of what defines the group is the willingness and interest of its

members to align (to varying degrees) their activities with the PRSP.²⁰ Working groups set up around the PER process meet biweekly in Tanzania and are the main avenue for multi-stakeholder dialogue. Although these predate

the PRSP, the PRSP provided a common strategy around which to anchor their work. Donor coordination in Tajikistan is still at a nascent stage—the first in-country Consultative Group meeting was held only in May 2003—but the PRSP has provided a useful starting framework.

Alignment of Donor Assistance. Given the PRSPs’ broad scope and lack of prioritization, alignment would not necessarily entail changes in donors’ programs. Neither donors nor the Bank have defined specifically whether or how they should change the *content* of their programs to reflect PRSPs. Changes in donors’ *processes* are more readily evident.²¹ In Mozambique and Tanzania, where government-donor coordinating mechanisms were already strong, the PRSP has increased donor participation in, and coordination of, budget support instruments and the streamlining of their performance monitoring, as outlined in box 2.4.

In countries where government leadership in aid coordination around the PRSP has been weak, donors have not been able to coordinate around the PRSP. In Guinea, donors’ perceptions are that the PRSP is not broadly owned. Donors have been characterized as *elusive*, taking a *wait-and-see* attitude, reflecting their skepticism about the PRSP and the government’s ability to implement it. In Tajikistan, four separate agencies, each with dozens of sub-units, are responsible for donor coordination and monitoring donor funding. In Mauritania, external partners were initially enthusiastic about coordinating around the PRSP, but this diminished as donors came to view the PRSP as being increasingly controlled by the BWIs, rather than by the government.

In countries with a disharmonious donor context, the PRS process has been unable to enhance capacity for donor coordination. The Albania government found donor coordination the *most* challenging part of PRSP implementation, because the fragmented and large donor community perceived the PRSP as a Bank-driven process and were unwilling to align their own approaches with it. UNDP pursued its own MDG-related activities in parallel with the PRSP,

Box 2.3

Coordinated Donor Support for PRSP Formulation in Ethiopia

The Development Assistance Group (DAG) has over 40 members, covering the vast majority of donor agencies working in Ethiopia. In September 2001 the DAG Core Group was established, with 17 members, to support the PRSP in a coordinated manner through a pooled donor fund. The Core Group also prepared a joint Issues Note as an input to federal consultations and organized the preparation of a Joint Partner Review to complement the JSA.

Box 2.4**PRSP Helps Donors Coordinate Budget Support and Streamline Performance Monitoring**

In Tanzania, the Poverty Reduction Budget Support Group coordinates members' conditionality using a single monitoring instrument (the Performance Assessment Framework, or PAF). The PAF uses Tanzania's PRSP as its guiding framework, and monitoring is synchronized with PRSP progress reports. With its first PRSC, the Bank joined the group and now uses the PAF for its con-

ditionality. In Mozambique, the G-11 donors that provide budget support are also developing a PAF, which is intended to better align with the PRSP and harmonize donor conditions (including alignment with the PRGF and a Bank PRSC in the pipeline). In Vietnam, a number of donors are delivering a significant share of their aid budgets through the World Bank Poverty Reduction Support Credit.

which they viewed as a potential input into the achievement of the MDGs. A similar experience is noted in the Cambodia case study. After identifying monitoring indicators in their PRSP, the authorities were asked to engage in a separate exercise to develop localized MDG indicators.²² Nicaragua represents a case where a disharmonious donor context is exacerbated by the division of responsibilities for donor funding and public finances among four agencies.²³ Activities to coordinate donors are under way—for example, through the introduction of a programmatic approach in public sector reform—although progress has been slow.

Donor feedback from the case studies confirmed that the Bank has improved its coordination and relations with other external partners. This is attributable not only to the PRSP, but also to decentralization and the Bank's move into budget support groups, in the context of PRSC preparation. Yet the process has not been without problems between the Bank and other external partners. Only a third of donors agree that "the Bank is actively promoting and supporting coordination of donor assistance," compared with half of the total survey respondents.²⁴ In Cambodia, there was open conflict between the ADB, the UNDP, and the Bank during PRSP planning and formulation. In Nicaragua, there were relatively poor relations between the IDB and the Bank. While many bilaterals appreciate and expect the Bank to play a leading role—with the PRSP as the focal point—it is not so clear that the UNDP and regional banks see things the same way.

Donor alignment to the PRSP through changes in lending/grant portfolios is difficult to measure.

There has been an increase in the prevalence of budget support as an aid delivery mechanism,²⁵ and stakeholders perceive that donors have aligned assistance to PRSP priorities (figure 2.3). However, evidence of more coordinated selectivity of donor portfolios in support of PRSP priorities is lacking.

This is partially the result of the inertia from ongoing commitments and the time needed for donors to adjust strategies and programs. Another challenge for gathering evidence on alignment is the breadth of PRSP priorities and programs that offer donors the latitude to formulate programs without country-driven parameters or constraints. In Tajikistan, the PRSP has so far failed to reconcile a substantial gap between the government's preference for high spending on infrastructure investment and the donors' preference to concentrate their finance on social sectors and safety nets.

Transaction Costs. In country case studies, the rhetoric of donor alignment around the PRSP has yet to reduce transaction costs for the government. Governments reported that multiple donor initiatives, including the PRSP, have actually increased transaction costs in the short term. These transaction costs range from formal reporting requirements and indicator tracking to accommodating donor missions and attending meetings. The PRSP has not yet led to alignment of donor actions and government budget cycles, nor have donors harmonized their reporting

Neither donors nor the Bank have defined specifically whether or how they should change the content of their programs to reflect PRSPs. Changes in donors' processes are more readily evident.

requirements with the APRs (except for timing of budget support instruments in Ethiopia and Tanzania, and varied progress in joint performance monitoring arrangements in Ethiopia, Mozambique, and Tanzania). Donor practices such as reliance on project implementation units undermine the potential for government-led donor collaboration. Representatives of African countries

Governments reported that multiple donor initiatives, including the PRSP, have actually increased transaction costs in the short term.

at the case study workshop in Addis Ababa also noted that there are multiple donor-driven initiatives that governments must address alongside the PRSP Initiative, such as the New Partnership for Africa's Development (NEPAD) and the Strategic Partnership with Africa (SPA), which in the aggregate result in large transactions costs for African countries.

Bank-Fund Collaboration. Collaboration between the Bank and Fund was expected to improve under the PRSP Initiative, amid broader efforts to encourage systematic coordination between the two institutions (see World Bank and IMF 2001a, 2002a; World Bank 2002b). As part of the PRS process, Bank and Fund staff have carried out joint missions—including the conduct of JSAs—in connection with the PRSP in all 10 case study countries. In addition, the two institutions have worked together to prepare progress reports on the implementation of the PRSP Initiative that were presented jointly to the Development Committee.²⁶ This joint work has created opportunities for more frequent discussions among staff of the two institutions. Bank staff noted greater interaction with the Fund, including work in human development. Working relations between the two institutions were smooth in the case study countries: 52 percent of respondents ranked the quality of Bank/Fund collaboration as good or excellent.²⁷

In two of the case study countries (Albania and Ethiopia), stakeholders viewed Bank-Fund collaboration as improving since the PRS process was introduced. The PRSP provided a framework for the two institutions to coordi-

nate in Albania, with the Bank and Fund working together to build incentives for private sector development into proposals for tax reform. In Ethiopia, Bank staff pointed to increased cooperation in financial sector development. In three other countries, however, there were policy differences between the Bank and the Fund that the PRSP framework alone was unable to overcome (Mozambique, Tajikistan, and Vietnam). In all three cases, there were policy differences between the BWIs on the scope and sequencing of structural reforms (in financial sector development in Mozambique, the energy sector in Tajikistan, and reform of state-owned enterprises in Vietnam). The existence of a PRSP did not imply convergence of views, even in cases where the process was considered highly country-driven, with clear indications of the government's views on reforms (Vietnam).

Long term

The long-term perspective for poverty reduction entails taking a strategic approach to short-term programs with a view to meeting long-term goals. This section asks whether poverty reduction strategies have been defined in the context of long-term goals.

All case study countries had long-term planning documents and processes in place prior to the PRSP. The most common were the country Vision 2020 initiatives, some of which had become a central part of government planning (such as Tanzania Vision 2025; see United Republic of Tanzania 1998). The PRSP has been adopted alongside other long-term planning processes, such as country Vision exercises, country MDG plans, and regional or global commitments such as NEPAD. But PRSPs, which are, on average, three-year programs for poverty reduction, do not analyze how they will achieve longer-term goals, nor do they reconcile their own long-term targets with those of other long-term plans. In Mozambique, a process has been started to define a Vision 2025, and it is unclear how this process will complement the PRS process. The PRSP itself defines an overall poverty reduction

target for 2010, without specifying how the country will reach this goal. In Tajikistan, the PRSP defines targets for 2006 and 2015, but does not provide any clear rationale for the targets or how they can be met.

The inconsistency of medium-term targets with long-term goals implies that PRSP strategies are in danger of not delivering countries' long-term visions. For instance, Tanzania's Vision 2025 aims to "create a critical mass of a well-qualified human resource to face the challenges of globalization." But PRSP targets in education focus exclusively on primary education, which has also seen the highest budget increases in recent years. The formulation of a secondary education strategy has only recently been given attention in the 2004 Third Annual Progress Report. Albania provides a good counterexample, however, because European integration is the country's primary long-term objective and PRSP goals have been made consistent with requirements for the stabilization and association process.

The Value Added of Process Requirements

Board Consideration of PRSPs

After a country completes a PRSP, Bank and Fund management present each PRSP to the BWI Boards. Though BWI policy papers characterize this process as *endorsement* of national strategies, many national stakeholders, especially within civil society, see this process as *BWI approval* that undermines ownership and limits the scope for a country-driven and country-defined strategy process (see, for example, ActionAid USA/ActionAid Uganda 2004). They cite this practice as demonstrating that the Boards are the key audience for the PRSP and that Washington approval is the goal of the exercise. In practice, Board presentation of PRSPs also has little operational value, given that the Board has endorsed all PRSPs thus far as a basis for concessional financing and that these discussions are generally separate from established mechanisms for authorizing World Bank support to a country—notably the endorsement of CASs and the approval of

individual lending operations. In this context, the Board review and endorsement of PRSPs appear redundant, as well as attenuating ownership in the eyes of many national stakeholders.

Joint Staff Assessments

The JSA was designed to play two principal roles. According to the JSA Guidelines, it should provide the BWI Boards with an assessment of the soundness of the PRSP as a basis for concessional assistance, and thus represents an instrument of due diligence, although with differing roles (box 2.5). It should also provide "constructive feedback to the country" on how the PRSP strategy can be improved over time.²⁸

Analytical Quality. OED assessed all 28 JSAs associated with full PRSPs that had been endorsed by the Boards of the Bank and Fund by the end of June 2003.²⁹ OED reviewed each

JSA's treatment of 11 issues, as listed in figure 2.4, to complement the IEO's parallel review of how the same group of JSAs handled 5 additional issues, as described in box 2.6.³⁰ Among the 11 issues that OED rated, the JSAs in the aggregate treated 5 at a satisfactory level, as shown in figure 2.4 (where 3 out of 4 represents satisfactory). Assessment of endogenous and exogenous risks and structural and sectoral policies were the best-handled topics, with 20 of the 28 JSAs rated satisfactory or better in both areas. The JSAs were particularly weak in their treatment of private sector participation and partnership issues. The quality of JSAs improved only slightly over the time period studied. The 13 earlier JSAs (reviewed by executive directors through the end of FY02) were rated 2.6 overall, and the 15 later JSAs (reviewed during FY03) were rated 2.8. The JSAs markedly improved their treatment of two

Many national stakeholders, especially within civil society, consider that the Board review process undermines ownership and limits the scope for a country-driven and country-defined strategy process.

Box 2.5**J S A s Play
Different Roles
for the Bank and
the Fund**

The Bank and the Fund evaluate the government’s poverty reduction strategy in the JSA as a basis for concessional assistance. For the Bank, the CAS is meant to build on the JSA to selectively design its assistance. The IMF does not have a clear equivalent to the Bank’s CAS; the JSA itself is intended to provide the operational link to the PRGF by “contribut[ing] to the [determination of the amounts of assistance and detailed design of the programs] through its assessments of the strengths and weaknesses of the strategy.”

challenging issues: balanced treatment of social and growth sectors and treatment of alternative growth strategies. Box 2.7 illustrates how two JSAs did a good job assessing—one favorably and the other critically—the PRSPs’ alternative growth strategies.

Stakeholders considered that the JSAs failed to describe key weaknesses in the PRSP participatory process. Most JSAs provide only factual descriptions of participatory processes in conformity with the guidelines, which rule out evaluative or normative statements on participation. But in 9 of the 10 case study countries, this factual treatment was overly optimistic or incomplete regarding the value and contribution of the participatory process. In Guinea, for example, the JSA did not mention limitations in

the participatory process acknowledged in the PRSP, and in Tanzania, the JSA did not address the implications of a short consultation process. Only for Mozambique did the JSA describe the limited role that parliament and civil society had played in that process.

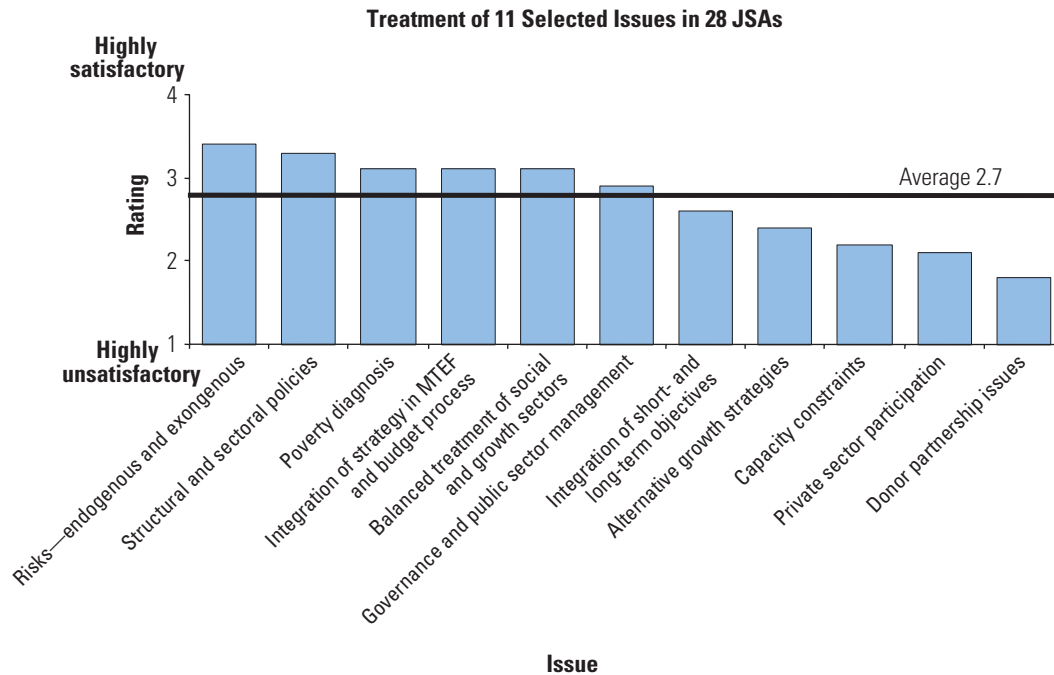
JSAs pay inadequate attention to existing domestic processes that are relevant for a sustainable PRS process. For example, most JSAs discuss the quality and realism of indicators and targets in the PRSP, but treatment of the role and usefulness of the information for line ministries and other decisionmakers receives much less attention. Similarly, specific sector policies are assessed, but the policymaking process generally is not. This suggests the scope of JSAs could be altered or amended to leverage this instrument to better support the PRS process.

The JSA represents an assessment by Bank staff about programs and strategies that the Bank has often contributed to developing through its support and comments during the formulation not only of the PRSP, but also of its building blocks, such as Public Expenditure Reviews (PERs) and Poverty Assessments (PAs). This element of self-assessment in the JSAs may account for some of the analytical gaps and limited candor noted above. As a proponent of the PRSP Initiative and supporter of countries’ PRSP formulation activities, the World Bank has an incentive to provide favorable assessments of the PRSP documents. All JSAs to date have concluded that the relevant PRSP provides an adequate basis for concessional assistance (although “adequate” is not defined).

Usefulness of the JSA Feedback. All JSAs of case study PRSPs included advice and recommendations to country authorities and other stakeholders, which governments in Albania, Cambodia, and Tanzania, among others, found to be useful. But in general, only key officials in central ministries are aware of the JSA content, which has limited its usefulness to the broader audience of stakeholders. Governments in most countries did not circulate the JSA to civil society, which is expected to play an active role in PRSP implementation. In the majority of cases, JSAs

Box 2.6**Key Findings of
IEO Review of
J S A s**

The IEO assessed the consistency of JSAs with five key elements of the JSA Guidelines not covered by the OED review. The IEO review concludes that the JSA has met its objectives to a limited degree. In particular, the JSAs fail to address capacity constraints, are read by few decisionmakers, and reach formulaic conclusions. These characteristics limit their usefulness. OED concurs with these judgments. Both reviews note that there has been an incentive for BWI staff to reach positive findings on the adequacy of the PRSP in order to validate the strategy as a sound basis for World Bank and Fund concessional assistance.

Figure 2.4 JSAs Are Weak in Some Areas**Box 2.7****Good Practice Treatment of Alternative Growth Strategies**

The Senegal JSA was rated highly for its assessment of alternative growth strategies in the PRSP. It described the three macroeconomic scenarios and assessed their realism with respect to anticipated level of external financing, domestic resource mobilization for priority investments, and implementation capacity. It also recommended a specific case scenario and advised authorities to provide an in-depth analysis of scenario feasibility in the Progress Report.

The Sri Lanka JSA makes a cogent argument for developing alternative growth strategies:

“The PRSP lacks alternative frameworks or contingency policies. Notably, the PRSP does not include an assessment of how the upcoming elimination of textile quotas will affect Sri Lanka’s economic growth or the poor. For this reason, staffs encourage the Government to develop an alternative, lower growth scenario and design contingency plans that fully reflect the envisaged risks.”

Source: Senegal JSA (December 2002) and Sri Lanka JSA (April 2003).

did not include the views of other stakeholders. Some donors have called for a more inclusive assessment mechanism, similar to the joint donor reviews of performance assessment frameworks associated with coordinated budget support found in Mozambique and Tanzania, as

an alternative to predominantly government and BWI interactions. A more transparent and open process with other partners would be more consistent with the partnership principle and would enhance discussions of coordinated support, selectivity, and comparative advantage.

Annual Progress Reports

Progress reporting has strengthened the PRS process by increasing the relevance of the strategy and by providing a yardstick for accountability.

HIPC countries normally have to produce Annual Progress Reports (APRs) that demonstrate one year of successful PRSP implementation to reach the HIPC completion point. Other countries have to produce APRs to retain access to concessional resources from the IMF through PRGF programs.³¹ APRs have two objectives: first, to assess progress toward PRSP goals and intended policy/program reforms and, second, to allow governments to make adjustments in their strategies in response to changing circumstances.³² Twelve countries have completed at least one APR on the implementation of their PRSP.³³ This section reviews the extent to which APRs have served these two objectives in the case study countries and outlines several constraints that derive from the role of APRs as a BWI reporting requirement.

The constructive role played by Annual Progress Reports is compromised when they are not connected to domestic processes.

Assessing Progress. Countries are using the APRs to report on progress in implementing their poverty reduction strategies. Ten of the 12 APRs reviewed describe the status of poverty, developments in the macroeconomic framework, and the implementation of priority sector policies and performance, and the majority reported on their progress in developing

monitoring and implementation systems. All 12 countries reported their achievements in one or more priority sectors using *quantitative indicators*; 9 reported against either annual or medium-term targets.³⁴ Burkina Faso, for example, created 31,870 water supply points in 2001 against a target of 31,000. Nine of the 12 APRs also reported on the country's progress in fulfilling *qualitative policy measures*, but not always against a timeline. For instance, the 2003 Finance Law in Niger fulfills a 2002 PRSP target to adopt government accounting and budget nomenclature in accordance with WAEMU guidelines.

Adjusting Strategies. The case studies reveal a number of examples of how progress reporting has strengthened the PRS process by increasing the relevance of the strategy and by providing a yardstick for accountability (see box 2.8). In Ethiopia, production of an APR increased the government's focus on monitoring and evaluation (M&E) and resulted in a comprehensive plan for monitoring. Donors interested in increasing budget support are also considering using the APR as the basis for a shared conditionality framework and joint donor performance assessments. In Mauritania and Tanzania, the APRs used detailed and updated household survey data that had not been completed in time for the PRSP. To be relevant operational tools, APRs must be capable of reorienting the PRSP strategy based on a sound analysis of indicators. In Mozambique, the APR provides a wealth of indicators, but it does not provide any guidance on reorienting the strategy to increase effectiveness. In Mauritania, the first APR projected a dramatic increase

Box 2.8

New Government in Albania Uses APR to Adjust the PRSP

Albania's first APR used newly released data from monitoring units and recent poverty reports to revise and update the PRSP's objectives. The APR was also used to improve the strategic alignment between the PRSP and the Millennium Development Goal and European Union accession processes. The APR included self-assessments from all line ministries.

in the costs of the PRSP program, but it did not explain the rationale for it. This was remedied in the second APR, which presented more realistic expenditure figures.

The constructive role played by APRs is compromised when they are not connected to domestic processes such as budget or government reporting, as described in box 2.9. In almost all case studies, the timetables for APR production reflected BWI requirements,³⁵ rather than domestic monitoring needs. Stakeholders emphasized that the APR requirement does not help to validate or strengthen existing institutionalized domestic monitoring

processes. This lack of alignment implies duplication of effort and decreases the relevance of the APR as an operational tool. The costs of reporting requirements are high for PRSP countries; many need to report to donors while continuing institutionalized or legally mandated reporting requirements in-country. As currently constituted, the APRs are an additional strain on limited country capacity.³⁶ Stakeholders at the Addis Ababa workshop on case study findings noted that APRs were not candid on progress in-country, another signal that the APR is an external requirement rather than an operational document.

Box 2.9

APR Requirements Unconnected to Domestic Processes

In Tajikistan, the government is obligated by law to prepare a national report for Parliament on the implementation of the PRSP, with its own specifications, but these differ from those suggested in the BWI guidelines for APRs. In Albania the APR was completed in three months and did not include extensive consultations. In Mozambique, the need to fulfill PRGF requirements meant that the country's first APR submitted to the BWI Boards had only partial-year coverage and was done in parallel to regular reporting. This has since been corrected during preparation of the second APR, which is the same as the government's annual document.



Preliminary Results

Chapter 2 assessed the application of the underlying PRSP principles and the value added of the APRs and JSAs. In the context of the results chain depicted in figure 1.2, this represents a review of the *inputs* and some of the *outputs* in the 10 case study countries. This chapter further assesses outputs and the intermediate and longer-term *outcomes* of the process.

As noted in Chapter 1, the BWIs have left it to the country authorities to define the specific results and milestones expected from application of the underlying principles (for example, what is expected from participatory activities). While the Bank and Fund review country experience in implementing the Initiative annually through *PRSP—Progress in Implementation* reports,¹ they do not assess the contributions of the Initiative against previously identified benchmarks. This chapter assesses the implementation and preliminary results of the process, with a focus on three areas of progress that derive from the results chain and early policy papers. First, are PRSPs effective tools for *planning* and to what degree are they being *implemented*? Second, has the PRS process enhanced countries' capacities for implementation, particularly for monitoring and evaluation? And third, what outcomes have been achieved?²

Value Added in Planning and Links to Implementation

Planning

An increased focus on poverty reduction and the need to base PRSPs on a sound poverty diagnosis has highlighted the poor quality of data on poverty in many of

An increased focus on poverty reduction has resulted in marked improvements in quality of poverty data.

these countries. In some cases, this has resulted in marked improvements in the quality of those data. For instance, the Tanzania PRSP was based on dated sources—the most recent being a 1998 survey³—although subsequent adjustments to the strategy were able to use the more recently completed Household Budget Survey of 2000/01. In Mozambique, the PRSP provided the first detailed assessment of quantitative aspects of poverty and revealed large regional disparities in

poverty incidence. The Mauritanian survey provided greater insight into how the poor perceive their participation in public or community activities and the functioning and quality of public services. In addition, the process of placing sectoral programs under one strategy umbrella has made the link between sectoral strategies and poverty reduction more tangible. Central ministries have begun to ask line ministries to rank programs based on their likely poverty impact. In Albania and Nicaragua, the PRSP was helpful in spurring movement toward defining outcomes in poverty-related areas. In

The process of placing sectoral programs under one strategy umbrella has made the link between sectoral strategies and poverty reduction more tangible.

Guinea and Tanzania, the PRS process complemented ongoing efforts to focus resources on priority sectors. Most stakeholders agreed that the PRS process was focused on outcomes that benefit the poor (see figure 3.1), and ranked that feature among the

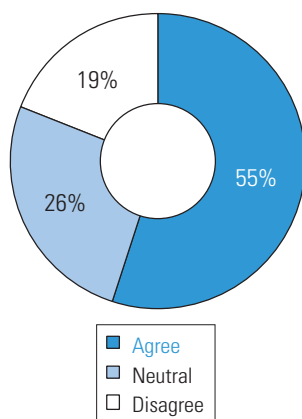
five most positive in the survey, with a mean score of 3.6.

The PRS process has brought together sector strategies in one policy document, but

in most case studies the individual sector strategies were not changed substantially in the formulation stage. In Cambodia, Ethiopia, and Tanzania, strategies in the sectors with the strongest donor presence—most commonly education and health—have tended to be the most well-developed, but specific growth strategies, especially for agricultural growth, have been neglected. In Tanzania, for instance, where poverty is largely rural, development of the agricultural sector strategy was not well-linked with the PRS process, and was not finalized until after the PRSP. The corresponding program was not ready at the time of the first APR. The process of aggregating individual sector strategies under one umbrella has thus highlighted shortcomings across sectors in the case study countries, and in some cases a process is in place to address these weaknesses. The collection of sector strategies has also encouraged the central ministries of finance and planning to attempt coordination of key programs across line ministries as a first step toward cross-sectoral planning (see box 3.1). Cross-sectoral linkages begin from a weak starting point, however, and the poverty reduction strategies do not give much consideration to tradeoffs among sector priorities.

The poverty focus of the PRSP is focused more on expenditure allocations than on defining medium- or long-term comprehensive or individual sector strategies or policy measures. Sources of revenue and GDP growth have received uneven attention across the case study PRSPs. In Mauritania, for instance, the PRSP did not consider the options for using the country’s potential hydrocarbon revenues, although there are still some uncertainties about the true potential of the country’s revenues. The critical issue of trade policies and their impact on growth have been mentioned in only 3 of the 10 case study PRSPs. Cambodia’s PRSP is an exception: it integrated the trade policy dimensions that were emerging around the country’s accession to the World Trade Organization (WTO). Where details of revenue projections or resource environments are included, they lack realism. The case of Cambodia exemplifies this

Figure 3.1 Is the PRSP Process Focused on Outcomes That Benefit the Poor?



Source: Stakeholder Survey, question 16, Annex B.

Box 3.1**The PRSP Has Raised Awareness about Exploring Synergies across Sectors**

In Albania, the APR played a useful role in providing links between the line ministries and the core ministries responsible for the PRSP, although this process was highly dependent on local consultants. Cambodia's PRSP process resulted in the Planning Ministry and, subsequently, the Finance Ministry making a valiant attempt to prioritize across sectors. This has resulted in line ministries starting to think beyond their individual sectors in strategy development, which manifested itself in a cross-sectoral coverage of trade in the PRSP. In Ethiopia too, the PRS

preparation process, guided by an inter-ministerial steering committee and technical committee, enhanced inter-sectoral focus and made ministries more mindful of key linkages between sectors. In Mozambique, the PRSP process brought greater coherence to the government's poverty reduction policies, if not a major reshuffling of priorities. In Tajikistan, the organization of PRSP consultations around nine working groups under the direction of an overall steering committee helped to promote a comprehensive view that had not existed before.

problem—total PRSP program costs amounted to \$5 billion, against anticipated funding of only \$1.5 billion, half of which was already committed to ongoing projects. The Ethiopian PRSP does provide an estimate of the rate of GDP growth that would have to be sustained to achieve the MDG for poverty reduction.⁴ None of the other case study PRSPs goes this far. But even in Ethiopia, the full cost of the programs necessary to achieve PRSP targets exceeds the resources envisaged in the macroeconomic and fiscal framework. Stakeholders in Tanzania attributed the heavy focus on expenditures to continuing gaps in the knowledge of the poverty impacts of macro and structural policies.

Implementation

The priorities for expenditure in the PRSPs have not been translated into priorities in the budget, because the three-way linkage of the PRSP, the budget, and the Medium-Term Expenditure Framework (MTEF) is typically weak or absent. In Cambodia and Guinea, spending plans for line ministries are being formulated with little regard to the PRSP. In Tajikistan, the link between public spending and policy objectives is very limited, and constrained to a few sectors. Exceptions are Tanzania, where the PRSP has served to identify policies and priority programs that have formed the basis for prioritizing the allocation of public expenditures, and Ethiopia, where the government has taken steps to improve

budget alignment with the PRSP.

The sample countries differ little from other low-income countries, or indeed developing countries more generally, in their weakness of public expenditure management and lack of adequate integration between budgets and medium-term instruments. But the PRSP has improved the prospects for development of public expenditure management (PEM) and for the linkages between the PRSP and the budget. The focus on the actions necessary for strengthening the tracking of poverty expenditures—a result of the HIPC Initiative—is responsible for some of the progress, such as the extensive PEM reform process in place in

Mozambique. But non-HIPC countries have also seen improvements in this area. For example, Albania has made a start in linking the PRSP with the budget and the MTEF, with a shared institutional structure for the three processes. Indeed, the MTEF was set up explicitly to underpin the PRSP. There has also been substantial reform in PEM, albeit from a very poor initial condition. The alignment of these processes is still in the early stages, but the structure is in place for its ultimate achievement. Public Expenditure

Sources of revenue and GDP growth have received uneven attention.

The three-way linkage of the PRSP, the budget, and the Medium-Term Expenditure Framework is typically weak or absent.

The PRSP has improved the prospects for development of public expenditure management and for the linkages between the PRSP and the budget.

Reviews, which are being done more regularly, are useful inputs into aligning PRSPs with budgets, particularly if they are carried out on a rolling basis (see box 3.2).

Have actual expenditures changed post-PRSP? The concept of poverty-reducing expenditures (PRE) has emerged from the HIPC expenditure-tracking exercises to demonstrate greater budget alignment with the goal of poverty reduction.⁵ These expenditures are defined differently across countries,⁶ and within countries their definition may vary across time as countries adjust their priorities, which makes time trend analysis very difficult. Two analyses report a significant enhancement of PRE since the launch of the PRSP Initiative. The 2003 *PRSP Progress in Implementation Report* finds that poverty-reducing outlays increased by an average of 1.4 percentage points of GDP and 3.9 percentage points of total government spending between 1999 and 2001 in the 14 countries with available outturn data. IEO, looking at data for 19 PRSP countries through 2002, also found that PRE

increased by about 2.5 percentage points of GDP between 1999 and 2002, but these trends cannot be considered robust in light of definitional concerns with the data aggregation.

OED analyzed sectoral trends in expenditures in 14 PRSP countries with sectoral expenditure data.⁷ In the four-year period prior to the completion of the PRSP, expenditures on education and health had already been increasing as a percentage of GDP, while the agriculture and transport sector shares stayed constant. This is consistent with OED's finding that HIPC resources have been targeted toward increased expenditure in the social sectors (OED 2003a). Spending in the first year of PRSP implementation (designated as "T+1" in figure 3.2), available for five countries, continued patterns of previous trends.⁸ Annual expenditure as a percentage of GDP was higher post-PRSP in the education, health, and transport sectors compared with the mean annual expenditure for the pre-PRSP period. The largest absolute increase is in education—from 3.0 percent to 3.8 percent of GDP—but these differences are not statistically significant for any of the four sectors.⁹ So far, there is no evidence that the PRSP has affected the pre-existing trend toward increasing education and health expenditures—a trend that emerged from the HIPC Initiative.

Box 3.2

Good Practice: Rolling PERs Analyze Options and Problems in PEM and Detailed Blueprints for Change

All the case study countries except Mauritania have had at least one recent PER. In two cases, Ethiopia and Tanzania, PERs have been annual events. Increasingly, the diagnosis and recommendations of PERs have graduated from reiteration of best practice to a more nuanced view of "good enough" practice and feasible rates of change in the country-specific context.

Recent PERs have also paid increased attention to institutional issues. They have played a useful role in underpinning the PRSP when the country's medium-term apparatus is absent or incomplete.

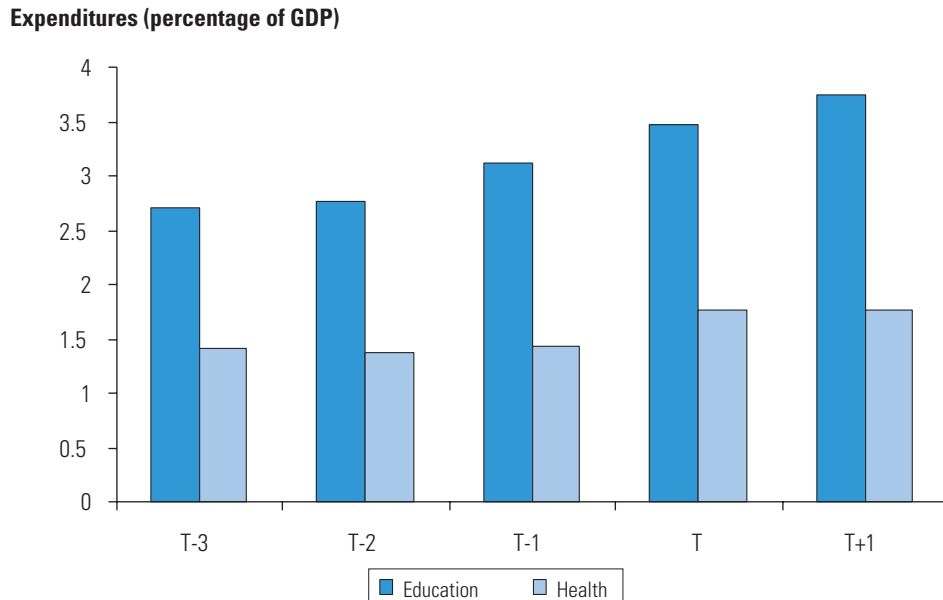
The experiences of Ethiopia and Tanzania suggest that these benefits are enhanced when the PER is set up on a rolling basis,

which permits manageable subsets of issues to be tackled sequentially. Although resource-intensive, this type of cumulative process seems appropriate in cases where a lengthy and sustained effort at reform and capacity building is required.

PERs can also provide a convenient mechanism for coordination of donor activities, and of donor activities with government policy (whether or not that is included in a PRSP). Where the government has a well-developed MTEF, the PER can be aligned with that, or the PER can be an input into the improvement of the MTEF. Finally, experience in Tanzania has led to the PER itself becoming participatory, and consequently identified with the PRSP.

Figure 3.2

Post-PRSP Expenditures Continue Pre-PRSP Trend



Note: T+1 represents the first year of PRSP implementation.

Capacity Enhancement

For the PRS to be sustainable, the process itself must promote individual and institutional capacity development in PRSP countries. Has the PRS process been successful in this task? While the need for expanded capacity is not limited to governments—the PRS process is likely to be successful if domestic NGOs and the private sector can play an effective role through participation and monitoring—the focus is clearly on whether governments can design, implement, and monitor poverty reduction programs.

In many of the case study countries, weak public sector capacity is the key impediment to the attainment of successful PRSP outcomes. Capacity constraints are widely acknowledged as posing obstacles to implementation of the PRSP. The World Bank *PRS Sourcebook* states that “evolution of a PRS in a country will depend on the degree of institutional and technical capacity to design and implement sectoral programs and policies to tackle poverty” (World Bank 2002a). Weak capacity has manifested itself in different ways

and for different reasons in each of the countries.

There are severe capacity problems in Cambodia, where a shortage of skills and experience at the staff level is compounded by weak and fragmented national institutions and a pervasive system of patronage that inhibits staff performance. Albania also has a long way to go in establishing the capacity to support the PRSP, despite improvements in structures and procedures within the government. A rapid turnover in government officials as a result of low salaries and the high number of political appointees has shaped a civil service with poor skills and little motivation to perform well. The lack of skills is even more severe at the local level. Mozambique faces immense challenges in translating plans into budgets, making budgeted funds available, ensuring they are spent appropriately, and enhancing monitoring and reporting. In all

Weak public sector capacity is a key impediment to the attainment of successful PRSP outcomes.

case study countries, the modest capacity of civil society to contribute to policy analysis is a significant constraint to widening the participatory processes of the PRSP. The challenges of building capacity at the sub-national level have been noted in a number of cases (box 3.3).

The PRS process has brought attention to capacity constraints that inhibit growth and poverty reduction. It thus has the potential to help the authorities better prioritize capacity building activities and better clarify whether the support being provided by the donor community is appropriate. The PRSP does not appear to have been used in this way in most case study countries, mostly because of a lack of comprehensive planning for capacity building.

The PRS process has the potential to help the authorities better prioritize capacity building activities, but does not appear to have been used in this way.

The clearest example of linking the planning of a poverty reduction strategy with the planning of capacity enhancement priorities was seen in Ethiopia, where the PRSP provided an opportunity for the government to articulate its capacity building program as a crucial pillar of its overarching policy framework.

The World Bank Institute (WBI) has provided many activities geared toward enhancing capacity in countries preparing PRSPs. These activities mainly center around WBI's Attacking Poverty program, which offers courses and seminars, both in Washington, D.C., and abroad. A comprehensive treatment

of WBI activities is beyond the scope of this evaluation, but evidence from the case studies suggests that both the activities and their value added varied considerably. The greatest awareness and appreciation for these services was in Tajikistan, a focus country for WBI. Several stakeholders in government and civil society reported a value added from listening to the experiences of other countries at regional events held by WBI in Moscow and Budapest.

Regarding participatory activities, all case study governments undertook substantial efforts to conduct consultations during formulation of their PRSPs. Through carrying out these activities, capacity was gained, especially in countries with limited prior experience. However, the tapering off of consultations after completion of the PRSP document in many case study countries suggests that those gains may not be sustained.

Monitoring and Evaluation

Most of the case study countries have limited monitoring and evaluation capacity at the national and local levels, and a large share of the existing capacity tends to be associated with project implementation units (PIUs) for donor-supported projects. This capacity has had limited value, because PIU staff were not responsible for developing indicators for the projects, and the specialized data collection for projects is generally not connected to national or sectoral databases. From this weak starting point, the PRSP has spurred sustained interest in enhancing institutional capacity at the

Box 3.3

Weak Sub-National Capacity Makes Implementing PRSPs More Difficult

In Ethiopia, Mozambique, and Tanzania, capacity weakness at sub-national levels of government was identified as a major challenge. In all three cases, a wide range of ambitious reforms dealing with decentralization of planning, monitoring, and implementation systems is being carried out. While there are high expectations of the positive impact of these reforms on the implementation of the PRSP, there is also great risk involved, as the reforms are strain-

ing the capacity of the current system. In Albania, the government has a decentralization program, but it is being implemented at a different pace and in a different way by each ministry, and there is no clear roadmap to help put in place the local capacity needed. The adequate sequencing of reforms, particularly in monitoring and evaluation, will have a significant impact on the integration of PRSP M&E systems into national processes.

national level in some of the countries studied. In Albania, Tanzania, and Vietnam, the PRSP generated substantial movement. In Albania, the PRSP crystallized the government's decision to move ahead with monitoring activities in all ministries (with the personal interest of the prime minister). In Tanzania, a broadly participatory mechanism for monitoring has been introduced, which has substantively enhanced national processes for poverty monitoring.

Other countries have initiated efforts to improve capacity in monitoring, but progress has been slow. A common stumbling block has been the decision to track a large number of indicators in spite of significant data challenges (Guinea, Mozambique, and Tajikistan). PRSP specifications of monitoring indicators exceed country capacity in the majority of cases. IDA performance monitoring may introduce an additional series of indicators that countries have to track. Early difficulties in collecting and reporting data suggest that use of this information for decisionmaking is a much longer-term prospect. In Nicaragua, a centralized tracking system has been established and some indicators chosen, but the system is incomplete. The first APR in Ethiopia lays out a comprehensive plan for an M&E system, but progress in developing key indicators and clarifying how they will be monitored and how the M&E system will work amid ongoing decentralization reforms is still needed. A working group has been set up in Guinea to produce a list of monitoring indicators, but the group has not yet put together a complete proposal. In Tajikistan, a PRSP implementation unit has been established, and a start has been made in defining indicators.

Efforts to build capacity have been highly supply-driven. A challenge to building capacity for monitoring and evaluation is ensuring that there is demand for data. Centralized, supply-driven monitoring systems may produce data that does not feed back into policy or performance evaluation. For example, in Cambodia the interest of policymakers is difficult to gauge, and the emphasis appears to have been on data gathering alone. Even in the more mature case

of Tanzania, which has developed a comprehensive national poverty-monitoring system, problems are being encountered in data finding interested users.

Effective dissemination that brings understanding of the PRS process to the public at large stimulates demand for monitoring and evaluation, but this effort has been quite weak thus far. In most case study countries, governments have not mounted effective public relations campaigns. Press coverage of the PRSP has generally been limited to the actual launch of the document with stories for a day or two and almost no follow-up. The potential role of the media in monitoring PRSP implementation has not been fostered in most of the case study countries. In general, governments have not effectively promulgated the PRSP to the public. One exception is Tanzania, where a clear, lay-person's version of the PRSP was published and later translated into Swahili. It is notable that the government outsourced this work to an NGO.

Effective dissemination of the PRS process to the public at large stimulates demand for monitoring and evaluation.

Preliminary Outcomes

The short history of the PRS process limits measurement of outcomes and attribution of successes and failures. It is important to keep in mind that this program was launched less than five years ago. Nonetheless, OED attempted to measure preliminary outcomes in three areas: (1) achievement of quantitative PRSP targets; (2) improvement in policy and institutional frameworks; and (3) aggregate changes in aid flows.

Achievement of PRSP targets. Nine of the 12 countries with APRs report on *quantitative* targets for poverty reduction.¹⁰ Although each country's progress is unique, common trends emerge. Inputs and outputs have increased across sectors, as evidenced by sharp increases in gross primary school enrollment rates, school construction, and the number of teachers;

improvement in the supply of drugs to health centers and the number of vaccinations; and the expansion of water facilities. Outcomes are slower to respond. Maternal and infant mortality rates and prevalence of malaria and HIV/AIDS have been stagnant in most countries with available data. The poor quality of service delivery in both education and health has been flagged. Information on poverty trends is inconclusive because of the limited availability of data. Where data are available, poverty rates have remained sluggish—in part, because of

Information on poverty trends is inconclusive because of the limited availability of data.

limited progress in agricultural growth and private sector development.

To supplement the data from APRs on achievement of PRSP targets, OED analyzed progress in MDG indicators in the same set of 12 PRSP countries that have issued APRs. As table 3.1 demonstrates, relevant data are available for fewer than a third of the 49 specified U.N. indicators. In critical areas such as extreme poverty, maternal health, and combating HIV, very little can be said on progress to date, because data are only available

in a few countries, for a few years, or for a single indicator.

These limited data show modest improvements in literacy rates (including those of women), the control of TB, ozone depletion, and the growth of new technologies. At the same time, infant mortality rates appear to have stagnated, a finding echoed in case studies and in the recent World Bank and IMF *Global Monitoring Report 2004*.¹¹ There are clearly problems with attributing progress over the period to the introduction of the PRSP Initiative because of the lack of a counterfactual; in addition, the PRSP was introduced at different times in each of these countries.

Improvement in policy and institutional frameworks.

To assess whether the process of formulating and implementing PRSPs is associated with improvements in the policy and institutional frameworks of low-income countries, changes in the World Bank's Country Policy and Institutional Assessment (CPIA) ratings were considered. The average CPIA rating for low-income countries improved from 1999 to 2003.¹² This finding accords with indicators of various dimensions of policy and institutional perform-

Table 3.1

Progress in MDGs for 12 PRSP Countries with Annual Progress Reports

Progress on Millennium Development Indicators	Number of indicators for monitoring progress	Data available for.....			Improvement Between 1999 & 2003?
		Number of indicators	Average no. countries	Average no. years	
Goal 1: Eradicate extreme hunger and poverty	6	1	3	2	Yes
Goal 2: Achieve universal primary education	4	1	12	5	Yes
Goal 3: Promote gender equality and empower women	4	3	8	4	Yes (2 of 3)
Goal 4: Reduce child mortality	3	3	12	3	No (3 of 3)
Goal 5: Improve maternal health	2	0	0	0	Unknown
Goal 6: Combat HIV/AIDS, malaria and other diseases	10	1	8	3	Yes
Goal 7: Ensure environmental sustainability	8	1	12	3	Yes
Goal 8: Develop a global partnership for development	17	4	8	4	Yes

Source: U.N. Statistics Division, <http://millenniumindicators.un.org/unsd/mi/mi.asp> and World Bank World Development Indicators. Data represent country averages with an equaling of the number of countries represented. Only indicators with data for more than one year on more than one country were included.

ance compiled outside the World Bank (OED 2004). Improvements were achieved in each of the four areas that are assessed in the CPIA: economic management, structural policies, policies for social inclusion/equity, and public sector management and institutions.¹³

PRSPs have been completed in low-income countries with better policies and institutions (figure 3.3). This is demonstrated by a higher 1999 CPIA average for the 35 countries that have completed a PRSP (3.36) than for the 31 non-PRSP countries (2.78). Both PRSP and non-PRSP countries improved between 1999 and 2003. The latter group lessened the performance gap in structural policies, and PRSP countries exhibited relative gains in public sector management and institutions (figure 3.3). The small improvement in structural policies in PRSP countries is consistent with the Chapter 2 finding that the benefits from initial PRSPs were more from integrating existing sectoral strategies in a comprehensive strategy than from large advances in the quality of individual sector plans. In 2003, average CPIA ratings were 3.47 for PRSP and 2.91 for non-PRSP countries.

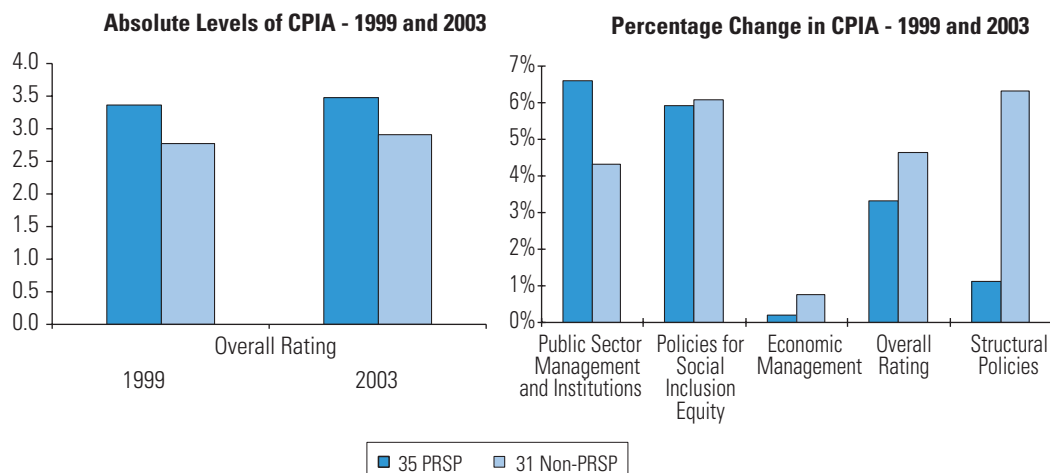
Improvements in the quality of policies and institutions require time. OED looked at

the differences between the performance of 23 very early and early PRSP countries with over a year of implementation experience and the 12 late PRSP countries, with PRSPs completed only in the last year. The PRSP countries with the longest implementation time demonstrated a slight worsening in the quality of structural policies and economic management since 1999, although the differences are not statistically significant. Their overall CPIA average, however, has shown an improvement. For more recent PRSP countries, the data show improvements in each of the four CPIA dimensions between 1999 and 2003.

Aid Flows to PRSP Countries. National stakeholders in PRSP countries expect that formulating PRSPs will attract more development aid. This expectation is consistent with recent signals from the international community that achieving PRSP targets, and more broadly the MDGs, will require a substantial increase in external resources, along with continued policy and institutional reform (World Bank 2003b). Official development assistance (ODA) to low-income countries has been increasing from a 12-year low in 1997.¹⁴

Figure 3.3

Quality of Policies and Institutions in PRSP and Non-PRSP Countries



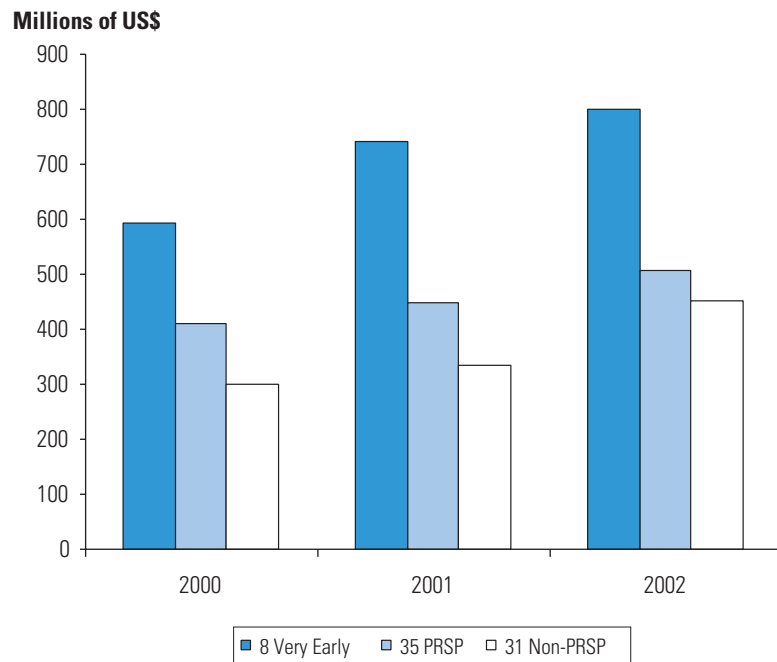
Given that donors' aid disbursements require some time to adjust, it is most appropriate to look for PRSP-related changes to aid flows in the countries that have had the longest amount of

There is no evidence at this time that aid to PRSP countries has been increasing more than aid to other IDA countries.

PRSP implementation time. Figure 3.4 shows that the ODA average for each of the eight very early countries, with PRSPs completed by 2001, is much higher than for later PRSP and non-PRSP countries.¹⁵

This is consistent with relatively higher policy performance in the eight very early PRSP countries. In terms of increases in ODA following the PRSP, the limited information shows that ODA has increased for these very early PRSPs countries at roughly the same rate as for other IDA countries. Thus there is no evidence at this time that aid to PRSP countries has been increasing more than aid to other IDA countries. More donors are granting aid to these eight countries in the form of budget support, however—up from four donors in 1999 to 10 in 2002.

Figure 3.4 Average Net ODA Flows per Country





Alignment of the Bank's Assistance

The PRS process is intended to be a framework for country-led management of external assistance, including that of the Bank. External partners are expected to recognize country priorities and align assistance to support PRSP priorities and the PRS process more generally. This chapter examines the extent of change in the Bank's assistance strategies and financial and non-financial assistance, both recent and planned, since the introduction of the PRSP Initiative.

An internal guidance note from January 2000 serves to guide staff regarding the link between the PRSP framework and Bank operational programs (World Bank 2000a). The Bank's **Country Assistance Strategies** (CASs), which set out the strategy for alignment of IDA assistance, would take as their "vision" the country's own description of its development goals and its strategy for achieving them, as set out in the PRSP. Building on the JSA and other analytical work, the CAS would detail the professional assessment of Bank staff of the government's program and the Bank Group's business strategy for supporting the PRSP. The sectoral composition of the CAS would be selectively designed to support and complement country and partner efforts to reduce poverty, taking into account the Bank's comparative advantage.

The Bank's **financial assistance** was expected to align to the PRSP. Individual IDA credits would indicate the links to the CAS and

PRSP framework. A new development assistance instrument, the Poverty Reduction Support Credit (PRSC), would support a country's policy and institutional reform program to help implement its PRSP. The Bank's **analytical work program** was expected to change significantly to underpin the formulation of poverty reduction strategies and to include a more systematic use of diagnostic tools such as poverty assessments, public expenditure reviews, and fiduciary and safeguard reports. The Bank would train country teams in key PRSP concepts and relationships, offering in-depth follow-up training for the development of sectoral agendas related to the PRSP.

This chapter first assesses whether the Bank's CASs are formulated with consideration of PRS processes. Alignment of the Bank's financial and non-financial assistance is then discussed. Evidence is drawn from the case studies,¹ analysis of World Bank lending and

non-lending activities for low-income PRSP countries,² and a review of 25 post-PRSP CASs.

Alignment of CAS Formulation

Through 2003, the Bank prepared CASs for 25 countries following PRSP completion.³ All CASs describe the stakeholder consultations that contributed to the formulation of the CAS. Sixteen CASs do not describe how the consultations for the PRSP affected the preparation of the CAS. In a few cases, extensive CAS consultations are described without mention of those done for the PRSP. Of the nine that do describe how they built on preceding PRSP consultations and consensus building, CAS consultations were designed to dovetail with the PRSP consultations in several countries. In Benin, Ethiopia, and Niger, the Bank proactively connected CAS consultations directly with the nationwide consultations around PRSP finalization. In Guyana, the CAS explicitly draws on the content of PRSP consultations, and the planning for the PRSC was carried out during PRSP planning. The timing of the CAS is an important factor in these cases, with a tighter time frame allowing consultations for the PRSP

to directly feed into the Bank's strategy.

In a few cases, post-PRSP CASs include lending programs one year longer than the three-year framework of pre-PRSP CASs. This has allowed a better match with the two-to-five-year horizon of PRSPs.

In measuring results, the Bank has piloted results-based CASs (for example, the CAS for Mozambique) that enhance outcome measurement in alignment with the PRSP.

Alignment of the Bank's Financial Assistance

Lending has increased for PRSP countries, relative to non-PRSP countries. Aggregate IDA lending had increased for the group of 35 countries with PRSPs as of end-2003, when compared with the

four-year periods before and after the Initiative was launched (figure 4.1).⁴ IDA lending has decreased for the group of 31 non-PRSP countries that have not yet produced PRSPs. Annual lending volumes have been less volatile to the PRSP countries than to the non-PRSP countries over the FY96–CY03 period, suggesting that the PRSP provides a basis for more predictable flows.

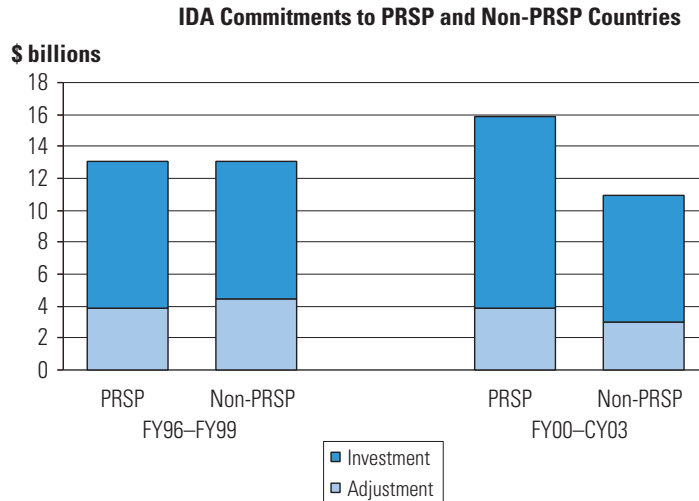
As shown in figure 4.1, the increase in total Bank lending to PRSP countries is the result of an increase in investment lending. **Adjustment lending** volumes over the two time periods have remained flat in PRSP countries; the share of adjustment lending out of total lending to the 35 PRSP countries fell from 30 percent to 24 percent between the two time periods. Poverty Reduction Support Credits (PRSCs), created specifically to support policy and institutional reform in PRSP countries,⁵ account for an increasing share of adjustment lending and comprise 35 percent of adjustment lending in FY00–CY03. This programmatic lending instrument potentially provides a better match with medium-term PRSP programs because of its longer intended term and more flexible modality of financial assistance. The 25 available post-PRSP CASs indicate that adjustment lending will rise to an average of 31 percent of country lending programs in PRSC countries, with PRSCs accounting for 90 percent of total adjustment lending programmed. The **investment lending** record shows that there has been a sharp increase in PRSP countries in the use of Adaptable Program Loans (APLs), which have driven a 31 percent increase in total investment lending between time periods (FY96–99; FY00–CY03). APLs accounted for nearly a quarter of total investment lending in FY00–CY03.

PRSCs in the case study countries⁶ have helped to promote ownership. Budget support is seen as a vote of confidence in the government's program, as outlined in the PRSP, because external resources are given directly to the recipients to support their own programs. PRSCs have also improved donor coordination—the Bank has been seen as “joining the

Annual lending volumes have been less volatile to the PRSP countries than to the non-PRSP countries, suggesting that the PRSP provides a basis for more predictable flows.

Figure 4.1

World Bank Lending Has Shifted to PRSP Countries



team” of donors providing budget support.⁷ In Tanzania and Mozambique, donors welcomed the Bank’s incorporation of PRSC conditionality in the joint donor monitoring frameworks for delivery of budget support; this increased transparency and coordination, and decreased the government’s transactions costs by reducing the numerous bilateral discussions of policy reforms. As shown in Ethiopia, however, implementing greater donor coordination in policy conditionality will require more work by the Bank, as there were limitations, given the sheer size of the Bank PRSC team.

Focus on financial management. Since budget support requires adequate fiduciary safeguards, a key challenge in many countries is balancing the move to budget support with the realities of weak PEM systems. Fiduciary weaknesses are prevalent in PRSP countries,⁸ underscoring the importance of the Bank’s fiduciary assessments as an adequate basis for programmatic lending. The planned increase in PRSCs will require the Bank to keep doing considerable fiduciary economic and sector work (ESW) in PRSP countries. But because fiduciary ESW is mainly concerned with the controls and procedures for expenditures, it does not directly support PRSP formulation by filling the analytical gap in

planning policies and budgets. Since both the Bank and PRSP countries have much to learn about the poverty and social impact of policy reform options, the

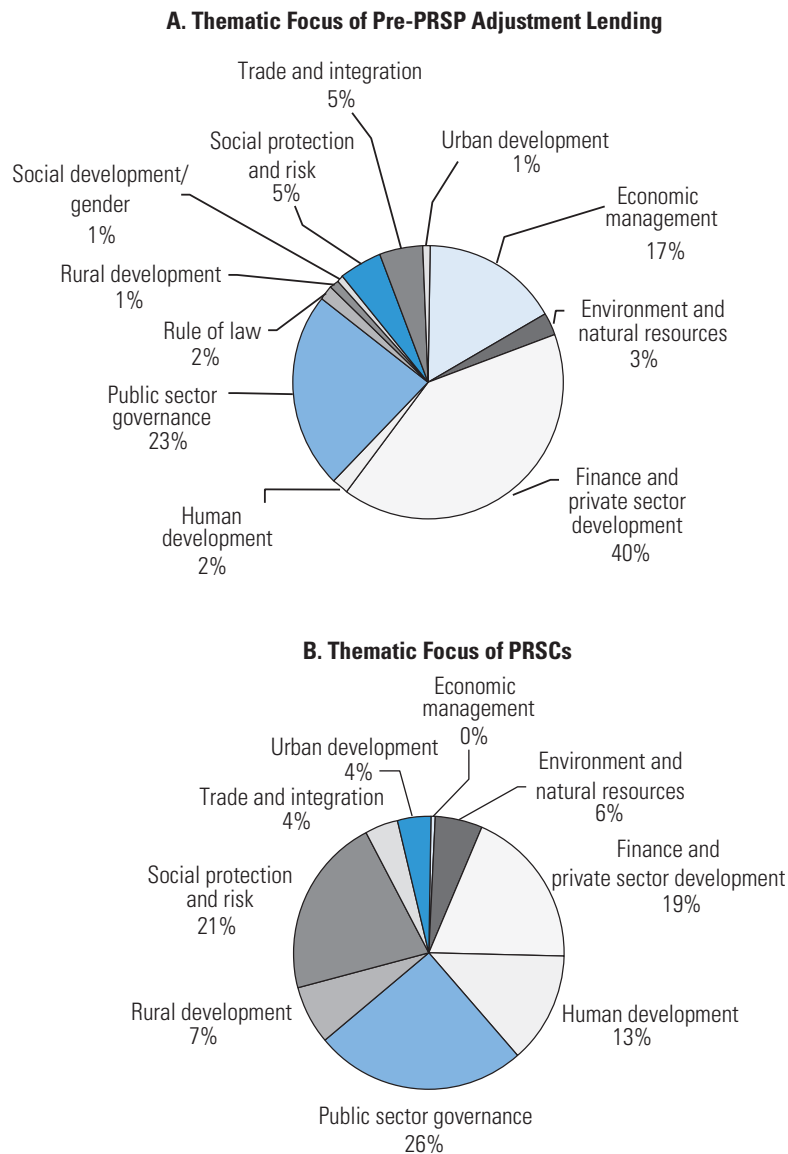
Bank needs to maintain a balance between financial management concerns and the need for assessments of policy and institutional constraints to poverty reduction and growth.

PRSCs as multisector policy lending. PRSCs are meant to encompass the entirety of the Bank’s support for policy reform. The PRSC has replaced Sector Adjustment Credits and is less sectorally concentrated than previous adjustment lending in the 35 PRSP countries (figure 4.2). Four-fifths of the commitments in the 14 PRSCs approved through CY03 cover public sector governance, financial and private sector development, human development, and social protection, with the latter two areas showing large increases compared with their share in earlier adjustment lending. Thus the introduction of the PRSC has been associated with a shift toward more social sector emphasis within adjustment lending.

Bank task managers report that preparing and implementing PRSCs has led to more cross-

Both the Bank and PRSP countries have much to learn about the poverty and social impact of policy reform options.

Figure 4.2 PRSCs Have Less Sectoral Concentration Than Previous Adjustment Lending to PRSP Countries



sectoral interaction among Bank staff compared with their involvement with Policy Framework Papers and previous national strategies. Macroeconomists interact more with sector staff, and sector staff report more participation in PRSC design and implementation than in

Bank task managers report that preparing and implementing PRSCs has led to more cross-sectoral interaction among Bank staff.

previous adjustment lending. But some sector staff underscored the risk that the PRSC could eventually water down sectoral inputs by the Bank. Bank task managers also noted that existing institutional constraints to working cross-sectorally are manifest in interactions around PRSCs. They emphasized that the PRSP Initiative has significantly increased the role of the Poverty Reduction and Economic Management (PREM) Network, leading to tensions with other sectors.

Within current budget processes in the Bank, this has increased competition in task management and control over resources. Many focus group participants noted that internal incentives for budget processes may play an undue role in influencing decisions on Bank lending around PRSCs.

Lending alignment in post-PRSP Country Assistance Strategies. The 25 post-PRSP CASs provide a basis for assessing how the content of Bank assistance strategies is consistent with that of PRSPs. In each country, the pair of CAS documents before and after the PRSP, as well as the PRSP document itself, have been reviewed to identify changes in Bank CAS programs and in the relationship to priorities established in the PRSP.⁹

Changes in Bank lending in relation to PRSPs. Comparison of aggregate Bank lending programs from CASs before PRSPs with those after shows that there have been no major shifts in sectoral allocations. Planned lending to public sector management has increased somewhat, while lending to productive sectors, and to a lesser extent social sectors, has declined (figure 4.3).¹⁰ All CASs describe the broad pillars of the PRSP strategy, and most emphasize that the Bank's proposed program

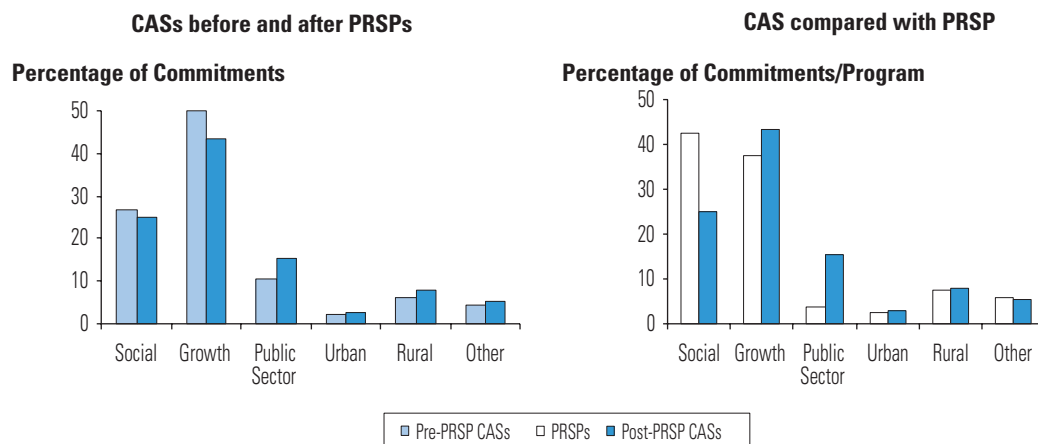
overlaps in these areas. No CAS program proposes assistance to a sector that falls outside those discussed in the PRSP. Comparing sectoral expenditure shares, while PRSPs allocate 43 percent of total costed programs to the social sectors, post-PRSP CASs earmark only 25 percent of IDA commitments for these sectors.¹¹ The post-PRSP CAS figure represents a slight decline from the 27 percent average for pre-PRSP CASs. Public sector reform, in contrast, figures much more prominently for the Bank than for countries' PRSP programs. While shares are not expected to match, the differences are infrequently discussed in CASs. The content of the Bank's CASs formulated subsequent to PRSPs overlaps with the content of PRSPs. But since PRSP programs are broad and not well prioritized, this overlap has not entailed major changes in Bank programs.

These comparisons capture only some aspects of content alignment of the Bank's lending because they do not account for ongoing Bank programs. The differences in priorities can also be explained by the Bank exercising selectivity in its support, relative to

Comparison of aggregate Bank lending programs from CASs before PRSPs with those after shows that there have been no major shifts in sectoral allocations.

Figure 4.3

Sectoral Allocation in Bank Lending and PRSPs



Most CASs do not explicitly ground Bank programs within the larger context of other external assistance.

other donors' programs. Some CASs do explain the Bank's absence from certain sectors by citing the presence of other donors, but most do not explicitly ground Bank programs within the larger context of other external assistance in particular sectors.

Alignment of the Bank's Analytical Work

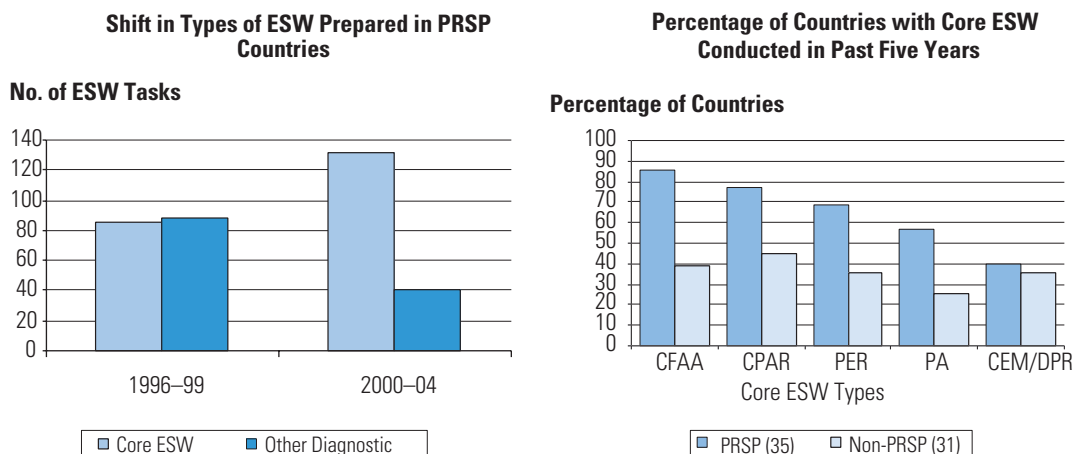
The Bank increased economic and sector work (ESW) in countries preparing PRSPs. In the 35 countries that completed PRSPs between July 1999 and end-2003, the Bank did about one-third more ESW than it had in the preceding four years, roughly three more ESW reports per country. In other IDA-eligible countries, the Bank did 11 percent less ESW—during the same time period, about one less report per country. Since PRSP countries are, in the aggregate, better performers on CPIA, both the Bank's ESW and its lending have shifted to countries with stronger policy frameworks.

Most of the increase in ESW in PRSP countries took the form of core diagnostic

work. This type of ESW includes five main products, and completion of all five is required at least every five years.¹² Country Financial Accountability Assessments (CFAAs) were the most commonly done products, as shown in figure 4.4. The intent of the focus on core diagnostic ESW is to support PRSPs by covering the main economic developments and policy agenda designed to achieve sustainable growth and poverty reduction.

The Bank's analytical work has added value to country planning. The Bank's ESW has been useful to the countries preparing PRSPs, especially in its support of their poverty diagnosis. Poverty Assessments (PAs) were a major basis of the poverty profile in most case study countries. A noteworthy exception is Tanzania, where the last PA was conducted in 1997 and authorities noted that the PRSP was significantly handicapped in the absence of more recent data. Country authorities also underscored that Bank-supported PERs were particularly helpful in planning individual line ministry programs in the PRSP and advancing links to the budget. In general, they found CFAAs and Country Procurement Assessment

Figure 4.4 Core ESW Increased in PRSP Countries, and They Receive More Core Diagnostic ESW Than Non-PRSP Countries



Note: CFAA= Country Financial Accountability Assessment; CPAR= Country Procurement Assessment Review; PER= Public Expenditure Review; PA= Poverty Assessment; CEM/DPR= Country Economic Memorandum/Development Policy Review.

Reviews (CPARs) less directly useful, perhaps because of their lack of familiarity with these products, given their later introduction by the Bank, and their stronger focus on implementation dimensions of the strategy. The World Bank Quality Assurance Group's reviews corroborate these favorable impressions of ESW, with 90 percent of recent core diagnostic ESW rated satisfactory.

But critical gaps remain in linking policies and programs to poverty impact. The Bank's reduction in sector-specific analytical work to accommodate core diagnostics has left key analytical gaps. Survey respondents ranked the timeliness and relevance of analytical and advisory inputs lowest among World Bank performance issues (see figure 4.5).¹³ In Mozambique, for example, adding a CFAA and CPAR to the analytical work of the Bank was relevant to the governance objectives of the PRSP, but the absence of the activities dropped and delayed to accommodate these projects left gaps in the Bank's support for building on important pieces of the PRSP. In Cambodia, the Bank engaged in assisting the development of the country's agricultural and rural development strategies, though its inputs were not completed in time for inclusion in these critical components of the country's

poverty reduction strategy. A noteworthy exception to this practice can be seen in Nicaragua, where the Bank undertook an unprogrammed study of growth in the agriculture sector in response to government priorities.

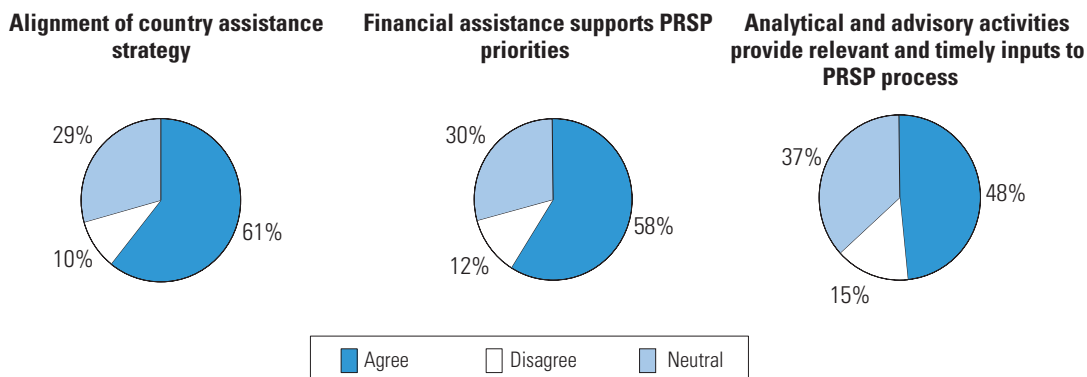
The Bank has conducted fewer Poverty and Social Impact Assessments (PSIAs) than envisioned, even though the Bank emphasizes the importance of analysis of the impacts of policy reform on the well-being of the poor. Only 18 PSIAs had been completed in PRSP countries by the end of 2003, roughly one for every two PRSPs completed. The limited evidence of distributional analysis to inform PRSP design was noted in the March 2002 *Joint Review* and reiterated in the most recent *Progress in Implementing the PRSP* report (World Bank and IMF). Of the 25 post-PRSP CASs available at the end of 2003, only three included a formal PSIA. The Bank increased its budget to support PSIA work from July 2002 to June 2003, however, and completed a PSIA Toolkit in April 2003. There has

The Bank's ESW has been useful to the countries preparing PRSPs, especially in its support of their poverty diagnosis.

The Bank has conducted fewer Poverty and Social Impact Assessments than planned.

Figure 4.5

PRSP Alignment of the Bank's Analytical Work Was Not Rated as Highly as Alignment of Financial Assistance or Strategy



The Bank needs to intensify its work on policy and institutional constraints to poverty reduction and growth.

also been increased uptake from the Poverty Reduction Strategy Trust Fund for PSIA activities.¹⁴ Looking at the non-lending programs in post-PRSP CASs, the alignment with PRSPs is difficult to assess. Country non-lending programs are either too limited to cover many areas, or too diverse and large to determine strategic focus. The Nepal, Sri Lanka, and Tajikistan CASs are examples of highly diversified non-lending programs, with as many as 20

formal ESW pieces programmed in each one. No CAS contains ESW that lies outside of broad PRSP priorities, but a large amount of non-lending resources are devoted to core fiduciary ESW, which are required to be updated every five years. They are the dominant focus of many CAS non-lending programs, including those of small countries with limited ESW budgets. In light of critical gaps in linking policies and programs to poverty impact, and the current levels of resources devoted to analytical work, the Bank needs to intensify its work on policy and institutional constraints to poverty reduction and growth.



Findings and Recommendations

The findings of this Review reflect progress in the work of the PRS Initiative. In some cases, the findings validate staff understandings—for example, as reflected in joint Bank/Fund *Progress In Implementation Reports*. They also provide benchmarks and suggest gaps to be filled to assess the Initiative’s progress in the future. The recommendations are geared toward enhancing the effectiveness of the Bank’s support of the PRS Initiative, either directly, through actions by the Bank, or through other actions that will improve the PRS process and thus enhance the Bank’s work through its support of the PRSP. The findings and recommendations are presented in three areas of particular relevance to the Bank’s work in low-income countries: the PRS process, PRSP content and analytical underpinnings, and partnership and alignment.

The Initiative’s contribution so far has varied widely across countries, depending mainly on the initial conditions in each country’s public sector planning and monitoring capacity, government-partner relationships, and relations among donors. The PRSP 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 public sector capacity or with donor-dominated aid relationships. Because the Initiative includes a uniform requirement—completion of an acceptable document—it has not been sufficiently tailored to match the full range of capabilities and public policy priorities found in low-income

countries. Most PRS strategies deal primarily with the composition of public expenditure, while treating growth and other poverty-reducing actions lightly, or not at all. External partners have supported the PRSP process during formulation, but have not yet systematically adapted their assistance programs to support country priorities.

The PRS Initiative is an improvement over the Policy Framework Papers of the 1990s, but remains a work in progress and has not yet fulfilled its full potential to enhance poverty reduction efforts in low-income countries. The World Bank should continue to support it, while making changes in three main directions:

- Reduce or eliminate uniform requirements and foster better customization.
- Encourage PRSPs to explore a wider range of policy options, including those aimed at enhancing growth.
- Help define clearer partnership frameworks around PRSPs, with accountabilities for both countries and partners.

PRS Process

The Initiative demands countries make ambitious and complex changes that will take time to deliver poverty reduction results. Costs have also been significant, and the intended long-term nature of the PRS process is not yet clearly established with all national stakeholders. Risks to sustainability are thus significant. Success depends on countries seeing demonstrated benefits in their own processes, as well as from higher-quality external assistance.

More tailored implementation and clarity about expected country-specific process achievements.

There is an inherent tension in designing a BWI-driven initiative involving conditionality that is simultaneously meant to foster a country-driven process. The policy papers were circumspect in important areas to promote ownership. This has led to two key problems during implementation. First, there is no mechanism or guidance to adapt the Initiative's processes and requirements to differing country conditions, especially to the weak public sector capacity found in many low-income countries. In practice, countries have understandably focused on completing documents that give them access to resources. This attention to requirements has often been at the expense of adaptation of the PRS process to unique country circumstances. The BWIs' initially ambitious timetable for completion of first-round PRSPs in HIPC and PRGF countries reinforced the tendency to generate standardized strategies in early PRSPs.

Second, the PRS process is expected to follow five principles—country ownership, results orientation, comprehensiveness,

partnership, and a long-term perspective. Countries typically report on steps they have taken to put these principles into practice. But what results should a country expect from their successful implementation? There are no intermediate indicators for what the principles are expected to achieve, which makes it difficult to assess progress toward the Initiative's objectives. This lack of clarity has led to different and sometimes incompatible expectations among stakeholders. The experience with broad-based participation illustrates the problem. Stakeholders do agree that the extensive consultations conducted in most PRSP countries during strategy formulation have brought new actors into the development dialogue and increased transparency. On this criterion, participation has been a success. But civil society organizations consider that this openness has had only limited impact on the design of PRSPs or on domestic policy, with the exception of greater attention to governance concerns in some countries. Moreover, participatory activities have sometimes waned once the PRSP was formulated, suggesting that governments were concerned more about fulfilling donor requirements than about achieving systemic change. Along these dimensions, participation has not achieved all its aims.

Recommendation 1: The Bank should help foster better customization of the Initiative to country circumstances and more focus on improving long-term processes.

- Greater emphasis should be placed on improving country processes for planning, implementing, and monitoring public actions geared toward poverty reduction, and less on completion of documents. Toward this goal, the Bank should help countries identify what dimensions of domestic processes present major constraints to poverty reduction and establish milestones for specific improvements in these areas, including capacity building. Clarification of these milestones will help to equilibrate stakeholder expectations and promote a longer-

term view and results orientation. Country authorities should establish indicators and report them in PRSPs, APRs, and second-round PRSPs.

- The Bank should not simply permit—but should actively promote—tailoring of domestic processes to country conditions. It should ensure that the timing of progress reporting derives from local processes and that their content links to domestic decisionmaking. The Bank (and IMF) should demonstrate flexibility in the Initiative’s handling of initial conditions, including cases where constraints suggest building a minimum capacity in key areas before completing a PRSP.

Board review of the PRSP, and role of the JSA. Bank management’s process for presenting a PRSP to the Board undermines ownership. Stakeholders perceive this practice as “Washington signing-off” on a supposedly country-owned strategy. Executive directors already have several mechanisms for authorizing Bank support to a country—notably their endorsement of CASs and their approval of individual lending operations. In this context, their review of the PRSP appears redundant, while it also attenuates ownership in the eyes of most stakeholders.

The JSA was designed to provide the Bank and Fund Boards with an assessment of the soundness of the PRSP as a basis for support. It was also designed to provide feedback on how a country’s PRSP could be improved over time. The JSAs have shortcomings that undermine achievement of these goals: mixed analytical quality and comprehensiveness, inadequate focus on the quality of process orientation, and limited awareness of their findings and recommendations among stakeholders. JSAs involve a degree of self-assessment, because the Bank has usually assisted with its formulation. Rather than being a comprehensive review that underpins a discussion of selectivity and comparative advantage, the JSA is influenced by anticipated lending activities. For these reasons, the quality of feedback on PRSPs should be more candid, transparent, analytically rigorous, and comprehensive and

strengthen partnership through greater involvement of other stakeholders.

Recommendation 2: The Bank should provide transparent and effective feedback to countries on their PRS processes and develop a review procedure that is more supportive of ownership and more effectively linked to decisions about the Bank’s program.

- Bank management should develop a procedure for Board review of the PRSP that is more transparently supportive of ownership and more effectively linked to decisions about the Bank’s program. This would both reduce the perception of “Washington signing off” and promote ownership. The assessment of Bank and Fund staff of the soundness of the PRSP could be directly incorporated in the CAS and discussed directly in the context of the proposed program. This could strengthen the operational link between the assessment and the CAS and could allow the CAS to demonstrate more transparently how the Bank’s planned assistance is derived from the PRSP.
- The Bank should provide feedback to the country on its PRSP in a form that is candid, transparent, analytically rigorous, and comprehensive. The Bank should also provide feedback in a manner that strengthens partnership by involving other stakeholders.
- These objectives should be met either through a major redesign of the JSA instrument and process or through discontinuation of the JSA and reliance on more interactive means, such as stakeholder workshops, management notes, or other such devices.

PRSP Content and Analytical Underpinnings

PRSPs, in comparison with PFPs, have stronger country ownership, improved poverty focus, and give more attention to outcomes. But their analysis of the links between policies/programs and poverty reduction has gaps, and their scope is narrow.

Improved poverty focus. The Initiative has improved the poverty focus of development

strategies. The importance of basing PRSPs on sound poverty diagnoses has highlighted the poor data on poverty in many countries and, in some cases, has resulted in marked improvements in data quality. The PRS process has played an important role in emphasizing multidimensional income and non-income poverty indicators. The process of gathering sector programs under one strategic umbrella has helped policymakers appreciate the links between sector strategies and poverty reduction, and sector expenditure plans are being challenged to meet poverty reduction criteria.

Added attention to monitoring, but results focus remains weak. The PRS process has drawn more attention to a results orientation. In practice, however, the development of country-specific goals and indicators has a long way to go. Monitoring systems are just emerging and are often not institutionalized, with requirements that are frequently donor-driven and exceed country capacity. Many PRSP targets are unrealistic, given the initial conditions of the country and its recent track record; some are even more ambitious than the global MDGs. PRSPs must be more effective in enabling countries to select and monitor relevant country-specific indicators that will provide a continued basis for informed decisionmaking.

Weak analytical base for consideration of tradeoffs and linkages. The PRS process has drawn attention to the lack of knowledge of the linkages between policies/programs and poverty-related outcomes, and it underscores the need for more analytical work on these issues. This knowledge gap has not been reduced greatly during the formulation process—there is a general lack of evidence of robust consideration of policy options and tradeoffs. Linkages of individual sector strategies to poverty reduction are uneven, and most PRSPs do not adequately integrate the macro framework and the sector strategies through a rigorous consideration of the sources of growth, the social impact of macro policies, or various macro-micro linkages. It would be unreasonable to expect first-round PRSPs to fill

these long-standing analytical gaps. But the PRS process could be used more effectively to identify the key analytical gaps and to develop a research agenda to address them.

Inadequate attention to growth policies. PRSPs to date have not considered the full range of policy actions required for growth and poverty reduction. They focus largely on public expenditures and have not fully explored or specified non-expenditure-related policies or actions for enhancing growth and poverty reduction. Among public expenditures, social sector spending has received more attention in relation to the poverty reduction potential of spending in other areas.

Recommendation 3: The Bank, in concert with other partners, should assist countries to strengthen analysis of the poverty impact of policies and programs, and give more attention to growth.

- The World Bank, in concert with other partners, should help countries build the capacity to address key analytical gaps about the poverty impact of policies and programs. Analysis should address areas such as sources of growth, the quality of non-social sector strategies, and the integration of the macro framework and structural and social reforms.
- Monitoring inputs, outputs, and outcomes of ongoing activities is critical to a better understanding of what works and what does not. The Bank should assist in defining indicators that are specific to country priorities, realistic, and within current country capacity to monitor and use. The monitoring and evaluation scope can grow with capacity over time.

Partnership and Alignment

External partners need to support and align with the PRS process. Most partners have accepted that the PRSP has the potential to be an overarching framework for aid management, and many have provided well-coordinated assistance to governments for their formulation. PRSPs generally provided a constructive framework for transparent policy dialogue among external partners and

with government. Given the PRSPs' broad scope and lack of prioritization, alignment would not necessarily entail changes in donors' programs. Neither donors nor the Bank have defined specifically whether or how they should change the *content* of their programs to reflect PRSPs. Changes in donors' *processes* are more readily evident. In the most positive cases, the PRS process bolstered an already robust government role in aid coordination and increased participation in, and greater coordination of, budget support instruments and attempts to streamline performance monitoring. But overall, there still is little evidence that donors have coordinated and selected the majority of their programs in support of PRSP priorities. Where the government-donor dialogue was previously weak or donors continued to drive the agenda, PRSPs by themselves have not noticeably promoted donor coordination or increased government management of external assistance.

The Bank has been largely responsible for leveraging the PRSP as a coordinating framework for external assistance. The Bank has improved its coordination and relations with other external partners, especially through its local representation. But this improvement is not necessarily attributable to the PRSP Initiative alone, given the Bank's earlier and continued attention to decentralization and aid coordination. The Bank could still do more to apply the partnership principle by encouraging government-led aid management and selectivity and integration of its own assistance with the efforts of other partners.

Recommendation 4: The Bank, in concert with other donors, should assist the country in defining a partnership framework under the PRSP, with more explicit reference to prioritization and the expected role of external partners.

- The Bank should be a leader in supporting country-led aid management by demonstrating

willingness to adjust to country-specific timetables and processes. For example, the CAS should be completed after the PRSP and adopt its time frame.

- The Bank should also define which process areas it will assist the country in addressing and the nature of its assistance in a transparent manner, including coordination with other stakeholders.
- The Bank should help countries improve the prioritization and costing of PRSP programs and demonstrate the alignment of its assistance with these improved PRSPs, taking into account other partners' activities and the Bank's comparative advantage.

Looking Forward

The above findings and recommendations of this Review highlight the need for the next round of PRSPs to assess improvements in processes, in prioritization, in demonstrating ownership, and in defining a clear partnership framework with accountabilities for both countries and partners. This is a critical stage in the Initiative: some countries with mature PRSPs have reached the end of their first PRSP cycle and are evaluating their experience and adjusting their strategies (as in Burkina Faso and Tanzania). This is also important for embedding the Initiative in low-income countries that have yet to complete an initial PRSP. For the Bank, continued focus on evaluation and review is needed to enhance support for the Initiative. The piloted instruments of CAS completion reports and results-based CASs promise to be useful tools that will help to assess the Bank's alignment and support for country-level PRS processes. Independent evaluation also has a role to play going forward, including assessment of the Bank's development effectiveness at the country level in OED's Country Assistance Evaluations and CAS completion report reviews.

ANNEX A: SUMMARY OF THE BWI POLICY PAPERS ON THE PRS INITIATIVE

Objectives	Intermediate outcomes	Process / outputs
1) Strengthening the Link Between Debt Relief and Poverty Reduction, August 1999 (World Bank and IMF 1999a)		
<p>Enhance the link between HIPC and poverty reduction</p> <p>1) Establish, during the short time-horizon of the Initiative, with the participation of civil society, a durable process that would yield sustainable growth and poverty reduction over the longer term (as debt relief is irrevocable at completion point)</p> <p>2) Ensure that HIPC debt relief is an integral part of broader efforts to implement outcome-oriented poverty reduction strategies</p> <p>3) Demonstrate HIPC is geared to poverty reduction</p> <p>4) Demonstrate higher aid flows are justified by the effective use of all assistance</p>	<p>Outcome indicators</p> <p>1) Provide useful insights into the relative efficiency of social spending</p> <p>2) Provide a coherent framework for the design of social spending plans over the medium term (including resource allocation decisions)</p> <p>3) Offer an additional advantage in the monitoring of the implementation of the program</p> <p>4) Enhance transparency and accountability</p> <p>Link to HIPC</p> <p>5) An impetus to prioritize the allocation of all available resources in line with targets related to poverty reduction</p> <p>6) Improve efficiency of poverty-reducing expenditures</p> <p>7) Target social spending to the poor</p> <p>Broad-based participatory process</p> <p>8) Create a sense of ownership (lessons from Higher-Impact Adjustment Lending)</p> <p>9) Potentially increase information flow available to design and implement a PRS (not via a poverty fund—need to ensure “poverty fund” is fully integrated into wider budget)</p>	<p>An outcome-based strategy that is monitored frequently and entails 3 steps:</p> <p>1) Selecting outcome indicators (the selection and monitoring of outcome and indicators should be done in a broad-based participatory process)</p> <p>2) Identifying determinants of poverty</p> <p>3) Establishing priorities for public action and related external assistance</p> <p>Contents</p> <p>1) Consistency between a country’s macroeconomic, structural, and social policies and the goals of poverty reduction and social development</p> <p>2) Should serve as the basis for designing Bank and Fund lending operations, and as a framework with which all ESAF and Bank-supported programs should be consistent</p> <p>3) Must be produced in a way that includes transparency and broad-based participation in the choice of goals, the formulation of policies, and the monitoring of implementation — with ultimate ownership by the government</p>
2) Building Poverty Reduction Strategies in Developing Countries, September 1999 (World Bank and IMF 1999b)		
<p>Strengthen the impact of public action on poverty</p> <p>Additional Objectives</p> <p>1) Promote progress toward the International Development Goals on a country basis</p> <p>2) Operationalize CDF in a way that would systematically link diagnosis and public actions to poverty outcomes</p> <p>3) Provide the basis for ensuring that HIPC debt relief is an integral part of poverty reduction efforts</p> <p>4) As part of a broader effort, enhance the impact of the Bank’s work on poverty reduction to promote sustainable growth and to ensure that its benefits are reaching the poor</p>	<p>1) A comprehensive understanding of poverty and its determinants at the country level</p> <p>2) Prioritizing public actions with the highest poverty impact:</p> <ul style="list-style-type: none"> • Sustained growth and access to economic opportunities for the poor • Improving delivery of essential services • Increasing empowerment and participation • Reducing vulnerability and insecurity <p>3) Participatory setting and monitoring of outcome indicators</p>	<p>Elements of Framework</p> <p>1) A comprehensive understanding of poverty and its determinants</p> <p>2) Choosing public actions that have the highest poverty impact</p> <p>3) Outcome indicators that are set and monitored using participatory processes</p>

Objectives	Intermediate outcomes	Process / outputs
3) PRSPs – Operational Issues, December 1999 (World Bank and IMF 1999c)		
<p>To assist countries in developing and implementing more effective strategies to fight poverty</p> <p>To make:</p> <ol style="list-style-type: none"> 1) Actions at the country level and 2) The support of development partners more effective in bringing sustainable poverty reduction 	<ol style="list-style-type: none"> 1) Help to encourage and track country progress on four fronts: <ul style="list-style-type: none"> • Development of appropriate diagnostics • Deepening of a shared vision across civil society • Setting of priorities and design of public actions to achieve desired poverty reduction outcomes • Development of participatory processes used for the setting of poverty reduction goals and monitoring of implementation 2) Enhance collaboration between Bank and Fund in order to help country authorities produce a poverty reduction strategy in which policy actions to raise growth and reduce poverty are integrated into a coherent macro structural and social framework 	<p>Five Principles:</p> <ol style="list-style-type: none"> 1) Country-driven 2) Results-oriented 3) Comprehensive 4) Partnerships 5) Long-term perspective <p>Questions to Consider When Designing a PRSP:</p> <ol style="list-style-type: none"> 1) What are the key dimensions of poverty? 2) What are the obstacles to poverty reduction? 3) What are the objectives and targets? 4) What are the priority public actions, and how can public spending be made more efficient? 5) What is the framework for monitoring progress? 6) How to ensure the transparency of public expenditure? 7) How does external assistance and the external environment support or affect the country's efforts? 8) How did the participatory process affect formulation and what did it consist of?
4) PRSPs – Internal Guidance Note, January 2000 (World Bank 2000a)		
<ol style="list-style-type: none"> 1) Help countries to fill gaps in poverty reduction strategies and to improve their design and implementation (Sharpen national poverty reduction strategies and make them more effective) 2) Enhance Bank/Fund collaboration (by helping the country authorities to produce a poverty reduction strategy that appropriately balances financial/macroeconomic and structural/social considerations) 	<p>Gaps in Poverty Reduction Strategies:</p> <ol style="list-style-type: none"> 1) Do not always focus on monitoring results 2) Do not always make clear the causal links between public action and poverty reduction 3) Do not always reflect a participatory approach <p>Analytical Basis for Implementation:</p> <ol style="list-style-type: none"> 1) Empowering the poor through participation and public institutions that are accountable to the poor 2) Providing for security through reducing the impact of shocks 3) Expanding opportunities for the poor through the creation of physical and human assets and a sustainable growth path 	<p>Five Principles:</p> <ol style="list-style-type: none"> 1) Country-driven 2) Results-oriented 3) Comprehensive 4) Partnerships 5) Long-term perspective

ANNEX B: GUIDELINES FOR COUNTRY CASE STUDIES

The Operations Evaluation Department (OED) of the World Bank is undertaking an evaluation of the Poverty Reduction Strategy Paper (PRSP) process. The objective of the review is to assess progress of the PRS process toward meeting the challenge of poverty reduction and to assess the World Bank's role in support of the process, with a view to informing and, where necessary, making recommendations to strengthen the implementation of the Initiative and to increase the effectiveness of the World Bank's support. The evaluation will be conducted in collaboration with the IMF's Independent Evaluation Office (IEO), which is carrying out a parallel evaluation of the Poverty Reduction and Growth Facility (PRGF) process. Together these evaluations will provide an independent assessment of BWI effectiveness in support of the PRS process to the Boards of the two institutions. The issues that the evaluations will cover are discussed in detail in the Issues Paper from IEO (<http://www.imf.org/external/np/ieo/2002/prsp/index.htm>) and the Approach Paper from OED (<http://www.worldbank.org/oed/prsp>).

This note proposes guidelines for conducting country case studies answering the evaluative questions laid out in the OED Approach Paper. It is based heavily on related work between OED and IEO as primary input for both evaluations. While the individual evaluations will each focus on institutional performance, the OED and IEO teams will conduct joint desk and field work in overlapping country case studies. It is expected that collaboration between the units will result in a single country case study report for each of the joint case studies.

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) (see Datta 1990; Morra and Friedlander 1999). 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, the OED review has sought to conduct a high number of case studies. 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. In total, 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.¹ The following countries were selected based on the criteria set out above: Albania, Cambodia, Ethiopia, and Mauritania (OED) and Mozambique, Nicaragua, Tajikistan, and Tanzania (joint OED-IEO). IEO will be conducting an additional two case studies in Guinea and Vietnam.

Details on Methodology

The following are guidelines for conducting the individual case studies by OED, including those conducted jointly with IEO. They 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 both at Headquarters 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 that will target stakeholders consulted during the mission.

In-country **field visits** outside of capital will be conducted in each case country, unless not warranted, or not possible given country conditions. 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 interviewing.

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 the 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 on Bank and IMF performance in supporting the process. As a result, the criteria for respondents includes 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 that 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 Board, 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 that could then be verified with *multiple data sources*, such as 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 HQ-based staff from the Fund and the Bank, and draft a report. The case study teams may present their find-

ings to key internal stakeholders at a World Bank or IMF *brown bag lunch*, after which the case study report will be finalized.

Final Report

In joint case study countries, OED and IEO will coordinate to produce a single report as a key input to both evaluations. Some sections of the report will be under the exclusive responsibility of either IEO or OED, while others will convey a joint assessment. The suggested outline for case study reports is as follows:

- I) Country Background:
 - Poverty, political context, economic policy and performance, national strategies and their formulation
 - The PRSP Process:
 - Relevance and value added of the PRSP approach compared with past modalities for strategy formulation and donor assistance
 - Application of underlying principles and assessment of what has changed
 - Preliminary evidence on process results, including alignment of budget to the PRSP
- II) World Bank Effectiveness
 - Bank support during PRSP formulation
 - Bank support and alignment during implementation
- III) The PRGF and IMF Support
- IV) Bank-Fund Cooperation and the JSA
 - Role of the JSA
 - Bank-Fund cooperation
- V) Main Conclusions

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.

ANNEX C: PRSP STATUS OF 81 IDA-ELIGIBLE COUNTRIES AS OF MAY 2004

Country	Enhanced HIPC Eligibility	Date of Presentation to the Board of Executive Directors of the World Bank					Post-PRSP CAS at end-2003
		I-PRSP	PRSP	APR1	APR2	APR3	
A) Countries with a PRSP at End-2003 (35)							
Very early (PRSP completed in 2000 or 2001)							
Uganda	E		2-May-00	31-May-01	23-Jul-02	9-Sep-03	X
Burkina Faso	E		30-Jun-00	6-Dec-01	5-Nov-02	25-Mar-04	
<i>Tanzania*</i>	E	4-Apr-00	30-Nov-00	27-Nov-01	27-May-03		
<i>Mauritania*</i>	E		6-Feb-01	18-Jun-02	18-Jul-03		X
Bolivia	E	27-Jan-00	5-Jun-01				
<i>Nicaragua*</i>	E	21-Dec-00	25-Sep-01	11-Dec-02	22-Jan-04		X
<i>Mozambique*</i>	E	6-Apr-00	25-Sep-01	25-Jul-03			X
Honduras	E	6-Jul-00	11-Oct-01	26-Feb-04			X
Early (PRSP completed in 2002)							
Niger	E	20-Dec-00	7-Feb-02	19-Nov-03			X
Zambia	E	4-Aug-00	22-May-02				
<i>Albania*</i>	NE	8-Jun-00	20-Jun-02	10-Jul-03			X
<i>Vietnam*</i>	PS	12-Apr-01	2-Jul-02	19-Feb-04			X
The Gambia	E	14-Dec-00	16-Jul-02				X
<i>Guinea*</i>	E	22-Dec-00	25-Jul-02				X
Yemen, Rep.	PS	27-Feb-00	1-Aug-02				X
Rwanda	E	21-Dec-00	6-Aug-02				X
Malawi	E	21-Dec-00	29-Aug-02	23-Oct-03			X
<i>Ethiopia*</i>	E	20-Mar-01	17-Sep-02	17-Feb-04			X
Guyana	E	14-Nov-00	17-Sep-02				X
<i>Tajikistan*</i>	NE	31-Oct-00	5-Dec-02				X
Senegal	E	20-Jun-00	23-Dec-02				X
<i>Cambodia*</i>	NE	18-Jan-01	20-Feb-03				
Kyrgyz Republic	NE	4-Dec-01	27-Feb-03				X
Late (PRSP completed in 2003)							
Mali	E	7-Sep-00	6-Mar-03				X
Benin	E	13-Jul-00	20-Mar-03				X
Sri Lanka	NE		1-Apr-03				X
Azerbaijan	NE	5-Jul-01	7-May-03				
Ghana	E	24-Aug-00	8-May-03				
Cameroon	E	10-Oct-00	31-Jul-03				X
Mongolia	NE	27-Sep-01	9-Sep-03				

Country	Enhanced HIPC Eligibility	Date of Presentation to the Board of Executive Directors of the World Bank					Post-PRSP CAS at end-2003
		I-PRSP	PRSP	APR1	APR2	APR3	
Georgia	NE	11-Jan-01	6-Nov-03				
Chad	E	25-Jul-00	13-Nov-03				X
Nepal	NE		18-Nov-03				X
Madagascar	E	19-Dec-00	18-Nov-03				X
Armenia	NE	22-May-01	20-Nov-03				
B) Other IDA-eligible countries (31)							
Kenya	PS	1-Aug-00	6-May-04				
Serbia & Montenegro	NE	8-Aug-02	16-Mar-04				
Pakistan	NE	4-Dec-01	11-Mar-04				
Congo, Dem. Rep.	E	11-Jun-02					
Guinea Bissau	E	14-Dec-00					
São Tomé & Príncipe	E	27-Apr-00					
Sierra Leone	E	25-Sep-01					
Burundi	E	22-Jan-04					
Central Afr. Rep.	E	18-Jan-01					
Comoros	E						
Congo, Rep. of	E						
Côte d'Ivoire	E	28-Mar-02					
Laos	E	24-Apr-01					
Togo	E						
Angola	PS						
Afghanistan	NE						
Bangladesh	NE	17-Jun-03					
Bhutan	NE						
Bosnia-Herzegovina	NE	00-Oct-02					
Djibouti	NE	27-Nov-01					
Eritrea	NE						
Haiti	NE						
Indonesia	NE						
Lesotho	NE	6-Mar-01					
Moldova	NE	19-Dec-00					
Nigeria	NE						
Papua New Guinea	NE						
Solomon Islands	NE						
Timor-Leste	NE						
Uzbekistan	NE						
Zimbabwe	NE						

Country	Enhanced HIPC Eligibility	Date of Presentation to the Board of Executive Directors of the World Bank					Post-PRSP CAS at end-2003
		I-PRSP	PRSP	APR1	APR2	APR3	
C) Small Island Economy Exceptions, Inactive Countries and India (15)							
Liberia	E						
Myanmar	E						
Somalia	E						
Sudan	E						
Cape Verde	NE	8-Apr-02					
Dominica	NE	19-Dec-03					
Grenada	NE						
India	NE						
Kiribati	NE						
Maldives	NE						
Samoa	NE						
St. Lucia	NE						
St. Vincent	NE						
Tonga	NE						
Vanuatu	NE						

*OED/IEO case study country.

Enhanced HIPC Eligibility: E – Countries eligible for E-HIPC; PS – Countries potentially sustainable under traditional debt relief mechanisms; NE – Countries not eligible for E-HIPC.

Date of Presentation to the Board of Executive Directors of the World Bank: This date may differ from the date of completion of the PRSP in-country. OED used the latter date for dividing countries into Very Early, Early, and Late groups.

ANNEX D: SURVEY OF NATIONAL STAKEHOLDERS IN THE 10 CASE STUDY COUNTRIES

As part of the OED and IEO evaluations of the PRSP process and the PRGF, a survey of PRSP stakeholders was administered in each of the 10 countries where a case study was undertaken. The objective of the survey was to obtain perceptions of the PRSP process and the role of the World Bank and IMF in supporting the Initiative.

A standard survey of 39 questions was administered in each country. The survey consists of four main components: information on respondents; the PRSP process (covering ownership, results orientation, comprehensiveness, partnership-orientation, and long-term perspective); World Bank performance; and the role of the IMF. In most cases, respondents were asked to indicate the extent of their agreement with statements on a five-point scale.¹ The survey was translated into local languages, where necessary, and pre-tested. A local consultant with survey experience was engaged in each country to assist with administration of the survey. Survey results were coded by the local consultant and sent back to Washington. An outside contractor, Fusion Analytics, was hired to analyze the data.

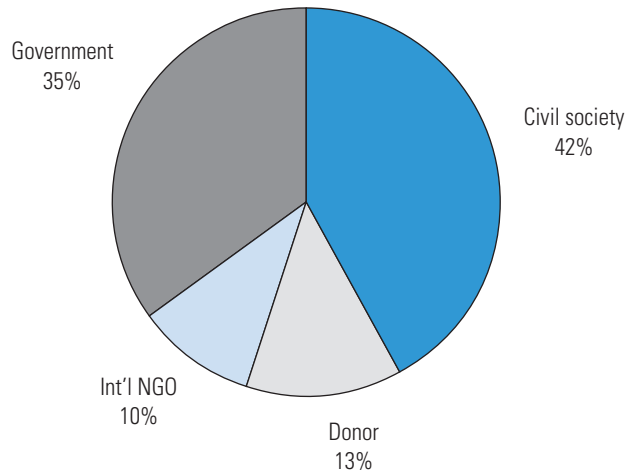
Roughly 1,000 questionnaires were sent out to stakeholders in the case study countries. There were a total of 779 responses, spread evenly across stakeholder categories. The survey was targeted at key groups within the three main categories of PRSP stakeholders: government, civil society, and international partners.² Within each group, the survey sought to obtain an *institutional view* and was targeted at the most knowledgeable individuals. Respondents were

asked to define the nature of their involvement in the PRSP process and their level of familiarity with the PRSP document, the Bank, and the IMF. Given the targeted nature of the survey, respondents who were “not aware” of the PRSP process were excluded from the results. The specific samples were selected using three main inputs: information gained through the country case study mission; participants listed in the PRSP document; and input from the local consultant. In some cases, samples were circulated to obtain broader input on their composition. The study teams also identified a set of highly relevant respondents in each country for whom a survey response was required. These included core ministries and agencies, key PRSP-related ministries, and major donors. Survey questionnaires were tracked in order to ensure that responses were obtained from key groups, but individual respondents could choose to remain anonymous.

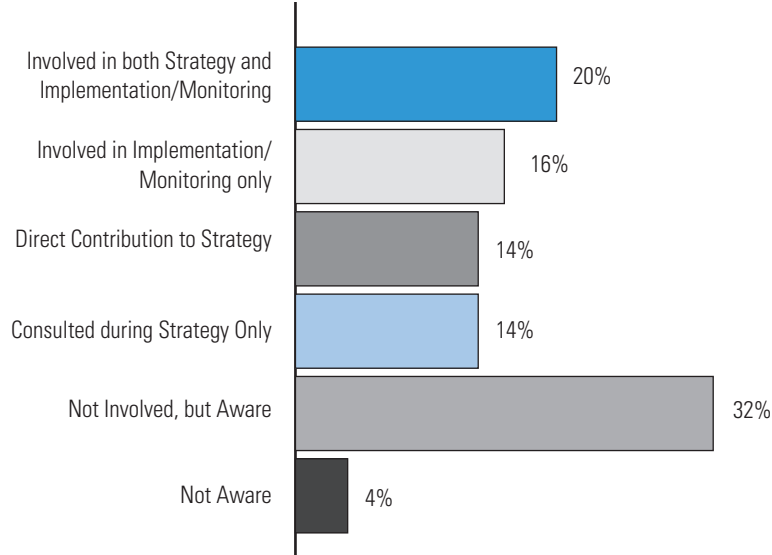
The following section presents aggregate findings from the survey from all 10 countries. Section A provides an overview of the survey respondents, including the nature of involvement and familiarity with the process. Section B provides an aggregated snapshot of stakeholder perceptions of the PRSP process across each of five main sub-categories. Section C provides the mean results for all questions concerning the role and effectiveness of Bank and Fund support. Section D presents results for questions with the most positive and negative responses and questions where there was the greatest consensus or disagreement on issues. The survey questionnaire is attached in Section E.

A. Respondent Information

1. Composition of Respondents (n = 779).



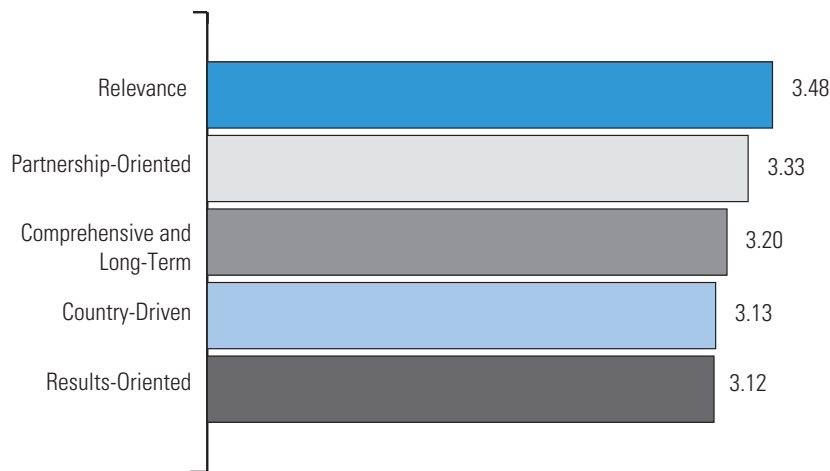
2. Nature of Involvement (%)



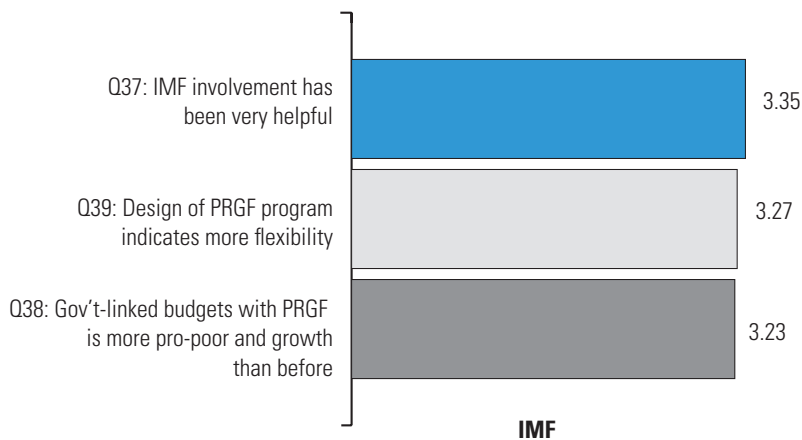
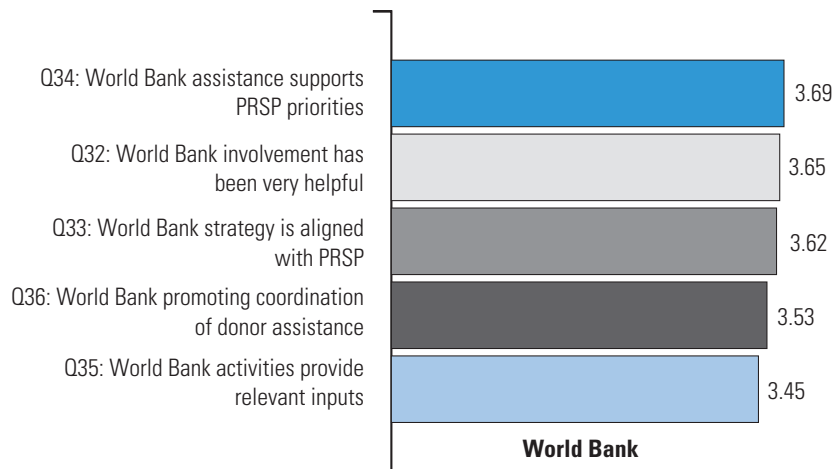
3. Level of Familiarity

PRSP document	56%
Bank	51%
IMF	33%

B. The PRSP Process



C. Bank and IMF



Note: The five-point scales used in most questions—from 1 (completely disagree) to 5 (completely agree).

D. Composite Results Table

Question	Agree or completely agree (%) (4 or 5)	Neutral (%) (3)	Disagree or completely disagree (%) (1 or 2)	Mean	Standard deviation	Don't know or unsure (%) (0)
Most positive						
Q8 - Relevance: PRSP is a good model	59	30	11	3.69	1.06	7
Q9 - Relevance: PRSP adds value	58	28	14	3.64	1.08	9
Q10 - Relevance: PRSP improves on past modalities	57	30	13	3.61	1.05	11
Q25 - Partnership-oriented: Donors supported formulation	56	24	20	3.57	1.15	16
Q16 - Results-oriented: Outcomes benefit poor	55	26	19	3.56	1.15	8
Most negative						
Q18 - Results-oriented: Structure to monitor results	28	31	41	2.84	1.17	21
Q19 - Results-oriented: Results feed back	31	32	37	2.96	1.16	24
Q22 - Comprehensive: Macroeconomic framework participatory	38	27	35	3.03	1.25	17
Q17 - Results-oriented: Realistic targets and plans	38	28	34	3.14	1.16	9
Q21 - Comprehensive: Alternatives fully explored	35	32	33	3.01	1.12	18
Most polarized						
Q15 - Country-driven: Gov't continues to engage stakeholders	48	19	33	3.23	1.42	13
Q13 - Country-driven: Your stakeholders were consulted	45	22	33	3.20	1.33	11
Q14 - Country-driven: Final document was modified to accommodate viewpoints	44	25	31	3.16	1.29	19
Q22 - Comprehensive: Macroeconomic framework participatory	38	27	35	3.03	1.25	17
Q12 - Country-driven: PRSP driven by national stakeholders	42	28	30	3.24	1.25	8
Greatest consensus						
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration	52	32	16	3.44	1.04	46
Q28 - Partnership-oriented: Current donor coordination	34	39	27	3.03	1.02	18
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved	46	35	19	3.36	1.04	48
Q10 - Relevance: PRSP improves on past modalities	57	30	13	3.61	1.05	11
Q8 - Relevance: PRSP is a good model	59	30	11	3.69	1.06	7
Most unfamiliar						
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved	46	35	19	3.36	1.04	48
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration	52	32	16	3.44	1.01	46
Q19 - Results-oriented: Results feed back	31	32	37	2.96	1.16	24
Q27 - Partnership-oriented: Donor coordination improved	52	26	22	3.43	1.11	22
Q18 - Results-oriented: Structure to monitor results	28	31	41	2.84	1.17	21

Note: % Agree, % Neutral, and % Disagree are calculated as a percentage of those who responded to each question. % Don't Know or Unsure is calculated as a percentage of total respondents to the survey (779). Most Positive: were chosen based on highest percentage who agreed or completely agreed and top give means. Where there were differences among the top five that resulted, the question with the larger number of respondents was chosen. Likewise, Most Negative were selected based on highest percentages who disagreed or completely disagreed and the five lowest means. The Most Polarized questions and those with Greatest Consensus were those questions with the five highest and lowest standard deviations respectively. Most Unfamiliar were questions that had the highest percentage of total respondents to the survey answering that they Didn't Know or were Unsure (0).

E. Survey Questionnaire

OED Review of the PRSP Process / IEO Evaluation of PRSPs and the PRGF Country Stakeholder Survey

The Operations Evaluation Department (OED) of the World Bank and the Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) are independent units reporting to their respective institutions' Executive Boards. Both units are collaborating in some aspects of their respective evaluations of the Poverty Reduction Strategy Paper (PRSP) Initiative. The objective of these evaluations is to assess the Initiative's relevance, design, and implementation, as well as the prospects for achieving the immediate objectives and development goals. The evaluations will also seek to identify possible needs for improvement. An area of particular focus will be the role and effectiveness of the World Bank and the IMF (including through the Poverty Reduction and Growth Facility – PRGF) in support of the PRSP process.

The following survey is designed to provide input into a series of full country case studies being conducted for the evaluations. The survey will take between 10 and 15 minutes to complete, consisting of 39 multiple choice questions grouped into three categories:

- I) Respondent information
- II) The PRSP process
 - A) Relevance
 - B) Application of the underlying principles
 - Country-driven
 - Results oriented
 - Comprehensive and long-term
 - Partnership-oriented
 - Intermediate effects and outcomes
- III) World Bank and IMF role and performance.

The evaluation teams welcome additional comments beyond the scope of the survey questions. These can be sent by mail, electronic mail, or through the evaluation Web sites.

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Instructions

Please mark the appropriate response for each question. Individual responses to the survey will not be shared outside of the evaluation teams and results will be presented only in aggregate form. Follow-up questions, noted in *italics*, are optional and may be skipped in case time pressures so require.

I) RESPONDENT INFORMATION

Country: _____

Date: _____

Name (optional): _____

Organization (optional): _____

E-mail Address (optional): _____

1. Please indicate from the choices below the category you belong to:

Government

- i. Central Government : Economy, Finance, Planning, Central Bank.....
- ii. Central Government: other (sector ministry, agencies, etc.).....
- iii. Local Government
- iv. Parliament

Civil Society

- v. Local nongovernmental organization
- vi. Business sector
- vii. Labor union
- viii. Academia.....
- ix. Media
- x. Religious organization
- xi. Political party.....
- xii. Other

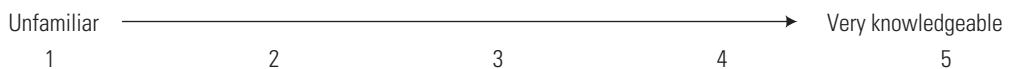
International Partner

- xiii. Donor
- xiv. International NGO

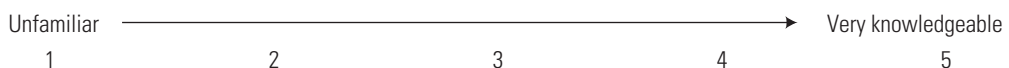
2. What has been the nature of your involvement in the PRSP process? Mark all that apply.

- | | | | | | |
|--------------------------------|--|---|---|---|-------------------------------------|
| Unaware of
the PRSP process | Aware of
the process,
but not involved | Consulted
during strategy
formulation | Made direct
contribution
during strategy
formulation | Participate
during
implementation | Participate
during
monitoring |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

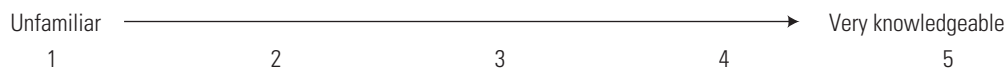
3. How knowledgeable are you of the PRSP document?



4. How familiar are you with the work of the World Bank in the country?



5. How familiar are you with the work of the IMF in the country?



6. Have you had interactions with the World Bank or been involved with Bank-supported projects/programs or analytical/advisory work?

Yes No

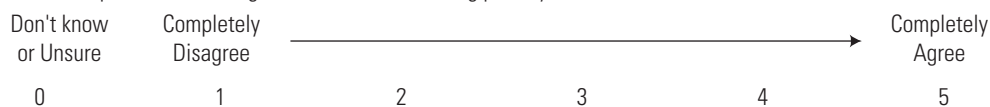
7. Have you had interactions with the IMF?

Yes No

II) THE PRSP PROCESS

A) Relevance of the PRSP process

8. The concept of a PRSP is a good model for addressing poverty reduction.



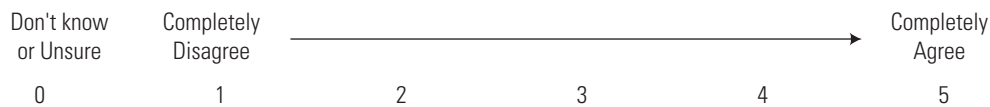
9. The PRSP process has added value to the country's response to the challenges of poverty reduction, compared to previous strategies/policy frameworks.



10. The PRSP framework improves on past modalities for donor assistance.



11. The benefits and strengths of the PRSP process have so far outweighed costs and weaknesses.



B) Application of the underlying principles

Country-driven

12. The PRSP process is driven by and managed by national stakeholders.



13. The group of stakeholders you belong to (as defined in the first section) was adequately consulted in formulating the PRSP strategy.



14. The final PRSP document was relevantly modified to accommodate some of the viewpoints of your stakeholder group.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

15. Government has continued to engage your stakeholder group in the implementation and monitoring of the PRSP.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

Results-oriented

16. The PRSP process is focused on outcomes that benefit the poor.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

17. The strategy includes realistic targets and action plans.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

If you answered 1 or 2, please indicate cause (multiple choices allowed):

- Lack of prioritization.....
- Financing constraints.....
- Implementation capacity constraints.....
- Inadequate diagnostic.....

18. An effective structure to monitor and evaluate results has been established.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

19. Results from monitoring and implementation feed back into the policy formulation process.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

Comprehensive and long-term

20. The PRSP document provides an adequate diagnosis of the causes of poverty.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

21. During strategy formulation policy alternatives were/are fully explored.

Don't know or Unsure	Completely Disagree	—————→				Completely Agree
0	1	2	3	4	5	

22. The formulation of the macroeconomic framework of the PRSP has been sufficiently participatory.



23. The PRSP document strikes an appropriate balance between the promotion of growth and poverty alleviation (e.g., through social expenditures and/or redistributive measures).

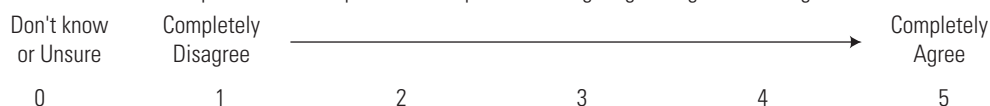
If you answered 1 or 2, it is mainly because:



The PRSP puts too much emphasis on growth

The PRSP puts too much emphasis on poverty alleviation.....

24. The PRSP document provides an adequate road-map for achieving long-term goals and targets.

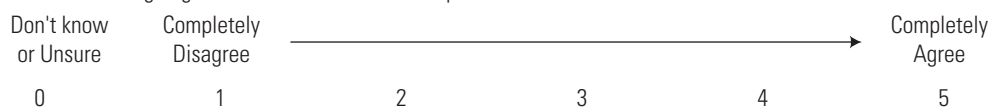


Partnership-oriented

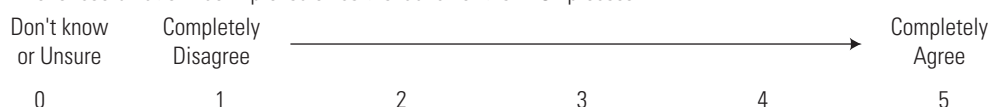
25. Donors supported the formulation of the PRSP in a manner that did not erode country ownership.



26. Donors are aligning their assistance to the PRSP priorities.



27. Donor coordination has improved since the launch of the PRSP process.



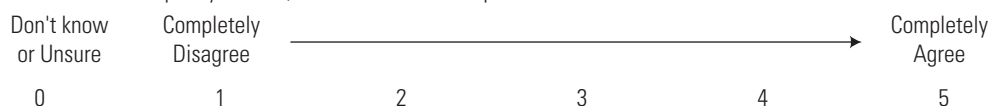
28. Please rate the quality of donor coordination at present.



29. Collaboration and coordination between the IMF and the World Bank have improved since the start of the PRSP process.



30. Please rate the quality of Bank/Fund collaboration at present.



Intermediate effects and outcomes

31. The PRSP process has brought about significant changes for the better in the following areas (mark all that apply).

- Ownership of economic policies
- Clarity and openness of socio/economic policy debate
- Transparency and accountability
- Business environment
- Public services delivery
- Decisionmaking processes
- Budget processes and allocations

III) WORLD BANK AND IMF ROLE AND PERFORMANCE

WORLD BANK ROLE

32. World Bank staff involvement in the PRSP process has been very helpful.



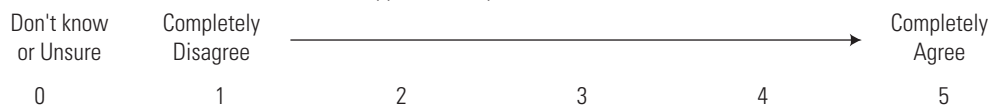
If you answered 1 or 2, please indicate the main reason(s) why (mark all that apply):

- Not enough involvement.....
- Too much involvement
- Involvement wrongly focused in substance.....
- Involvement wrongly targeted.....
- Other (please specify) _____

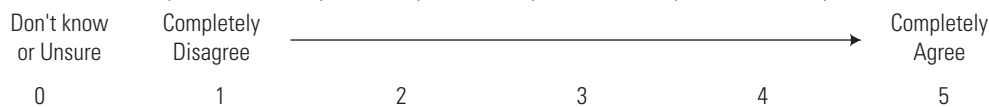
33. The World Bank's strategy for country assistance is aligned with the PRSP.



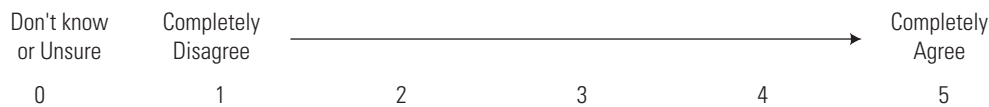
34. The World Bank's financial assistance supports PRSP priorities.



35. World Bank analytical and advisory activities provide timely and relevant inputs to the PRSP process.



36. The World Bank is actively promoting and supporting government-led coordination of donor assistance.



ANNEX E: REVIEW OF JOINT STAFF ASSESSMENTS OF PRSPS

Purpose

Reviews of Joint Staff Assessments (JSAs) are being carried out as part of the evaluation of the Poverty Reduction Strategy process. According to the *JSA Guidelines*, the JSA is to be jointly prepared by the staffs of the Fund and the Bank to provide an assessment for their respective Boards as to whether or not “the strategy presented in a PRSP constitutes a sound basis for concessional assistance from the Fund and the Bank” (World Bank 2000a). Thus, the JSA should provide a window on an important aspect of the process: staff views of the PRSP, its strengths and its weaknesses. In addition, according to the guidelines, the JSA is to “provide constructive feedback to the country about how it might improve its strategy over time.”

Two parallel JSA reviews have been undertaken for the PRSP Process Evaluation. One review has been conducted by the Independent Evaluation Office (IEO) of the International Monetary Fund (IMF). The IEO review covers the following “key questions” from the *JSA Guidelines*: (1) country ownership through participatory processes; (2) analysis of risks to implementation; (3) assessments of targets, indicators and monitoring arrangements; (4) assessments of priority action plans (including macroeconomic framework, fiscal choices, and financing plan); and (5) consideration of countries’ starting points. In addition, the IEO review examines the following JSA process issues: (1) time lag in drafting; (2) collaboration between the IMF and the World Bank; (3) interactions with local stakeholders in preparation of the JSA; and (4) value added of JSAs in terms of usefulness to the IMF Executive Board, to authorities, and to local stakeholders.

This annex summarizes the scope, method-

ology, and findings of a parallel content review conducted by OED. The last section outlines the issues and rating criteria used for the review.

Scope

JSAs for 28 countries were selected. These represent all JSAs and associated PRSPs reviewed by the Boards of the Bank and the Fund between the first PRSP reviewed by the Bank’s Board in May 2000 (Uganda) and the last PRSP reviewed in FY03 (Azerbaijan). Only JSAs for full PRSPs were reviewed.

Eleven issues were identified for assessment. They include three “key questions” delineated by the *JSA Guidelines*. These issues were not covered in the IEO review:

- 1) Governance and public sector management
- 2) Poverty diagnosis
- 3) Structural and sectoral policies.

In addition, eight additional issues were included:

- 4) Alternative growth strategies
- 5) Balanced treatment of social and growth sectors
- 6) Capacity constraints
- 7) Donor partnership issues
- 8) Integration of short- and long-term objectives
- 9) Integration of strategy into MTEF and budget process
- 10) Private sector participation
- 11) Risks – endogenous and exogenous.¹

These issues emerged from a review of a pilot sample of JSAs and associated Bank Board comments, as well as from the 10 country case

studies conducted as part of the PRSP Evaluation.²

Methodology

Each JSA was assessed against each issue, using a framework of criteria and scale factors. The criteria indicate the best practice elements for each issue. The scale factors indicate which criteria need to be satisfied to meet one of the four rating points: highly unsatisfactory, unsatisfactory, satisfactory, and highly satisfactory.

The criteria and scale factors for the first three issues mentioned above draw heavily on the “Key Questions” posed for these issues by the *JSA Guidelines* (section 6). Criteria and factors for the other eight issues were developed from a review of the pilot sample of JSAs and Board documents and country case studies.³ In addition to the numerical ratings, narrative comments were prepared for each issue and each JSA, and are available in the longer background paper.

Methodological Limitations. The main limitation of the results presented below in table E.1 is that they do not cover five “key questions” described in the *JSA Guidelines* and covered in the IEO JSA review. Another potential limitation to drawing inferences from averages would be high variation across countries. But, as shown in table E.1, country ratings for any given issue vary by less than one standard deviation among countries.

Findings

Marginally satisfactory quality. As the second column of table E.1 shows, JSAs for 28 countries manifest an overall average rating between “unsatisfactory” and “satisfactory” on the 11—2.7 on a 4-point scale. Only five issues had ratings in the satisfactory range, and, of these, only two

were more than marginally above satisfactory (3.0). For only six issues did more than half of the JSAs receive a satisfactory or better rating and on only one issue (risks) was the satisfactory proportion above 75 percent. This less than impressive performance suggests considerable room for improvement.

Guidelines issues in satisfactory range. The three issues covered by the *JSA Guidelines*—structural and sectoral policies, poverty diagnosis, and governance and public sector management—are rated in the lower satisfactory range, between 2.9 and 3.3. The majority of other issues get lower ratings.

Poor “learning.” The 28 JSAs were divided into two categories: (1) those reviewed by the Bank’s Board in FY01–02 (13 JSAs); and (2) those reviewed in FY03 (15 JSAs). The purpose of this division was to see what change in ratings may have occurred between these two periods. The third and fourth columns of the table indicate that there has been marginal improvement—from an overall rating of 2.6 in FY01–02 to 2.8 in FY03.

Clear improvement has taken place between the two periods for 6 of the 11 issues. But the degree of change has been modest, with two exceptions: “balanced treatment of sectors” and “alternative growth strategies,” where improvement has been marked, but not enough to lift the latter issue to a satisfactory, or 3.0, level.

Ratings for two of the three lowest-rated issues—“capacity constraints” and “private sector participation”—remained about the same or increased modestly. “Donor partnership,” already at an unsatisfactory level, experienced a significant decline. The number of JSAs per issue receiving a satisfactory rating for each of these three issues varied between only one and three JSAs in each period.

Table E.1. Ratings of Joint Staff Assessments by 11 Selected Issues
(figures in parentheses = number of JSAs rated 3.0 & above)

Issue (ranked by overall rating, 2000–03)	5/00 thru 6/03 (28 JSAs)	Standard deviation	5/00 thru 6/02 (13 JSAs)	7/02 thru 6/03 (15 JSAs)
1. Risks—endogenous and exogenous	3.4.(26)	+/- 0.5	3.5.(13)	3.4.(13)
2. Structural and sectoral policies	3.3.(20)	+/- 0.7	3.1.(8)	3.4.(12)
3. Poverty diagnosis	3.1.(19)	+/- 0.7	3.2.(9)	3.1.(10)
4. Integration of strategy into MTEF and budget process	3.1.(19)	+/- 0.8	3.1.(9)	3.1.(10)
5. Balanced treatment of social and growth sectors	3.1.(19)	+/- 0.8	2.7.(6)	3.4.(13)
6. Governance and public sector management	2.9.(17)	+/- 0.8	2.8.(7)	3.0.(10)
7. Integration of short- and long-term objectives	2.6.(12)	+/- 0.5	2.6.(5)	2.7.(7)
8. Alternative growth strategies	2.4.(10)	+/- 0.8	2.0.(2)	2.7.(8)
9. Capacity constraints	2.2.(6)	+/- 0.6	2.1.(3)	2.2.(3)
10. Private sector participation	2.1.(5)	+/- 0.7	1.9.(2)	2.3.(3)
11. Donor partnership issues	1.8.(3)	+/- 0.7	2.1.(2)	1.5.(1)
Overall average	2.7.(14)	+/- 0.7	2.6.(6)	2.8.(8)

Note: Ratings are on a 4-point scale: 4=highly satisfactory, 3=satisfactory, 2=unsatisfactory, 1=highly unsatisfactory. See Annex B for more explanation.

Issues, Rating Criteria, and Scale Factors

Rating scales:

- (1) = Highly unsatisfactory
- (2) = Unsatisfactory
- (3) = Satisfactory
- (4) = Highly satisfactory

1. Private Sector Participation in PRSP Preparation and Implementation

Criteria: JSA provides (a) a description of participation in PRSP preparation; (b) a description of participation in PRSP implementation; (c) feedback from the private sector about its participation; (d) proposed measures to address private sector concerns; and (e) a plan for future involvement of private sector.

Scale Factors

- (1) JSA does not mention whether the PRSP refers to private sector participation in PRSP preparation.
- (2) Cursory reference to private sector participation in PRSP preparation.
- (3) Analysis of at least 2 of the 5 above criteria.
- (4) Analysis of at least 3 of the 5 above criteria, including realistic recommendation(s).

2. Poverty Diagnosis

Criteria: (first three criteria are synthesized from section B of *JSA Guidelines*): JSA provides (a) an assessment of quality and comprehensiveness of poverty data presented by the PRSP; (b) qualitative data, including data directly from the poor (as in Participatory Poverty Assessments); (c) analysis of nature and determinants of poverty; (d) an assessment of growth and distributional impacts of past policies and programs; and (e) linkages to proposed strategy clearly indicated.

Scale Factors:

- (1) JSA provides only a cursory summary of poverty data presented by the PRSP, with little or no assessment of its quality.
- (2) Poverty data described and at least one of the above criteria met.
- (3) Two of above criteria met, including candid assessment of data quality.
- (4) At least three of above criteria met, including realistic recommendations.

3. Alternative Growth Strategies

Criteria: JSA provides (a) a description of at least one alternative growth strategy and (b) an

assessment of implications and realism of alternative strategies.

Scale Factors

- (1) JSA does not refer to alternative growth strategies, whether or not they are mentioned in the PRSP.
- (2) Cryptic reference to alternative strategies—possibly to a “contingency plan” or “macro-economic scenario”—as presented in the PRSP or as lacking in the PRSP.
- (3) Clear description of at least one alternative growth strategy.
- (4) Assessment of one or more alternative growth strategies, including realistic recommendations.

4. PRSP Integration into MTEF and Budget Processes

Criteria: JSA provides an assessment of (a) prioritization and costing in the PRSP; (b) the MTEF and its use in the budget process or, if no MTEF, a cogent argument supporting an MTEF; and (c) other related aspects of the budget process, such as expenditure controls.

Scale Factors

- (1) cursory coverage of only costing or prioritization issues.
- (2) Both costing and prioritization issues covered, but only in a cursory manner.
- (3) Clear, comprehensive assessment of costing and prioritization issues.
- (4) Comprehensive assessment of the budget process, including costing and prioritization, the existing and/or potential role of an MTEF, and other spending issues, such as expenditure controls.

5. Balance Between (i) Social Sectors and (ii) Economic Growth.

Criteria: JSA provides (a) balanced coverage of the two clusters (about 50 percent each); (b) comprehensive coverage of the two clusters (more than 8 paragraphs); and (c) prioritization within and among clusters.

Scale Factors

- (1) JSA gives very skewed and skimpy coverage

(more than 90 percent of space given to one of the two clusters and less than three paragraphs for all sectors).

- (2) Coverage is somewhat skewed (more than two-thirds of space given to one of the two clusters) and skimpy (less than six paragraphs).
- (3) Coverage is fairly balanced (about the same coverage given to each cluster) and comprehensive (six-to-eight paragraphs).
- (4) At least two of the above criteria are met, including realistic recommendations.

6. Structural and Sectoral Policies, Including Policies for Social Inclusion and Equity

Criteria: (drawn from sections D.5 and D.6 of the JSA Guidelines) JSA assesses PRSP analysis of (a) impact of sectoral policies and programs on poverty; (b) prioritization and sequencing, cross-sectoral issues, and measures to mitigate negative impacts; and (c) special issues, including, but not necessarily limited to, gender, social protection and labor, HIV/AIDS, and environmental sustainability.

Scale Factors

- (1) JSA reveals relatively cryptic descriptions of policies, but no assessment of the quality of PRSP analysis, including impact on the poor.
- (2) Comprehensive coverage, but weak assessment of PRSP analysis.
- (3) Full assessment of PRSP analysis, including social inclusion issues, such as those listed above in criterion 6-(c).
- (4) Clear and candid assessment of PRSP analysis, including cross-sectoral issues, prioritization and sequencing, and/or measures to mitigate negative impact, including recommendations.

7. Governance and Public Sector Management

Criteria: (drawn in part from section D.7 of the JSA Guidelines): JSA candidly assesses PRSP analysis of (a) measures to address financial management and procurement problems; (b) plans to improve service delivery, including by local governments; (c) steps to improve transparency and accountability vis-à-vis needs of the poor; (d) measures to improve efficiency and fairness of the legal and judicial system; and (e) ef-

forts to improve civil service performance and address corruption.

Scale Factors

- (1) JSA provides very cryptic description of PRSP coverage of one of the above-mentioned sub-issues.
- (2) Two issues covered, but little or no assessment of PRSP quality in these areas.
- (3) Candid assessment of two of the above issues.
- (4) Systematic and candid assessment of at least three of the above sub-issues, including recommendations.

8. Donor Partnership Issues

Criteria: JSA assesses PRSP analysis of (a) role of other donors in PRSP preparation process; (b) current and expected donor strategic alignment with the PRSP; (c) degree of harmonization of other donor policies and procedures; and (d) current and expected extent of country leadership of these partnership dimensions.

Scale Factors

- (1) JSA provides only a cryptic reference, if any, to other donor participation in PRSP consultation or preparation process.
- (2) Provides assessment of donor strategic alignment with PRSP.
- (3) Assessment of other aspects of harmonization and/or country leadership of partnership.
- (4) Meets all criteria, including realistic recommendations for next steps.

9. Integration Between Short-term PRSP and Long-term Development Strategies

Criteria: JSA assesses how PRSP (a) analyzes linkages between ST, MT, and LT objectives; (b) assesses need for longer-term strategies; (c) recommends measures to be taken.

Scale Factors

- (1) JSA does not address this issue.

- (2) Mentions but does not analyze short-term and long-term targets.
- (3) Analyzes relation between longer-term objectives, including MDGs, and PRSP short-term targets.
- (4) Assesses PRSP analysis and makes clear and realistic recommendations.

10. Capacity Constraints

Criteria: The JSA assesses the PRSP with respect to (a) analysis of capacity constraints; (b) analysis of policy and institutional as well as human capital formation dimensions; (c) measures that need to be taken that incorporate the lessons of past experience; and (d) appropriate donor support.

Scale Factors

- (1) JSA makes no reference to capacity issues.
- (2) Only fragmentary and cursory reference to capacity constraints.
- (3) Systematic assessment of PRSP analysis of capacity constraints.
- (4) Systematic assessment, which also recommends measures that need to be taken and/or role for donor support.

11. Endogenous and Exogenous Risks

Criteria: JSA (a) describes both exogenous and endogenous risks; (b) distinguishes between JSA and PRSP-identified risks; (c) indicates likely impact if risk is realized; (d) suggests mitigation strategies.

Scale Factors

- (1) No mention of such risks.
- (2) cursory and/or scattered reference to such risks.
- (3) Clear and logical description of risks, including distinction between JSA and PRSP-identified risks.
- (4) Clear and candid description, as well as indication of impact and mitigation strategies.

ANNEX F: MANAGEMENT RESPONSE

Although some countries achieved modest reductions in poverty in the 1980s and 1990s, overall progress in reducing poverty was less than had been hoped for, especially in low-income countries. This disappointment led to a critical examination of what policies best promote economic growth and reduce poverty in low-income countries, and a realization that the delivery of external support required significant improvement. There was also explicit recognition that conditionality without ownership was ineffective, and a desire to link provision of debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative to comprehensive country-owned strategies to reduce poverty. As a consequence, in December 1999, the Boards of the World Bank and the IMF approved a new approach to the challenge of reducing poverty in low-income countries based on poverty reduction strategies (PRSs) produced by the countries themselves.

The PRS Initiative. This approach involved the development of country-driven, results-oriented, comprehensive poverty reduction strategies that are long-term in perspective and foster domestic and external partnerships in line with the principles that underpin the Comprehensive Development Framework (CDF). These strategies were to be embodied in Poverty Reduction Strategy Papers (PRSPs), which were expected to serve as the framework for development assistance beyond the operations of the Fund and Bank.

Progress in Implementation. The PRS Initiative introduced an explicit poverty focus, and emphasized the need to link diagnostics, policies, budgets, and results. As the Initiative enters its fifth year, the PRS has become the central

model for engagement with low-income countries by the Bretton Woods Institutions (BWIs), other multilateral institutions, and most bilateral donors. By end-June 2004, 42 countries had completed full PRSPs, another 14 had launched the process with Interim PRSPs (I-PRSPs), and 23 countries had completed at least one Annual Progress Report (APR).¹ As the PRSP approach gains momentum, and more recent PRSPs build on the experience of earlier ones, there is evidence that both participatory processes and content are improving. But challenges remain. The Initiative has benefited from a wealth of critical commentary by donors, civil society organizations, and academics.² The annual PRSP implementation progress reports (prepared jointly by the Bank and the Fund) have also been candid in describing the challenges countries face in developing and implementing PRSPs. For example, the most recent annual report highlighted that the multiple objectives of the PRS Initiative result in inherent tensions that manifest themselves along several dimensions, including the need for (a) greater cohesion between PRSPs and other planning documents; (b) a balance between ambition and realism in setting PRSP targets; (c) greater attention to strengthening weak public expenditure management systems and effective links to the budget in light of limited country capacity; (d) better prioritization and focus; and (e) improved donor alignment and harmonization around national strategies.³

OED Review. Management welcomes the review by the Operations Evaluation Department (OED) of the Poverty Reduction Strategy (PRS) process. It raises issues similar to those the Bank has highlighted in its progress reporting.

Context. It is useful to start by placing the review in the context of the evolving PRS process. First, the PRS Initiative seeks to fundamentally change the dynamics of external assistance to developing countries and must be seen explicitly as a long-term undertaking. The process is still young. The 40 countries with full PRSPs have had an average implementation period of just less than two years. Because the PRS process has built-in monitoring mechanisms, it evolves over time; but the OED review is mainly a snapshot of a single point in time. In addition, the review is based primarily on 10 country case studies. The richness of the findings would likely have benefited from complementary thematic reviews based on all PRSP countries.

Partnership Orientation. The Bank works closely with the IMF and other partners in supporting the PRS Initiative. Concurrently with the OED review, the IMF's Internal Evaluation Office (IEO) also completed an assessment to which IMF management is responding. While the two institutions work together, the comments in this paper reflect solely the views of World Bank Management; they do not purport to represent the IMF's position, or the views of the Bank's development partners in other agencies or client countries.

OED Findings and Management Comments

The OED review concludes that the PRS Initiative has the potential to enhance poverty reduction in low-income countries and should continue to be supported by the Bank. It also finds that country experiences vary widely, and that countries face significant challenges in effectively engaging in a PRS process. The review recommends enhancements in some areas, particularly in the areas of process, content, and donor alignment. This section examines OED's main findings and provides Management's comments on the analysis.

Process Issues

The OED review finds that the mechanisms for adapting PRSPs to different country conditions are weak, and that linkages to domestic planning and budget processes are inadequate. It notes

that lack of clarity with regard to country-specific process achievements creates tensions, and it recommends establishing milestones for what ownership, partnership, and results focus are expected to achieve. It finds that countries have not used PRSPs effectively to prioritize their capacity-building needs. It also suggests that Board review of the PRSP and Joint Staff Assessment (JSA) undermines ownership because it creates a perception of "Washington signing off."

Flexibility of the PRS Process. Management believes that the current architecture provides countries with the flexibility to tailor the PRSP process and content to individual circumstances. For example, the guidelines for the JSA note that "the specific content of PRSPs will vary widely among countries" and that "staff should take into consideration the country's starting point." Indeed, Uganda developed the first full PRSP by building on its Poverty Eradication Action Plan (PEAP), which itself had incorporated most of the CDF principles. The OED review finds that the 10 countries it reviewed in its case studies did not use the flexibility inherent in the PRS process, but it does not examine either why this was the case in these countries or whether this was true also in other countries that had prepared PRSPs. Management believes that at least two factors could be at play in the case study countries. First, in these countries as in some others, there may have been an initial rush (because of the link to the HIPC Initiative) that set certain early practice examples that were then emulated elsewhere as good practice. Second, the ambiguity in the instrument may have led both country officials and Bank staff to favor a technique that drew on early experience as approaches that worked. With the passage of time, however, PRSPs and APRs have better reflected country specificities. It is also important to note that initial conditions and country-specific priorities are likely to have played a part in the relatively long time that many countries took to complete a full PRSP. Of the 36 countries that prepared I-PRSPs before finalizing a full PRSP, the average time between the I-PRSP and the full PRSP was just over 22 months, ranging from under 7 months to more than 44 months.

Alignment of the PRS Process with Domestic Planning and Budgeting. Management agrees that continued efforts are needed to further align the PRS process with domestic planning and budgeting processes. Management notes that good practice examples are emerging. As noted above, Uganda built its PRSP on its PEAP, and it uses its existing Poverty Status Report as the APR. Yemen intends to synchronize its next PRSP with the country’s Five Year Plan. Mongolia and Ethiopia have specific plans for aligning the PRS to domestic processes. Mozambique uses its existing annual budget review as its APR. Management notes that continuing to strengthen the link to domestic processes may be a key element in reinforcing the PRS as a country-driven process. Management will encourage PRSP countries to move further in this direction and, along with the IMF, will monitor progress in this regard.

Degree of Clarity in the Process. To facilitate tailoring the PRS Initiative to country circumstances and priorities, the PRSP architecture was not specific about expected process achievements. Furthermore, the PRSP is an instrument charged with multiple objectives, many of which imply tensions—for example, the range of proposals emerging from the participatory process versus prioritization. PRSPs need to reflect choices and compromises across all these objectives. Management believes that this will inevitably result in a less than ideal level of performance on some aspects, and that countries’ abilities to manage the tensions inherent in the process will depend crucially on their technical and administrative capacity and on their political institutions. Strengthening such capacity will take time and will require the coordinated and sustained support of donors.

Board Review of the PRSP and the JSA. The review concludes that the Bank should continue supporting the PRS Initiative. In management’s view, continued Bank support implies the need for maintaining an operational link between the PRSP and Bank assistance. Maintaining such a link leads to an inherent tension with country ownership of the PRS process, because it requires that Bank staff provide feedback on the strengths and weaknesses of the country’s strategy. The rel-

evant issue, therefore, in terms of changes in the architecture of the PRS process, including procedures for Board review of PRSPs and JSAs, is how they help mitigate this tension. Management believes that the key to enhancing country ownership is to for PRSP countries to further integrate the PRS into domestic planning and budget processes, as well as to institutionalize participation—including by better integrating Parliaments and other domestic stakeholder groups into the process. To support this, Management agrees that it would also be beneficial to improve the JSA process so as to reduce the perception of “Washington signing off” on country-owned documents. However, Management does not agree with OED’s suggestion that discontinuing Board presentation of JSAs would be more supportive of ownership and facilitate more candid and transparent feedback to countries on PRSPs. Neither this suggestion nor the proposal that the operational link be made solely through the Bank’s Country Assistance Strategy (CAS) will help resolve the tension with country ownership. Moreover, in Management’s view, this recommendation could undermine the relevance of the PRS process

Improvements to the JSA Process. Management is working with the IMF to introduce changes to the JSA process that would support a more country-driven process while reducing the perception of the Bank and the Fund driving the process and contributing to the PRS approach being a more effective framework for partnership at the country level. These modifications also seek to enhance the value of the JSA instrument in providing candid and prioritized feedback to countries as well as the Board. Specific changes, which will be proposed in the forthcoming annual PRSP implementation progress report (prepared jointly with the IMF), will seek to achieve these aims by clarifying the objectives and audience of the JSA, emphasizing the need for greater selectivity, and allowing for more nuance and greater candor in the staffs’ views.

Annual Progress Reports (APRs). Although APRs are not specifically discussed in the OED findings, the analysis in the review seems to suggest that APRs

have played a constructive role. In Management's view, these contributions could be enhanced by more closely linking APRs with the budget, reducing the strain they impose on country capacity, and ensuring that their timing is driven by the country, rather than by the BWIs, including by considering elimination of the requirement for Board presentation of APRs and associated JSAs other than in exceptional cases. In this way, APRs could also help in reducing the residual tension between country ownership and the link between the PRS process and Bank assistance. To this end, Management will present specific changes to the APR and associated JSA process in the forthcoming PRSP implementation progress report. These changes will be aimed at better supporting country efforts to integrate the APR into domestic processes, reducing the reporting burden on countries, and adjusting the JSA process to address a similar set of concerns as those identified for the full PRSP.

PRSP Content

The OED review finds that PRSPs' poverty focus and attention to outcomes have improved, but that more work is needed. It also suggests that PRSPs have focused excessively on social sector expenditures. It notes the need for better analytics to underpin PRSPs, particularly in the areas of growth, linkages between policies and poverty outcomes, and trade-offs. It also argues that the PRSP process could have been used more effectively to identify key analytic gaps and develop a research agenda to address them.

Poverty and Social Sector Focus. Management agrees with OED's findings that the PRS process has (a) helped increase the focus on poverty; (b) heightened awareness of the need for improving monitoring systems; and (c) pulled sectoral programs together under one strategic framework, making the link between sectoral strategies and poverty reduction more tangible. Management also acknowledges that some early PRSPs focused primarily on the social sectors—probably for many reasons, ranging from the link to the HIPC Initiative to the fact that relatively stronger diagnostics were readily available in the social sectors.

Beyond the Social Sectors and Expenditure Policies.

PRSPs and APRs are showing increasingly broad sectoral coverage, not just in the discussion, but also in the targets and indicators. Of the 32 full PRSPs that were completed by July 2003, all included a target or indicator related to economic growth; 94 percent included one on macroeconomic stability; 94 percent one on water; 81 percent one on roads; 78 percent one on governance/accountability; and 72 percent one on sanitation. While all had indicators on maternal health and school enrollment and attendance, coverage of other key social sector indicators was more mixed. PRSPs have universally addressed social sector issues, while also increasingly including more balanced attention to growth and other sectors.

Attention to Outcomes. Management agrees that the PRS process has helped to promote a results orientation, but that countries still need help strengthening their country-specific goals and indicators and their monitoring systems. PRSPs often have long lists of indicators, with actual indicators sometimes not well defined and baseline data not always available. JSAs and associated sector dialogue provide feedback on the realism of targets as well as weaknesses in the proposed indicators or the institutional framework for collecting and using data. Countries have tended to refine their indicator lists in their APRs, suggesting that as implementation proceeds, countries become more selective in emphasizing indicators that are more directly linked to policy actions in the PRSP. The Bank and its donor partners are assisting countries in developing monitoring and evaluation systems through a variety of instruments (for example, through the Trust Fund for Statistical Capacity Building and the STATCAP program), as well as with financial and technical support for sectoral and household surveys and strengthening of monitoring and evaluation systems. The Bank is working to deepen cross-country learning by preparing a set of country case studies designed to outline the strengths and weaknesses of different institutional frameworks for monitoring and evaluation systems. These case studies will be used to prepare good practice and options notes for developing countries

to consider as they strengthen their poverty monitoring systems.

Analytic Base. Management also agrees that there is a need to continually upgrade the analytic base on which PRSPs are developed and implemented. The annual joint Bank-Fund PRSP implementation progress reports have identified a number of areas in which PRSPs' analytic underpinnings have been weak: for example, better understanding the determinants of growth and micro-macro linkages and trade-offs. The OED review identified the same issues. While recent PRSPs have shown much greater appreciation of the centrality of growth to poverty reduction, the analytical basis to understand the policy levers for accelerating growth and for making it more pro-poor have been more elusive. Strengthening analysis of these issues will require long-term capacity building in countries, development of more quantitative tools, and sustained support from development partners. On growth, with several partners the Bank is using 14 country case studies and cross-country empirical analysis to better understand how country conditions and growth strategies affect the distributional impact of growth on the poor. The insights will be used to strengthen country-specific analytic support. The Bank is also reviewing growth experiences of the 1990s to better understand the growth process and provide more effective country-level advice. On trade issues, the Bank and other donors are supporting diagnostic work through the Integrated Framework for Trade and Development. The Bank is also working to help countries mainstream Poverty and Social Impact Assessments (PSIAs) through a combination of staff training programs, knowledge sharing, and financial support through trust funds and dedicated budget allocations. As a result, some 65 Bank-supported PSIAs are being carried out in around 48 IDA-eligible countries.

Partnership and Donor Alignment

Management agrees that continued efforts are needed to further reinforce the results focus of the PRS process. With a global compact to achieve the MDGs by 2015, a key challenge is to

strengthen country ownership of these goals and to continue to enhance the PRSP as an operational and country-led framework for achieving them. Furthermore, donors will also need to make demonstrable progress in providing more and better aid to support countries with sound PRSPs.

Donor Alignment. Management shares OED's view that donor programs need to be better aligned with PRSP priorities, especially in countries where the government-donor dialogue was weak before the PRS process. Management also agrees that better prioritization of PRSPs would help ensure effective alignment of the content of donor programs. Management is nonetheless encouraged that the observed increase in coordinated donor budget support—in Tanzania and Uganda in particular—constitutes evidence of improved donor alignment in these countries that has been facilitated by the PRS process. Such coordinated budget support is enhancing selectivity by focusing assistance on key expenditure, sectoral, and institutional policy reforms, increasingly moving away from the retail physical investments of the past and facilitating changes in both the content of donor programs and in donor processes. Management also notes that there is emerging evidence of reduced transaction costs of donor assistance in these countries, as noted in other donors' evaluations of the PRS process. In Cambodia, Tanzania, and Uganda, the Bank's work with several donors on joint assistance strategies should help to reduce transaction costs for government officials. The expanding use of SWAps in some PRSP countries also holds promise for reducing transaction costs. Management acknowledges, however, that very substantial progress in donor harmonization and alignment has so far been limited to a handful of PRSP countries, and that significantly more effort is required to make it more of a reality elsewhere. Management agrees that PRSPs by themselves will not solve the donor harmonization problem, but they provide a useful and increasingly used tool around which to build greater donor alignment and harmonization. Efforts are already under way in some countries to assist in defining partnership frameworks under PRSPs, with support from the Bank and other donors.

Management will seek to expand these efforts to others. In parallel, Management has a major program at the corporate level to promote global harmonization efforts to facilitate implementation of the partnership frameworks. With other donors, the Bank is monitoring progress at the country level.

Bank Alignment with PRSPs

Management would like to raise an issue with regard to the alignment of Bank assistance programs with PRSP priorities. Management agrees with the review's finding that the Bank has been responsible for leveraging the PRSP as an agreed coordinating framework for donor activities. At the same time, the review's recommendations imply that the Bank is not yet aligning CAS timetables and timeframes to PRSPs; that CASs do not yet take into account other partners' activities; and that the Bank has not yet indicated how the content of CAS programs should be adapted to PRSPs. In this connection Management notes that since July 2002 the Bank has required that CASs for IDA-eligible countries be prepared on the basis of PRSPs, and that they discuss how the content of the proposed program supports the PRSP. Of the 28 countries that have completed PRSPs/I-PRSPs since then, 27 of them had CASs approved after the PRSP completion date. Likewise, CASs increasingly contain an explicit discussion of selectivity in the Bank's assistance, considering other donors' programs and Bank comparative advantage. CASs demonstrate alignment by explaining how specific aspects of the assistance programs support PRSP pillars; and, as the OED review notes, the content of post-PRSP CASs overlaps with the content of PRSPs. On the basis of its own review of post-PRSP CASs for IDA-eligible countries, Manage-

ment finds a reasonably robust link between a country's PRSP and the Bank's lending program. It is true, as the OED review points out, that the contents of many Bank programs have not changed radically in response to PRSPs. The expanding use of PRSCs in a number of countries does, however, reflect efforts to leverage the Bank's assistance for PRSPs by using an instrument better suited to clients' multisectoral poverty reduction challenges. As noted above, Management agrees nonetheless that PRSPs need to be better prioritized and remains committed to supporting this outcome.

OED Recommendations

Detailed responses to OED's specific recommendations are attached in the Management Action Record.

Conclusions

Bank Management welcomes the OED review of the PRS process and the opportunity to discuss the process as it moves forward. Monitoring and evaluation are built into the process, and the OED review and companion IEO review contribute to our ability to continue enhancing the PRS Initiative. Management agrees with the broad conclusion that the PRSP holds the potential to enhance poverty reduction in low-income countries and should continue to be supported by the Bank. Bank Management is fully committed to continuing to support the PRS process, encouraging countries to tailor the process and content to country conditions, supporting the institutionalization of participation and the deepening of the analytic underpinnings, notably with regard to the growth agenda, and working to support more robust mechanisms for donor alignment.

Management Action Record

OED Recommendation	Management Response
<p>1: The Bank should help foster better customization of the Initiative to country circumstances and more focus on improving long-term processes.</p> <ul style="list-style-type: none"> Greater emphasis should be placed on improving country processes for planning, implementing, and monitoring public actions geared toward poverty reduction, and less on completion of documents. Toward this goal, the Bank should help countries identify what dimensions of the PRS process present major constraints to poverty reduction and establish milestones for specific improvements in these areas, including capacity building. Clarification of these milestones will help to equilibrate stakeholder expectations and promote a longer-term view and results orientation. Country authorities should establish indicators and report them in PRSPs, APRs, and second-round PRSPs. The Bank should not simply permit—but should actively promote—tailoring of the PRS process to country conditions. It should ensure that the timing of progress reporting derives from local processes and that their content links to domestic decision-making. The Bank (and IMF) should demonstrate flexibility in the Initiative’s handling of initial conditions, including cases where constraints suggest building a minimum capacity in key areas before completing a PRSP. 	<p>Management agrees that the PRS Initiative should be tailored to country circumstances, and the PRS architecture already provides for this. Management notes that, through the JSA and other mechanisms, the Bank already provides feedback to countries on where PRSPs are weak and suggests priorities for the coming year. However, Management believes that it would be against the spirit of the PRS process to introduce further process conditionality. In the interest of helping countries customize the PRS process, the Bank will continue to assist countries that want to improve their planning, implementation, and evaluation processes. If they wish, countries could establish milestones for specific improvements on process constraints. Management agrees that initial conditions are important, but, because the PRS framework is a process, it is feasible for countries to prepare PRSPs in the absence of full diagnostics and to use the PRS process to identify and, over time, fill gaps. Management believes that setting a “minimum capacity” standard before allowing countries to complete PRSPs would undermine country ownership. Management will, together with the IMF, take up issues related to improvements in the JSA and APR processes in the forthcoming PRS implementation progress report (also see next point). The modifications to the APR will include: supporting countries in linking it more explicitly to domestic decision-making processes; considering elimination of the requirement that APRs and associated JSAs be presented to the Boards other than in exceptional cases; and reducing the associated reporting requirements by focusing it on improving underlying processes. Once the agreed improvements are introduced, Management will consider this action as complete.</p>
<p>2: The Bank should provide transparent and effective feedback to countries on their PRS processes and strengthen the operational link between PRSPs and assistance.</p> <ul style="list-style-type: none"> Bank management should develop a procedure for Board review of the PRSP that is more transparently supportive of ownership and more effectively linked to decisions about the Bank’s program. This would both reduce the perception of “Washington signing off” and promote ownership. The assessment of Bank and Fund staff of the soundness of the PRSP could be directly incorporated in the CAS and 	<p>Management agrees that the Bank should provide transparent and effective feedback to countries on their PRS process and believes that it is doing so through a variety of written and interactive instruments, including JSAs, CASs, analytic work, and project and policy dialogue. Many of these activities involve other stakeholders. Of course, like all processes, this one could be further strengthened, and the Bank will look for opportunities to do so. Management also believes that there is a strong operational link between PRSPs and Bank assistance programs in countries with PRSPs, which is reinforced by the existing review process that examines the links between the CAS and the country’s program. Again, this process can be strengthened; this is one of the aims of the results-based CAS, which is likely to be mainstreamed, following the review upcoming in the first half of FY05. Management acknowledges an inherent tension between country ownership and the PRSP’s</p>

discussed directly in the context of the proposed program. This could strengthen the operational link between the assessment and the CAS and could allow the CAS to demonstrate more transparently how the Bank's planned assistance is derived from the PRSP.

- The Bank should provide feedback to the country on its PRSP in a form that is candid, transparent, analytically rigorous, and comprehensive. The Bank should also provide feedback in a manner that strengthens partnership, by involving other stakeholders.
- These objectives should be met either through a major redesign of the JSA instrument and process or through discontinuation of the JSA and reliance on more interactive means such as stakeholder workshops, management notes, or other such devices.

operational link to BWI concessional assistance. However, Management believes that shifting Bank assessment of the PRSP to the CAS will not resolve this tension. Management does not believe that discontinuation of the JSA would promote ownership and is concerned that this could undermine the relevance of the PRS process. Management believes that Board presentation of PRSPs and JSAs is a valuable step in the PRS process and should be continued. As noted above, Management does agree that there is scope to consider improvements to the JSA and APR processes. On the JSA instrument, in particular, the adjustments aim to: clarify its objectives and audience; enhance the candor and nuance of the feedback it provides to countries and the Board; and enhance its contribution to the use of the PRS process as a country-led partnership framework. Management will consider that this action is complete when the agreed changes are introduced.

3: The Bank, in concert with other partners, should assist countries to strengthen analysis of the poverty impact of policies and programs, and give more attention to growth.

- The World Bank, in concert with other partners, should help countries build the capacity to address key analytical gaps about the poverty impact of policies and programs. Analysis should address areas such as sources of growth, the quality of non-social sector strategies, and the integration of the macro framework and structural and social reforms.
- Monitoring inputs, outputs, and outcomes of on-going activities is critical to a better understanding of what works and what does not. The Bank should assist in defining indicators that are specific to country priorities, realistic, and within current country capacity to monitor and use. The monitoring and evaluation scope can grow with capacity over time

Management agrees with the need to work in concert with other partners in strengthening analysis on the poverty impact of policies and programs and to give attention to growth in its assistance to PRS countries; and the Bank is doing all this. The Bank works closely with other partners to help countries strengthen the analytical underpinnings of the PRSP. The Bank is working to help PRS countries mainstream Poverty and Social Impact Assessments through a combination of staff training programs, knowledge sharing with countries, and financial support—either through country budgets or from trust funds. On growth, the Bank is carrying out a work program jointly with several partners that will use 14 country-case studies and cross country empirical analysis to better understand growth strategies and their effect on distributional impacts. The Bank is reviewing growth experiences of the 1990s to draw lessons that will help it better understand the process of growth and provide more effective country-level advice. On trade issues, the Bank and other partners support diagnostic work through the Integrated Framework for Trade and Development. Assistance to countries to improve the results aspects of PRSPs continues to be a priority, with support provided through several key instruments. These include the Trust Fund for Statistical Capacity Building and STATCAP programs, as well as financial and technical support for sectoral and household surveys and for strengthened monitoring and evaluation systems. Results-based CASs help to focus country and Bank attention on country M&E systems, because of the need to monitor joint commitments. One of the elements that Management looks for in a results-based CAS is a discussion of the country's results framework and how the Bank and other donors are supporting the country in this regard. It is likely that results-based CASs will be mainstreamed after the upcoming review of experience to date. JSAs and associated sec-

	<p>tor dialogue already provide feedback on the realism of targets as well as on the quality of the proposed indicators and the institutional framework for collecting and using data. Management will consider this action as complete when the cross-country empirical analysis on growth is completed, when all active IDA-eligible countries have completed a full set of core diagnostic ESW, expected by early FY06, and when results-based CASs are in place in at least 75 percent of active IDA-eligible borrowers (assuming that results-based CASs are mainstreamed.).</p>
<p>4: The Bank, in concert with other donors, should assist the country in defining a partnership framework under the PRSP, with more explicit reference to prioritization and the expected role of external partners.</p> <ul style="list-style-type: none"> • The Bank should be a leader in supporting country-led aid management by demonstrating willingness to adjust to country-specific timetables and processes. For example, the CAS should be completed after the PRSP and adopt its timeframe. • The Bank should also define which process areas it will assist the country in addressing and the nature of its assistance in a transparent manner, including coordination with other stakeholders. • The Bank should help countries improve the prioritization and costing of PRSP programs, and demonstrate the alignment of its assistance with these improved PRSPs, taking into account other partners' activities and the Bank's comparative advantage. 	<p>Management agrees. This process already under way in several countries will be facilitated by the major ongoing worldwide efforts at donor alignment and harmonization. Management agrees, nonetheless, that significant challenges remain in making greater harmonization and alignment a reality in most PRSP countries. The March 2005 Second High-Level Forum on Forum will consider time-bound targets for achieving key stages of alignment and harmonization. The Bank seeks to support country-led aid management, in part by requiring that CASs follow PRSPs and, where PRSCs are part of the country support program, increasingly aligning PRSCs to the country budget cycles. As noted above, results-based CASs—which help to strengthen selectivity, alignment, and coordination with other donors—are likely to be mainstreamed after the upcoming review. The Bank already provides support to help countries improve the prioritization and costing of PRSP programs, notably through its country-level work with clients on developing sectoral program budgets and medium-term expenditure frameworks. Management notes that in addition to donor technical support, an individual country's progress on prioritization requires a strong domestic consensus around difficult choices, which is not easily influenced by external actors such as the Bank. Management remains committed to aligning Bank assistance to PRSPs, and will continue to demonstrate such alignment, in particular through the CAS's articulation of how the content of the Bank program supports PRSP priorities. Management will consider this action complete when results-based CASs based on PRSPs are in place in at least 75 percent of active IDA-eligible countries (assuming that results-based CASs are mainstreamed).</p>

ANNEX G: CHAIRMAN'S SUMMARY: COMMITTEE ON DEVELOPMENT
EFFECTIVENESS (CODE)

On July 19, 2004, the Committee on Development Effectiveness (CODE) met to discuss the *OED Review of the Poverty Reduction Strategy (PRS) Process and Draft Management Response to the OED Review of the Poverty Reduction Strategy (PRS) Process*. The OED evaluation was conducted in parallel with an evaluation by the IMF's Independent Evaluation Office (IEO) entitled *Report on the Evaluation of Poverty Reduction Strategy Papers (PRSPs) and the Poverty Reduction and Growth Facility*. The IEO report, as well as *Summaries of Ten Country Case Studies Undertaken as Part of the IEO Evaluation of the PRSP/PRGF and the OED Review of Poverty Reduction Strategy (PRS) Process* prepared jointly by OED and IEO, were circulated as background information.

OED Evaluation Findings. The evaluation, built on OED's earlier evaluation of the Highly Indebted Poor Countries and of the CDF, found that the PRS Initiative has made significant contributions in many low-income countries, including on: improving the poverty focus of national strategies, integrating sector programs in an overall strategy, and increasing attention to monitoring. Notwithstanding the important progress achieved, the evaluation also found that the Initiative's potential has not been reached, and improvements are needed to foster sustainable processes at the country level to have a long-run impact. OED emphasized four specific areas for improvement: (i) the requirements and practices that the Bank has attached to the Initiative have focused on the PRSP documents as the main product, rather than on improving the planning, implementation, and evaluation processes used by countries in their effort to reduce poverty; (ii) many national stakeholders see

the PRS Initiative as Washington-driven rather than country-driven, particularly since the PRSP document is discussed by Executive Directors; (iii) quality and process shortcoming of Joint Staff Assessments (JSAs) prevent this instrument from adequately fulfilling its important role of providing feedback to the country and to the Board; and (iv) donor alignment with PRSPs has so far entailed few observable changes in the selectivity of donors' programs given that most PRSPs have a broad scope and limited prioritization. OED recommended improvements to the Initiative to strengthen country ownership, foster flexible and customized implementation, improve the content of national strategies, and enhance the partnership framework.

Management Response. Management in general agreed with OED's findings, which confirm those of the PRSP implementation progress reports prepared by Bank and Fund staff for the Development and IMF Committees since 2000. Management highlighted that the PRS process is relatively new, it is an evolving process, and the average length of implementation is less than two years in countries that have completed PRSPs. There has also been continued progress in several countries since the completion of OED review. Management agreed that work is needed to strengthen the PRS process but differed on some of OED's recommendations on how to do so. Specifically, Management believed that: (i) the PRS architecture already allows flexibility and the possibility of tailoring to country circumstances and what is needed is more support for countries; (ii) there are several options for strengthening the process of discussion of the PRSP and JSA at the Board, but discontinuing those discussions would be problematic, particularly in terms of main-

taining the operational relevance of the PRS approach; and (iii) the PRS has quickly become central to the engagement of the Bank and other external partners with client countries and is increasingly reflected in CASs as well as the support programs of other donors.

Conclusions and next steps. Committee members welcomed the OED review, which they found to be a frank and constructive assessment with some clear messages to be addressed by Management, donors and the Board. Some members commented that the OED review could have put more emphasis on the positive contributions of the PRS process given the existing circumstances, although this does not mean that Management should be complacent. Overall, members found the Draft Management Response to be balanced but felt it could have been more forthcoming in addressing some of the issues raised. Much of the discussion focused on perceptions of dilution of country ownership, the importance of growth to poverty reduction, partnership and donor alignment, and on ways to improve the process and quality of the JSA.

Management noted the recommendations from CODE members. Management will revise its response to address more clearly several specific points identified at the meeting. The Committee proposed that the Management response clarify the following main issues: (i) how to enhance country ownership, keeping in mind the limited support for eliminating the Board discussion of PRSPs. The present process of the staff presenting the PRSP on behalf of the country and then the JSA enhances the perception of “Washington signing” on a country-owned PRSP; (ii) how to improve the JSA and staff’s feedback to countries and to the Board; (iii) how to make the PRS process more results-focused and assist countries in understanding the poverty impact of policies, including policies to enhance growth; (iv) how to apply the process more flexibly rather than in a standardized way with uniform requirements; and (v) what are the other benefits of the PRS process, which were mentioned by participants but not adequately reflected in the OED report. Consideration should be given to the issue of donor agencies’ support for har-

monization and coordination around the PRSPs, taking into account OED findings and recommendations related to the broad scope, and limited prioritization and costing of PRSP programs and their impact on donor alignment.

The Committee specifically requested Management to improve the JSA process while looking for ways to strengthen country ownership, and to present some suggestions in consultation with Fund staff in the annual PRSP Progress Report to be prepared for the Development and IMF Committees for the 2004 Annual Meetings. That report will again emphasize the centrality of growth for poverty reduction in low-income countries. Management also noted that the PRSP Progress Report in 2005 will include Bank and Fund staff assessments as well as the views of other stakeholders on a wider range of issues of PRS content and process.

Among the specific issues raised during the Committee meeting were:

Flexibility in Implementing the PRS Initiative. Several speakers supported OED’s recommendation for efforts by the Bank to promote customization and flexibility to reflect country circumstances. Speakers acknowledged the need to increase the emphasis of the Initiative on public actions toward reducing poverty rather than to focus on completion of documents and procedures. There was a broad sentiment in favor of reducing the process time, watching the costs involved, simplifying the PRS process, and linking it to the country’s longer-term development strategy and the MDGs. One speaker indicated that the Bank should also encourage the MICs to address the PRS process. Some speakers noted that achievement of desired changes in the PRS process would require significant changes in the Bank’s internal culture, and the way it works with partners. They highlighted the importance of improving the PRS process in an ongoing dialogue both within countries and between the Bank and countries. Management responded that the Bank is undergoing an important process of change of attitudes and internal organizational culture.

PRS country ownership and JSA discussion. While many speakers agreed that the Bank (and Fund)

process for presenting a PRSP to the Board on behalf of the country and also presenting the JSA may undermine country ownership in the eyes of national governments, other speakers stressed the importance of Board discussion of PRSPs. Overall, speakers expressed their chairs' openness to modify the current Board procedure to address this issue to better reflect the perception of country ownership. Speakers made a range of suggestions to improve the process, including for the Executive Director representing the country or the Government—via video conference—to present the PRS, and focusing the Board discussion on the JSA. There was little support for discontinuing Board discussion of JSAs, though a few questioned the extent to which JSA is adding value to the process. One speaker agreed with OED on assessing the soundness of PRSP within the CAS. Other speakers concurred with Management that it is important to elaborate on the feedback on PRSPs, in particular to HIPC countries. One speaker stressed that the JSA should address alignment with the country processes instead of focusing on or aligning with the Bank-Fund processes. Management welcomed OED's message on the need, over time, for greater ownership, and OED and members' comments on improving the JSA process.

PRSP Content and Analytical Underpinnings. Several members agreed with the OED finding that several PRSPs have focused mainly on public expenditure and spending on social programs rather than on broader policy actions for growth and poverty reduction. A few members asked the Bank to address the critical gaps that remain in linking policies and programs to poverty impact. Several speakers suggested that the Bank focus on capacity building, including analytical capacity; strengthening the results focus; and promoting private sector development, infrastructure, rural development, job creation, and revenue policy reform. Management noted that PRSPs, notably more recent ones, as opposed to I-PRSPs, have had more focus on policies for growth and that the Bank will continue to support the necessary analytical work at the country level.

Partnership and Alignment. Members agreed with OED findings that donor programs need to be

better aligned with PRSP priorities and provide better support to, among other things, the domestic planning and budgeting processes. They commented on the need to strengthen the linkage between the PRSP and the annual budgeting process and medium-term expenditure framework. Many speakers also encouraged better alignment of donors' programs and a proactive role for the Bank in harmonization. A member stressed the importance of the expected reduction of transaction costs, and questioned whether these costs have been lowered. A few members observed that the OED review and management response seem to imply that alignment of donor assistance around the PRS means participation in budget support. They pointed out that donor alignment is possible by means of budget support or project aid, and accordingly suggested that the wording be reexamined. Management appreciated OED's comment on the need to improve content alignment of the Bank's own program and to improve the partnership framework, and indicated that they will explore this matter further.

Participation. Several speakers highlighted the importance of enhancing participation, while recognizing the diversity of countries' political structures, and the variety of approaches to consultation including the involvement of parliaments. At the same time, one member noted that the consultation process risked weakening key institutions of civil society. Another speaker echoed OED's concerns regarding the lack of clarity of the objectives of participatory activities, as understood by governments, civil society, and the Bretton Woods Institutions. While participation is beneficial and critical to the PRS process, OED outlines concerns related to the sustainability of participation, and the need to define the concept more transparently in order to inform expectations across stakeholder groups.

Bank-Fund Collaboration. Several speakers stressed the importance of coordination among the Bretton Woods Institutions to reduce the perception of "Washington signing" on a supposedly country-owned strategy. A few speakers commented on the need to synchronize the approaches of the Bank and the Fund, improving

the linkages between the macroeconomic framework and the PRSP, and integrating the short-term macroeconomic framework with long-term planning. Others cautioned that collaboration should not lead to increased emphasis on short-term stabilization strategies at the expense of development dimensions. A speaker suggested

that the institutions should reduce the burden of conditionality on their counterparts in the governments. Another member felt the issue of Bank-Fund collaboration was not well addressed in the OED review and needed to be more explicit on what each institution should do individually and what they should do jointly.

Chander Mohan Vasudev, Chairman

ENDNOTES

Summary of Recommendations and Findings

1. The OED evaluation was conducted in collaboration with the Independent Evaluation Office (IEO) of the IMF, which is producing a parallel evaluation focused on the Fund's support to the Initiative. The key evaluative material includes 10 country case studies (of which 4 were conducted jointly with IEO), a national stakeholder survey conducted in the case study countries, background papers, cross-country analyses, and focus group sessions of Bank task managers, as well as existing evaluative material from within and outside the World Bank.

Chapter 1

1. During the 1990s, significant poverty reduction on a regional basis was achieved only in South and East Asia, which were also the only regions where real per capita growth exceeded 3 percent.

2. The International Development Goals first appeared in the OECD DAC report, *Shaping the 21st Century: The Contribution of Development Cooperation* (OECD DAC 1996). These goals were updated in the Millennium Declaration in 2000, signed by 189 countries (United Nations 2000).

3. For a full discussion of the origins of the CDF, see the recent OED-led evaluation, *Toward Country-Led Development: A Multi-Partner Evaluation of the CDF* (CDF Secretariat 2003).

4. The PRSP Initiative was introduced in BWI policy documents around the time of the 1999 Fall Meetings of the World Bank and IMF (World Bank and IMF 1999a,b). Further development of its objectives and design features, as well as guidance for the support of the Bank and Fund, continued in several BWI-produced documents in late 1999 and early 2000 (World Bank and IMF 1999c, World Bank 2000a). Annex A provides a detailed review of each paper's contribution to the cumulative architecture of the PRSP Initiative.

Throughout this report, Poverty Reduction Strategy Paper (PRSP) refers to the strategy document itself, while Poverty Reduction Strategy (PRS) process refers to the overall process of planning, implementing, and monitoring/evaluating/adjusting the strategy.

5. The PRSP documentation explained that it would be part of a broader effort to "enhance the impact of the Bank's work on poverty" by "promot[ing] sustainable growth and ensur[ing] that its benefits are reaching the poor" by "practical operationalization" of the CDF (World Bank and IMF 1999b). See CDF Secretariat (2003) for a discussion of the distinctions between the CDF and the PRSP, highlighting the latter's links to resource conditionality and characteristic as an "action plan" (rather than "a way of doing business").

6. Interim PRSPs are intended to outline the government's commitment to, and strategy for, poverty reduction and to record commitments to a timeline and a consultative process leading to a full PRSP, which will have a more thorough discussion of country's progress toward poverty reduction (World Bank 2000a).

7. Implications of the Initiative for the Bank's work in low-income countries were outlined in two policy papers: World Bank 2000; World Bank 2000c.

8. PFPs were a tripartite agreement between the government, Bank, and Fund, summarizing a country's medium-term economic framework and covering main reform areas. The process of writing PFPs was widely recognized as largely Washington-driven, with initial drafts locally written in a minority of cases, but even then, they were often redone by IMF and World Bank staff.

9. The Approach Paper for this review was endorsed by executive directors in February 2003 and is available at the OED external Web site. (<http://www.worldbank.org/oed/prsp/>) (OED 2003a).

10. The OED evaluation was conducted in collaboration with the Independent Evaluation Office (IEO) of the IMF, which is producing a parallel evaluation focused on the Fund's support to the Initiative (see the forth-

coming *Report on the Evaluation of Poverty Reduction Strategy Papers (PRSPs) and the Poverty Reduction and Growth Facility (PRGF)* (IEO forthcoming)). The case study methodology, developed jointly by OED and the IEO, is presented in Annex B. Joint case studies were done for Mozambique, Nicaragua, Tajikistan, and Tanzania. These assess both World Bank and IMF support. OED conducted the case studies for Albania, Cambodia, Ethiopia, and Mauritania, and IEO conducted the case studies for Guinea and Vietnam.

11. From the 81 IDA-eligible countries, OED established a sample of 66 for analyzing data across countries, excluding small island economies, inactive countries, and India. Blend countries were included. For purposes of comparing countries with completed PRSPs with other low-income countries, these 66 countries were divided into two groups: 35 countries that had completed a PRSP by the end of 2003 (referred to in the report as “PRSP countries”), and 31 that had not (“Non-PRSP countries”). For some analyses, the PRSP countries were subdivided into “Very Early,” “Early,” and “Late,” depending on the date they completed their PRSPs. Annex C provides details of the PRSP status and OED’s categorization of all 81 IDA-eligible countries.

12. As mentioned in box 1.2, a survey of national stakeholders was conducted in each of the 10 case study countries. Roughly 1,000 questionnaires were sent out to stakeholders in the 10 case study countries. The sample was targeted at individuals familiar with the PRSP process in government, civil society, international NGOs, and external partner groups, and was derived from information from the country case study mission, participants listed in the PRSP document, and input from local consultants. There were 779 responses, spread evenly across stakeholder categories. Questionnaires were tracked at the stakeholder-group level to ensure a response from key groups, but individuals could choose to remain anonymous. A standard questionnaire was sent to each participant, and the survey was self-administered. Local survey consultants and firms were used to collect and code the data. Survey analysis was conducted in Washington by Fusion Analytics, in consultation with OED and IEO. The survey, a description of the methodology, and an overview of the results can be found in Annex D.

13. Respondents assessed relevance of the PRSP approach more highly than any other dimension. Its mean score of 3.5 was significantly higher than the composite scores for the five principles, excluding

partnership, from which it was not statistically different. See Annex D. These results reinforce similar findings from *Toward Coountry-led Development: A Multi-Partner Evaluation of the CDF* (CDF Secretariat 2003).

14. This was also noted prominently in the case studies of *Toward Coountry-led Development: A Multi-Partner Evaluation of the CDF* (CDF 2003).

Chapter 2

1. A volume of summaries of the 10 country case studies is available at <<http://www.worldbank.org/oed/prsp>> Individual case studies are available upon request.

2. Selection criteria were maturity of the PRSP process, geographic balance, coverage of non-HIPC countries, and country initial conditions. Coverage provided by case studies in recent or ongoing OED work was also a factor in the selection. *A Multi-Partner Evaluation of the CDF* (CDF Secretariat 2003) covered the PRSP process in Bolivia, Burkino Faso, Ghana, Uganda, and Vietnam. *Debt Relief for the Poorest – An OED Review of the HIPC Initiative* (OED 2003b) conducted case studies in Cameroon, Guyana, Malawi, Uganda, and Zambia.

3. A representative from civil society and one from the government were invited from each of the 10 countries to attend the January 2004 multi-country workshop in Addis Ababa.

4. The criteria for ownership draw on *Borrower Ownership of Adjustment Programs and the Political Economy of Reform* (Johnson and Wasty 1993).

5. This was a consistent message that the evaluation team heard from senior government officials in Mozambique, as well as from IMF and World Bank staff. Respondents to the survey in Mozambique agreed that the “PRSP is a good model” and that it “improves on past modalities,” but respondents were more neutral on aspects of participation—most notably the adequacy of broad consultations with stakeholders.

6. These findings corroborate evidence from the CDF evaluation (CDF Secretariat 2003) that the resource conditionality tied to PRSPs was a major motivation in their preparation, causing rushed formulation and subsequent shortcomings in quality (for example, in participatory processes, analytical work, and overall institutionalization of the process). This was observed through both HIPC conditionality and IDA and PRGF linkages (CDF Secretariat 2003).

7. At decision point, a country qualifies for debt relief and receives interim relief under the HIPC Initiative. At completion point, the country receives irrevocable debt relief.

8. As of September 2003 (World Bank and IMF 2003, p. 2).

9. The formal policy position linking PRSPs to PRGF requests and reviews is set out in *Poverty Reduction and Growth Facility—Operational Issues* (IMF 1999a) and was endorsed by the Board in the concluding remarks from that discussion (IMF 1999b).

10. See IEO (2004) for a full discussion of the shortcomings of participation in the macroeconomic framework.

11. Albania, Ethiopia, Mozambique, Nicaragua, Tajikistan, Tanzania, and Vietnam.

12. Civil society representatives in the case study countries commented that the BWIs tended to equate consultation with participation. In a submission to the OED evaluation based on a survey of civil society views in 10 countries, CIDSE/CI, an alliance of Catholic development organizations in Europe and North America, reported that while there has been a slight change in attitude and practice of Bank staff toward participatory activities, the World Bank approaches participation as information sharing, or at best as consultation (CIDSE/CI 2003).

13. The decision to eliminate user fees in Tanzania was influenced both by NGOs, who had been lobbying intensely for this during formulation of the PRSP, and Bank staff.

14. See Annex D (Section D: Composite Results Table).

15. These elements are derived from BWI policy papers.

16. Definitions of poverty include both income and living standard measures such as the incidence, depth, and severity of income poverty; access to health, education, and potable water; the quality of housing; and poverty by demographic, marginalized groups, and regions.

17. This is based on the review of 25 PRSPs for countries in which the Bank subsequently completed a Country Assistance Strategy. In six of the case studies, costing and prioritization were either not done or deemed incomplete or very poor. Even in the strongest cases, achievements are very preliminary. In Mauritania, the PRSP was very overoptimistic in what could be achieved or financed, and also very volatile, with

(for example) the financing requirements for education tripling during the process. For Mozambique, resource requirements had (to a certain degree) been introduced under the Action Plan for the Reduction of Absolute Poverty (PARPA). This was facilitated by the ongoing Medium-Term Budget Framework, which helped cost sector strategies.

18. The mean score for partnership-oriented (3.33) was significantly higher, at a 95 percent level, than those of the other principles.

19. The group is currently composed of donor agency representatives from Canada, Denmark, Finland, Japan, Netherlands, Norway, Sweden, Switzerland, and the United Kingdom, with Germany and Australia as regular attendees. The “like-minded” donors group has its origins in the “Utstein” grouping of Norway, Netherlands, Germany, and the United Kingdom. Representatives of these countries working in Vietnam began to meet informally in 2000 in an effort to leverage “shared objectives centered on poverty reduction, improved aid effectiveness, and a collaborative style of working.” The group became a natural forum for discussing PRSP issues.

20. Members reserve the right to depart from the PRSP framework in response to political and/or human rights concerns.

21. An independent evaluation of Swiss engagement in the PRSP process found that in some countries, PRSPs are influencing program planning. For instance, in Mozambique, processes have changed (the PRSP is an indicator in the monitoring of the Swiss country program). In Vietnam, both process (using pooled finance and working under the umbrella of a government ministry) and content (choice of geographic areas and sectors for support) have changed. But in some cases, alignment of content is “coincidental” because of the broad scope of the PRSP, as in Tajikistan, where the PRSP and SDC have both independently prioritized governance and health. The evaluation recommends that SDC country offices should be explicit about how program content and the approach they are taking are appropriate in the context of the PRSP (SDC 2003).

22. A recent assessment of MDG Country Reports by the UNDP’s Evaluation Office reaches consistent findings for a broader group of countries. Their report concludes, “There is need for convergence and stronger links between the monitoring and reporting processes of MDGs, Poverty Reduction Strategy Papers (PRSPs), and other comprehensive national develop-

ment frameworks and reporting instrument.” (UNDP Evaluation Office 2003b).

23. The Ministry of Foreign Relations coordinates IDB and other donor funding, the Ministry of Finances supervises the use of some recurrent expenditures and is in charge of relations with the World Bank, the National System of Public Investment handles investment expenditures and a considerable share of recurrent spending, and the Central Bank registers foreign currency transactions.

24. This question received the lowest mean score from donors and was the only question in which their response was lower than that of international NGOs and civil society.

25. See the data on aid flows presented in the preliminary outcomes section of Chapter 3. Within the case studies countries, increased budget support was noted in Ethiopia and Mozambique. In Tanzania, the amount of Bank budget support lending has increased; as a share of total lending, however, it has declined. Complete data on aid flows in Tanzania were not available.

26. The Bank and the Fund prepared *PRSPs—Progress in Implementation* reports in April 2000, September 2000, April 2001, September 2001, September 2002, and September 2003 and conducted a joint review of the PRSP approach in April 2002.

27. The survey question on the quality of Bank-Fund collaboration ranked seventh-highest among the 30 questions in the survey on the PRSP process, both in terms of its mean score and the percentage answering in the top two rankings (4 or 5).

28. The assessment of these two objectives in this section is based on two in-depth content reviews of JSAs conducted by OED and IEO, interviews with Bank staff, evidence in the country case studies, and feedback from PRSP stakeholders.

29. Annex E contains a discussion of the scope, methodology, and findings of the JSA review. The aim was to assess, using a four-point scale, how well each JSA identified the strengths and weaknesses of its PRSP and signaled specific directions for improvement. The assessment covered each JSA's treatment of 11 issues, as listed in figure 2.4. The issues were selected based on their importance in transcripts of Board discussions of a sample of JSAs and in the course of the case studies. To obtain a high score, the JSA had to *describe* how the PRSP handled the issue, *assess* the comprehensiveness and real-

ism of the PRSP's analysis, and *recommend* future work.

30. The IEO review of JSAs covered an additional five key questions raised in the JSA Guidelines, as well as JSA process issues mainly related to the IMF.

31. The use of APRs as a condition for IDA resources is less systematic. In one case study country, the APR was used as a requirement for PRSC tranche release.

32. These two objectives are taken from the *PRS Sourcebook* (World Bank 2002a).

33. As of February 2004, 18 APRs had been produced covering 12 countries (Albania, Burkina Faso, Ethiopia, Honduras, Malawi, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, Uganda, and Vietnam). Burkina Faso, Mauritania, Nicaragua, Tanzania, and Uganda have multiple APRs. Three of the 10 case study countries have not completed an APR, though the case study for each includes discussion of an ongoing APR process. See Annex C for more details on completion of APRs.

34. Targets do not cover all priority sectors: Tanzania has indicators in income, human development, and survival; Uganda in two of four pillars, income and quality of life; Niger in education and health; Burkina Faso in education, health, and water; and Mozambique in education, health, roads, and water.

35. Four countries prepared APRs in order to reach completion point under HIPC, and in Tanzania the second APR was a required prior action for the PRSC.

36. For countries such as Cambodia and Tajikistan, the formulation of the PRSP consumed a large portion of available capacity in the planning and finance ministries and government at large, and the APR presents a similar challenge. The consultative processes required for the APR are an additional challenge for all stakeholders. The level of consultations in APRs was weak in Albania, Mozambique, and Tanzania due in part to time constraints and/or the high costs of staging large consultations.

Chapter 3

1. Joint Bank-Fund progress reports were presented to the BWI Boards semi-annually from April 2000 to September 2002. Reports are now made on an annual basis, with the most recent in September 2003.

2. This chapter draws from two background papers, “Public Expenditure Management Linkages to the PRSP Process” (Bevan 2004) and “Capacity Enhancement and the PRSP Process” (Kavalsky 2004)—and is

supplemented by cross-country reviews of the composition of public expenditure in the 23 countries with more than a year's experience in implementation of a PRS, a review of monitoring and evaluation in 12 countries that have completed Annual Progress Reports on PRSP implementation, and evidence from the 10 OED/IEO country case studies.

3. The others were the 1991/92 Household Budget Survey, the 1993 Human Resource Development Survey, and the 1995 Participatory Poverty Assessment.

4. One scenario assumes future constancy of the recent growth elasticity of poverty; another assumes that the distributional properties of growth can be improved.

5. Data on actual "poverty reducing expenditures" are available from 1999 to 2002 from the World Bank and IMF HIPC units. The labeling of an expenditure category as "poverty reducing" originated as a means to track HIPC debt relief. Initially figures on "social spending" were reported in the annual World Bank and IMF *HIPC – Status of Implementation* reports for countries that have reached decision point under the HIPC Initiative (see, for example, World Bank and IMF 2001b, Appendix tables 6 and 7). With the introduction of the PRSP, staff report on "poverty-reducing expenditures" (see, for example, World Bank and IMF 2003b, Appendix tables 4 and 5).

6. Some countries include only primary education and basic health, while others include agriculture, rural roads, and water and sanitation, and one country incorporates infrastructure, governance, agriculture, and macroeconomic management.

7. OED researched data on the 23 countries that had completed a PRSP by end-2003, and thus had an opportunity to implement their first post-PRSP budget. Expenditure data were most widely available for the education, health, agriculture, and transport sectors in 14 countries of the total set of 23.

8. To compare pre- and post-PRSP years, we adopted a timeline in which observations were aggregated in years ranging from T-6 to T+3, where T+1 represents the first year of PRSP implementation in each country. Expenditure data covering PRSP implementation were available only for Ethiopia, Guinea, Mozambique, Tanzania, and Uganda, and consistently available only for four years before and one year after implementation.

9. Using all available data points from T-6 to T+3 for the same set of five countries, the mean annual expenditure on education showed a greater increase,

from just under 3 percent pre-PRSP to 4 percent of GDP post-PRSP.

10. See Annex C for the 12 countries that have issued APRs.

11. The *Global Monitoring Report 2004* notes that prospects for achieving the MDGs are gravest in health. On current trends, the goals of reducing child and maternal mortality will not be attained in most Regions, and only a small proportion (15–20 percent) of countries appears to be on track. The risks of failure to halt the spread of HIV/AIDs are also daunting (World Bank and IMF 2004).

12. Analysis in this chapter uses the PRSP and non-PRSP country samples defined in Annex C. CPIA ratings are available only for 28 out of the 31 IDA countries without a PRSP. Afghanistan and Timor-Leste did not have ratings for either 1999 or 2003, and Serbia and Montenegro had ratings for 2003 only.

13. The CPIA includes 20 equally weighted dimensions in the overall rating of policy encompassing economic management (comprising economic policies), structural policies (broadly covering trade, financial sector, and regulatory policies that determine the enabling climate for the private sector, as well as policies for environmental sustainability), policies for social inclusion/equity (covering policies for human resource development, gender, social protection, and equity of resource use), and public sector management and institutions (comprising public financial management, quality of public administration, control of corruption, and rules-based governance) (World Bank and IMF 2004).

14. Data on aggregate aid flows are from the OECD-DAC, which provides data on the volume, origin, and types of aid and other resource flows to over 180 recipients. It includes both bilateral and multilateral ODA. The database is available online at <http://www.oecd.org/dataoecd/50/17/5037721.htm>. Analysis was conducted on data available from the Web site in January 2004, covering the period through 2002.

15. See Annex C for a list of the eight very early countries.

Chapter 4

1. The effectiveness of Bank support to the PRSP process was addressed in the eight case studies conducted either solely by OED or jointly with the IEO (see table 2.1). The case studies of Guinea and Vietnam were conducted solely by IEO and did not address Bank effectiveness.

2. Analysis on Bank lending and non-lending in this chapter uses the PRSP and non-PRSP country samples defined in Annex C.

3. See Annex C for a list of the countries.

4. Total IDA lending to the 35 countries with PRSPs by end-2003 rose from \$13.1 billion in FY96–99 to \$15.9 billion in FY00–CY03. By comparison, total IDA lending to 31 other active IDA-eligible countries fell from \$13.1 billion in FY96–99 to \$11.0 billion in FY00–CY03. PRSPs were prepared at different times during the four years after the launch of the Initiative, but for cross-country comparison purposes, OED aggregated the post-PRSP four-year period.

5. In May 2001, the Bank created PRSCs as a new programmatic lending instrument designed to support IDA countries' medium-term policy and institutional reform programs, as reflected in PRSPs, and to complement the Fund's PRGF. PRSC programs include a series of adjustment operations that deliver budget support based on prior policy actions and require core diagnostic economic and sector work, including an assessment of the country's development policies and its public financial accountability arrangements. The guidelines mention that the share of IDA lending through the PRSC instrument may be as high as half, depending on country circumstances.

6. There were approved PRSCs in 3 of the 10 case study countries either before or during the bulk of the country-specific work (Albania, Tanzania, and Vietnam). Dialogue on preparation or appraisal of PRSCs was ongoing during case work in an additional three countries (Ethiopia, Mozambique, and Nicaragua).

7. There is limited information on co-financing in PRSC program documents. In Sri Lanka, the Asian Development Bank is expected to contribute US\$400 million during 2003–06. In Vietnam, four donors (Denmark, the Netherlands, Sweden, and the United Kingdom) contributed \$49 million for the first PRSC, and the first three contributed \$33.7 million for the second PRSC. The second PRSC for Burkina Faso was co-financed by Belgium specifically for the implementation of the Health Development Plan within the overall framework of the PRSP.

8. As documented in the joint Bank/IMF benchmarking of PEM systems in HIPC countries, *Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in HIPCs* (World Bank and IMF 2002b).

9. The CAS base case scenario by sector is considered for Bank lending and the medium-term sectoral

program for the PRSP. In 8 of the 25 countries, the costing in the PRSP was too vague or contained inconsistencies that prevented comparison of sectoral alignment, leaving a sample of 17 PRSP countries that have all three sets of data available.

10. Of the 17 countries in the sample, 15 had multi-sector adjustment credits in their pre- or post-PRSP base case programs. Commitments for these credits were divided equally among the sectors covered.

11. Social sectors are defined as education, health, social protection, and direct/targeted poverty interventions. Growth includes infrastructure, PSD, agriculture, economic management, and financial.

12. There are four types of ESW: (1) Core Diagnostic ESW: Country Economic Memorandums and Development Policy Reviews, Poverty Assessments, Public Expenditure Reviews, and, since FY01, Country Financial Accountability Assessments and Country Procurement Assessment Reviews; (2) other Diagnostic ESW that addresses sector-specific or thematic issues: Institutional and Governance Reviews, Social Protection, Health, and Education Sector Reviews, and the like; (3) Country Advisory Reports, which consist of more specialized products relevant to specific clients and specific topics: Commodities Studies, Debt and Creditworthiness Studies, and so forth; and (4) other Non-Formal or Non-Assigned ESW: Policy Notes, workshops, and conferences.

13. This question received a mean score of 3.45, but this was not significantly lower than scores on other Bank questions.

14. According to a World Bank presentation at a workshop for bilateral donors in October 2003, PSIA are ongoing in 38 PRSP countries.

Annex B

1. 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.

Annex D

1. The five-point scales used in most questions offered a range from 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

2. Fourteen stakeholder groups were identified: Government - central government, line ministries and

sector agencies, local government, Parliament – Civil Society – local NGOs, business sector, labor unions, academia, media, religious organization, political party, other – International Partner – donor, international NGO. Results at the stakeholder group level will be presented in the aggregate analysis across all countries.

Annex E

1. While not one of the “key questions” of the *JSA Guidelines*, JSAs are asked by the Guidelines to assess risks to successful implementation of PRSPs (paragraph 4). Both the OED and IEO reviews assessed JSA treatment of risks, but the OED review used somewhat different criteria, including how JSAs have assessed *endogenous* risks (see Annex B for more details).

2. The sample of JSAs and Board comments was generated by selecting an early and recent JSA for an

African country (Mauritania, February 2001; Cameroon, July 2003), a recent Asian JSA (Nepal, November 2003), and a Latin American JSA (Honduras, September 2001).

3. The framework for the rating system is similar to the one employed in the IEO review.

Annex F

1. These numbers refer to PRSPs, I-PRSPs, and APRs completed by countries and transmitted to the Bank and IMF. Not all have been discussed by the Boards.

2. See, for example, Oxfam 2004; Booth 2003. The Bank’s PRSP Web page currently provides links to over 50 such reviews.

3. Updates can be found at <http://poverty.worldbank.org/index.php?view=sub&id=3789>.

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