



OED REACH

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OED Review of the Poverty Reduction Strategy Process

Based on *The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank's Support Through 2003*

- The PRS Initiative has begun to orient stakeholders in low-income countries toward a focus on poverty, attention to results, and an overarching framework for aid management.
- The tension in designing a Bank/IMF-driven initiative involving conditionality that is simultaneously meant to foster a country-driven process has hampered customization of the Initiative to country conditions and caused limited focus on domestic planning and implementation processes.
- To enhance second-generation PRSPs—and introduce the process in the more difficult country environments yet to produce an initial PRSP—the Bank should foster better customization, assist in exploring a wider range of policy options including attention to growth, and help define clearer partnership frameworks around PRSPs with accountabilities for both countries and partners.

The Bank and the IMF launched the Poverty Reduction Strategy (PRS) Initiative in 1999 to improve the planning, implementation, and monitoring of public actions geared toward reducing poverty. Low-income borrower countries are required to complete a PRS paper, or PRSP, for access to Bank and Fund concessional lending and to HIPC debt relief. PRSPs are also to serve as the framework for external assistance. This evaluation reviews progress against these aims, and assesses the effectiveness of the Bank's support. It was conducted in collaboration with the Independent Evaluation Office of the IMF, which is producing a parallel evaluation focused on the Fund's support to the Initiative.

Main Findings

The Initiative is relevant but its benefits vary.

The Initiative has improved the poverty focus of national strategies. The process of gathering sector programs under one strategic umbrella has helped policymakers better appreciate the links between sector strategies and poverty reduction. But progress has depended on each country's public sector capacity,

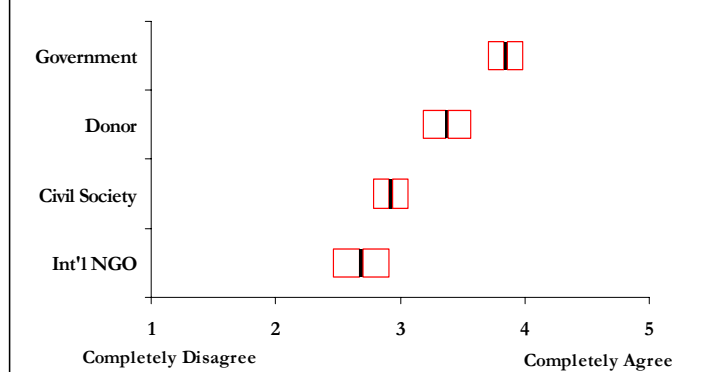
government-partner relationships, and relations among donors. The Initiative has added the most value in countries where government leadership and aid management processes were already strong.

Tensions in the Initiative's design have caused problems during implementation.

There is an inherent tension in the design of a Bank/IMF-driven initiative involving conditionality that is simultaneously meant to foster a country-driven process. The perception of ownership varies among stakeholders (see figure 1). 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 weak public sector capacity. Countries have focused more on completing documents, which give them access to resources, than on improving domestic processes. Secondly, there are no intermediate milestones 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.

Figure 1: Was the PRS Process Country-Driven?

Source: Survey of national stakeholders in the 10 case study countries



Key areas need strengthening.

- *Alternate options and 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 social sector spending than to infrastructure, rural development, and other areas with poverty reduction potential. More analytical work is needed about how development policies and programs can best lead to poverty reduction.
- *Alignment.* External partners have supported PRSP formulation, but neither donors nor the Bank have defined specifically whether or how they should change the *content* of their programs to reflect PRSPs. Donors have changed their *processes* through increased participation in budget support and streamlining performance monitoring.
- *Results focus.* The development of country-specific indicators and monitoring systems to track them is still 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 lending since the launch of the Initiative 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 since PRSP programs are broad and not well prioritized, this overlap has not entailed major changes for the Bank. The Bank has conducted more economic and sector work in PRSP countries than it did before the Initiative. But this additional work largely takes the form of fiduciary diagnostic studies.

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. Joint Staff Assessments' analytical quality and coverage are mixed, and they are not widely shared with national stakeholders. These shortcomings limit their usefulness both as assessments of the PRSP as a basis for Bank support and as a feedback tool for the country.

Recommendations

To deepen the PRS process in existing PRSP countries—and its expansion to countries with more difficult policy environments—the Initiative requires reorientation along the lines noted below.

PRS Process

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

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 non-social-sector strategies, and the integration of the macro framework and structural and social reforms.

Partnership and Alignment

- The Bank should assist countries in using the PRSP as a partnership framework by encouraging government-led aid management and selectivity, and should better integrate its own assistance with the efforts of other partners. The Bank should assist countries in improving the prioritization of their PRSPs, and demonstrate how the content of its programs has changed in light of these improved PRSPs.

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