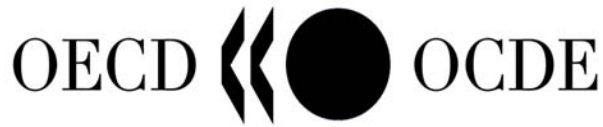


ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

DAC POVERTY REDUCTION NETWORK (POVNET)
TASK TEAM ON INFRASTRUCTURE FOR POVERTY REDUCTION
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ROOM DOCUMENT 1

Infrastructure and Poverty Reduction Strategy Papers; Summary and Annotated
Bibliography

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Infrastructure and Poverty Reduction Strategy Papers Summary and Annotated Bibliography

Purpose

This summary and annotated bibliography serves as a background note for discussions of the OECD DAC task team on infrastructure for poverty reduction. The task team asked DFID to prepare a paper on how infrastructure planning links to PRS processes and country-led development. This paper will feed into the guiding principles which form the main output document of the task team.

Introduction

Although the origins of poverty reduction strategy papers (PRSPs) lie with conditional debt reduction initiatives starting in the mid 1990s they now have an expanded function in the poverty reduction processes. There are now over 40 low income countries following the PRS process with several entering their second generation PRSPs. Reviews of first generation PRSPs (World Bank 2004, IMF 2004, ODI 2004) suggest that the approach has made important progress in three areas:

- Contributed to a much stronger focus on poverty inside government
- Engaged civil society in poverty policy debates on an unprecedented scale
- Focussed attention on donor alignment internationally and at the country level.

However concerns remain about country ownership, failure to address growth (except in Asia), limited change in donor behaviour, and concern that there is an overemphasis of PRSP as a paper rather than as a poverty oriented planning process. This paper will summarise infrastructure in PRSPs and discuss live issues of sector prioritisation, donor alignment, sectoral approaches, challenges to donor influence of country-led processes, and future policy considerations.

Infrastructure and PRSP

PRSPs cover infrastructure at the sectoral level, improving the access of the poor to networks of transport, energy and telecommunications. More than other infrastructure sectors, water is considered as a social sector, along with health and education. Links are made between infrastructure and agricultural development in rural areas and small enterprise development for urban poverty reduction. In the rural sector, there is a common emphasis on rural roads in enabling access to markets. Sections on enterprise also recognise infrastructure services as factors of production, both in how improved services such as access to telecommunications can increase incomes, and how unreliable services such as electricity intermittency are barriers to profitability. Other infrastructure references in PRSP includes concern at the deterioration of existing infrastructure, including irrigation channels and roads, and use of concessions for telecommunication and rail operations. With road construction and maintenance the employment benefits of selecting labour intensive methods is mentioned (Uganda, Niger).

Prioritisation

As PRSPs embody many sectors' contribution to poverty reduction, there is an opportunity for resource allocation according to informed decision making at the national level. However one critique of PRSPs are that they are often poorly linked to national parliamentary processes, as many are prepared by a separate committee or team in the Ministry of Finance. A specific case of this is weak links between countries poverty strategy papers and their budgeting or MTEF¹ processes, leading to greater off-budget infrastructure funding, and less government co-ordination.

Donor Alignment

Infrastructure sectors remain areas where there is significant donor project funding which remains outside government domestic spending. A greater proportion of donor spending in infrastructure sectors channelled through national budgets is an indicator of improved donor alignment around country-led development. Alignment at the sector level can include working groups of government stakeholders, donor partners, civil society and NGO-service delivery providers. PRSPs provide a means for donor alignment at the general level and as the papers are public they present opportunities for civil society and international scrutiny on monitoring progress. At the sectoral level there is also scope for more harmonized donor support as summarised below.

Sectoral approaches within PRSPs

Sector budgets and sector investment plans in the infrastructure sector include strategies for the expansion of infrastructure (transport networks, electricity grid, water availability) and improved arrangements for meeting maintenance requirements. Co-ordination is also necessary for improvements in sector management including the design of regulatory systems. This links directly with the PRSP as the high level targets of sector strategies form the indicators in the sections of the PRSP pertaining to each respective infrastructure sector. In contrast where there is a fragmented bureaucracy, such as in the water sector in Zambia, the resulting lack of sector lobbying and unclear agenda for water in the PRSP, means that donors and government are likely to work outside of a strategic approach which risks under-funding of recurrent costs and can increase transaction costs for both donor and recipient parties.

Infrastructure in Vietnam's PRSP

The Vietnam Government's PRSP, the Comprehensive Poverty Reduction and Growth Strategy, is a case study of how infrastructure sectors are well integrated with central strategy. The three-year strategy is based on a number of other planning documents, including sectoral five-year plans. Donor consultation on the PRSP has led to a revision process to take into account the large investments made in infrastructure and their contribution to the country's economic growth. The CPRGS now includes a chapter on the role of infrastructure in promoting economic and social development deemed "very comprehensive" by the World Bank IMF review process.

¹ MTEF, Medium Term Expenditure Frameworks

Improved sector coordination, including sector wide approaches, with long term planning frameworks also presents an opportunity for better treatment of recurrent costs. For low income countries operation and maintenance needs for infrastructure are greater than the investment needs (Estache 2004). Donor support for sector approaches must recognise this. Operationally the risks of off-budget funding, due to weak sector co-ordination, are that recurrent cost are not properly incorporated in the sector's finance requirement. Furthermore effective planning is hindered if donor support is not sufficiently predictable. One challenge to donor technical assistance is whether final strategies are sufficiently 'owned' by the institutions which will take forward the sector strategy.

Finally donor support can also assist with sectoral linkages. One element of sound sector planning is that the contributions to other broader goals can be articulated. International development research is well placed to draw these cross-sectoral linkages and the PRSP is a suitable place to aggregate the contributions that infrastructure sectors make to various social and economic objectives. One example is how poverty and environment linkages are developed in the Uganda PRSP (Poverty Eradication Action Plan 2000). Donor organisations which have access to development policy research can work with the sectoral ministries and relevant civil society organisations to communicate these links.

Influencing country led processes

There are several ways for external agencies to influence PRSPs. These include:

- direct influence, for example donor access to minister's time,
- influencing the JSA² process,
- supporting civil society processes, and
- strengthening sector coordination and linkages

Additionally with a finalised PRSP the implementation of the strategy can be monitored against the targets widely visible in the published PRSP. The first two ways of influencing PRSPs risk undermining national ownership. Legitimate means of influencing the infrastructure content within PRSP involves either supporting civil society processes, for example through citizens report on progress towards PRS targets, or by strengthening coordination at the sector level. A further constraint to influencing infrastructure sectors in PRSPs are that processes of privatising state-owned utilities, mean that there is (and should be) less direct influence from governments in the business of the utility even if this is for poverty reduction objectives. Influence such as output based subsidies or suitable regulation, such as lifeline tariff structures, are preferable to direct political control. Another possibility for donor influence which minimises interference with country systems is to help present the evidence base, for example on the economic impact of different aspects of infrastructure sector strategies, such that country processes can make more informed policy decisions.

Future policy considerations

Harmonisation

As PRSPs become more strategic, focussing on higher level policy priorities and linking closer with national budgetary processes, this presents development policy

² JSA, Joint Staff Advisory note, a PRSP review process of the World Bank and IMF

challenges for the donor community. This includes Rome Declaration on Harmonisation principles including aligning support around government priorities, using government systems to deliver aid and ensuring all aid is on-budget, and aligning with government monitoring and accountability processes. Where aid is off-budget, donor can still adhere to national planning processes, for example expansion plans for networked infrastructure. This links to improved sector support, for example a co-ordinated joint sector approach or strengthened planning, budgeting and regulation.

Fragile States

The PRS approach is recognised as having a role in fragile states, such as Afghanistan preparing an interim PRSP. The impact of this includes how infrastructure investments link with governance issues and the aid instruments used in fragile states. The World Bank's LICUS³ report recommends that short term measures should seek to strengthen the legitimacy of government.

Convergence of PRSPs to MDG targets.

The recently published report of the UN Millennium Commission (2005) recommends a convergence of MDG and PRS agendas. While this calls for a renewed global push for a global effort, the external prioritising further undermines the abilities of governments to set the domestic agenda. By limiting conditions for which policies to follow within a framework for meeting MDGs this negative effect can be reduced. Further policy considerations will be drawn by a joint World Bank / IMF PRS review due for completion in 2005.

PRS and Budget Support

Donor support to country-led development includes channelling resources through a government's budget in the form of general or sector budget support. Many donors believe that budget support is the aid instrument most likely to support improvements in the accountability and capability of the state. Budget support is closely allied to PRSPs, as the paper forms the conditionality for donor core support to governments. Challenges in the budget support approach include impact attribution and concerns about fiduciary risk.

PRS and Decentralisation

Processes to devolve fiscal and political powers to sub-national levels are components of governance reform. Decentralisation may make services more responsive and accountable to the needs of the poor, with government agencies becoming closer to citizens and from service delivery institutions, such as utilities, becoming closer to their customers.

Private sector and PRSP

The recent World Bank notes that in the consultative process of PRS formulation there is engagement from the formal private sector, but less often from informal sector groups. Additionally a criticism of PRSPs are that some areas, for example certain macro-economic parameters, are not open for policy debate. However where privatisation is included, state owned infrastructure sectors are often high privatisation

³ LICUS, Low income countries under stress

priorities. Dialogue between the public and private sectors in PRS processes can improve understanding of business needs, can increase transparency and credibility with potential investors, and increase private sector knowledge of government policy reduction policies. Trends in PRSP processes include the need to put more emphasis on economic growth, this leads to an increased emphasis and inclusion of privatisation in countries' PRSPs.

Conclusions

The key messages are that PRSPs enable infrastructure sectors to articulate their contribution to poverty reduction and pro-poor growth at the national level.

- PRSPs do not displace the need for sector planning processes including better co-ordination, policies and a continued reform agenda.
- Influencing PRSPs and sector strategies should not undermine country ownership or country decision making processes.
- Current PRSP approaches show weaknesses in the links between the paper and national political and budgeting processes. Donors can support these linkages.

Finally, despite the caveats, the positive conclusions of PRS reviews are sufficient for the approach of joined-up planning to be a central part of the development agenda in the coming decade. The challenge for infrastructure involvement PRSPs is to demonstrate both service delivery roles in addressing poverty directly and in how infrastructure improves the investment climate and economic growth. Strong integration of infrastructure sectors with country led PRSPs and budgets allows donor finance to support the country institutions for progress in increasing access of infrastructure services for the poor.

Annotated Bibliography

Millennium Project Report 2005

The two-year UN Millennium Project, directed by Jeffrey Sachs, reported in January 2005. Key recommendations include:

- PRSPs should be aligned with the Millennium Development Goals
- Donors should identify at least 12 countries for a “massive scale-up [of aid] on the basis of their good governance and absorptive capacity”
- Identify “quick wins” and implement immediately, eg. free mosquito nets and ending fees for school and health.
- Countries should align MDG/PRS strategies with regional initiatives

A detailed financial calculation concluded that low income countries should invest 70-\$80 per capita annually to meet the MDGs, and that global ODA targeted at meeting the MDGs must rise to \$73bn by 2006 and \$135bn by 2015.

The taskforce on Water and Sanitation recommended putting sanitation at the top of the agenda.

UN Millennium Project (2005) Investing in Development: A Practical Plan to Achieve the MDGs
Reports and summaries at <http://unmp.forumone.com/> including the [full report](#).

PRS Preparation

World Bank IMF PRSP Source Book 2004

The World 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. The core PRSP principles are national ownership, multi-dimensionality, results-orientation, long-term planning and partnership. The sourcebook seeks to provide guidance on the process aspects of the PRS, poverty analysis, and the basis for poverty reduction policy. This is the main reference document for PRSP preparation and the framework for engagement.

World Bank IMF (2004) PRSP Sourcebook (Washington: World Bank)

URL: www.worldbank.org (link to PRSP Sourcebook)

UNDP Role of Parliaments in drafting PRSPs (2002)

There is some concern that the drafting process of a country's PRSP is a process external to main parliamentary processes. UNDP research into having greater involvement of parliamentary processes with the PRSP. The report lists how parliaments can strengthen the PRS process at different stages of the PRS cycle.

Hubli K S and A. P. Mandaville (2002) Parliaments and the PRSP process (New York: UNDP)
http://www.undp.org/governance/docspublications/policy_dialogue/18_Parliaments_and_the_PRSP.pdf

Recent PRS reviews

World Bank OED, PRSP evaluation 2004

The PRS initiative has improved the poverty focus of national strategies, but the analytical base needs strengthening. PRSPs do not consider growth policies comprehensively. Alignment is currently talked about without clear actions (including no major changes in Bank programmes). Policies are not demonstrably results based. JSA signing-off undermines ownership. Recommendations: improve country planning

processes, needs better (clearer and more comprehensive and transparent) feedback from the Bank and JSA. Transaction costs for governments have increased, this is counter to the rhetoric of donor alignment for the reduction of transaction costs for the government.

World Bank OED (2004) *The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank's Support through 2003* (Washington: World Bank Operations Evaluation Department)

IMF IEO, PRSP evaluation 2004

The PRSP has too great a focus on documents and Bretton Woods Institution driven procedures. There is insufficient scope for treating countries differently. There are insufficient benchmarks for performance monitoring, and commitments have are asymmetric with less reform on the IFI/donor side than on the LDC government side. IMF are aware of a greater need for PSIAS⁴ but have not mainstreamed these analyses in project design. There is only limited evidence on outcomes.

IMF Independent Evaluation Office (2004) *Evaluation of the IMF's role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility*.

ODI, DFID engagement with PRS 2004

DFID's corporate commitment to the PRS approach is expressed in the White Papers: 'Making Globalisation Work for the World's Poor' (2000); and 'Eliminating World Poverty: A Challenge for the 21st Century' (1997). This review concludes that PRSPs are neither the 'silver bullet' nor the 'more of the same' envisaged when the process was first accepted by WB/IMF. Evidence of positive and incremental change. Majority of DFID countries at PRS implementation phase with four planning second generation PRSPs. Challenges are political and institutional change, links with annual budgets and Medium-Term Expenditure Frameworks, alignment of donor budget support, government ownership, and predictability of aid flows.

Driscoll and Evans (2004) 'The PRSP Process and DFID Engagement: Survey of Progress 2003' (March 2004) URL: http://www.prspsynthesis.org/synthesis9_engagement.pdf

ODI, Second Generation PRS (Sept 2004)

The influence of the HIPC debt-reduction is reducing as a driver of the PRS process. Stakeholders including government, donor, civil society organisations have now moved beyond principled rhetoric towards practical action in support of the PRS process. The process has led to a stronger focus on poverty in LDC governments, as shown by poverty plans being more comprehensive. Civil society is engaged in an unprecedented scale. Concrete behavioural change from donors is missing. Emerging questions of PRS as a political process, parliamentary and beyond state elite, and questions on how to resolve leadership changes during the PRS cycle. Revisions to the paper can have positive and negative effects.

ODI (Sept 2004) *Second Generation PRSs* (London: Overseas Development Institute)

URL: <http://www.prspsynthesis.org/synthesis10.pdf>, last accessed 1 Dec 2004.

DAC POVNET, Role of Infrastructure in Economic Growth and Poverty Reduction, Lessons from PRSPs of 33 Countries (Oct 2004)

⁴ Poverty and Social Impact Analysis

A research paper which analyses the role of Infrastructure in 33 country PRSPs, as a stocktake of the contribution of infrastructure interventions to poverty reduction and pro-poor growth. For each country an overview of the PRS process together with the main poverty diagnosis, the key infrastructure priorities and the key players are summarised.

Murooka, Naomichi (2004) *The role of infrastructure in the World Bank's Poverty Reduction Strategy Papers (PRSPs) Issues and externalities for successful poverty alleviation*. May 2004 University of Michigan <http://www.tcaup.umich.edu/urp/murookareport.pdf>

Also:

UNDP 2003 "Evaluation of UNDP's Role in the PRSP Process", (New York: UNDP)

Water

ODI, Water and PRSPs (April 2004)

The status of WSS under PRSPs in sub-Saharan Africa is explored in greater depth by preparing case studies of Zambia, Malawi, and Uganda. The survey reveals poor integration of water supply and sanitation issues within Sub Saharan PRSPs. Sources of funding to water as sanitation were found to be diverse and weak national budgetary processes constrained the planning process for WSS in PRS. Work on performance benchmarking is explored as a way for promoting good practice in the sector.

Slymaker T and Newborne P (2004) "Implementation of Water Supply & Sanitation programmes under PRSPs, Synthesis of research findings from sub-Saharan Africa (ODI Water Policy Programme)

URL:

http://www.odi.org.uk/rpeg/wpp/publications/Watsan_PRSP_text_ResearchReport.pdf

WSP, Water and Sanitation in PRSPs (2002)

This review of WSS in African PRSPs highlighted a lack of integration between water supply and sanitation goals with PRS plans. A weak poverty diagnosis in the sector, compounded by weak links between central ministries, local authorities and sector actors at local and planning level led to a recommendation that PRSPs should not be seen as a substitute for sector reforms. However the PRS approach does provide an opportunity for scaling-up.

Mehta Meera (Jan 2002) *Water Supply and Sanitation In PRSP Initiatives, A Desk Review of Emerging Experience in Sub-Saharan Africa, Water and Sanitation Program, Africa, Nairobi*

URL: http://www.wsp.org/pdfs/af_prsp.pdf, last accessed 3 Dec 2004.

Also:

World Bank, *PRSP Sourcebook (Mar 2004), Chapter 23 Water and sanitation*

http://poverty.worldbank.org/files/13887_chap23.pdf

Transport

SSATP, Poverty Reduction and Transport Strategy Review process (Sept 2004)

The Sub Saharan Africa Transport Policy Programme (SSATP) has developed a process by which sub-Saharan African countries assess the coherence between their transport and poverty reduction strategies, so as to improve the contribution of

transport strategy to poverty reduction. In Tanzania the government has approved the PRS-transport process and created a working group on economic sectors (including the transport sector) within the PRS technical committee. Based on the analysis the SSATP plans to engage in a longer-term process of adapting the formulation/design of transport and poverty reduction strategies so as to strengthen the links between transport and poverty reduction.

Braithwaite Mary (Sept 2004) SSATP Poverty Reduction Transport Strategy Review Process, Progress Report

Braithwaite Mary (Dec 2003) Guidelines to the SSATP Review of National Transport and Poverty Reduction Strategies

V Nelson, NRI, PRSP transport and poverty review (March 2003)

The report assesses how transport issues are dealt with in the poverty analyses and action plans set out in the PRSPs of Malawi, Bolivia, Ethiopia, Niger, Rwanda, Vietnam, Nicaragua, Mozambique and Mauritania. The processes by which the PRSPs have been developed are summarised and the varying degrees of stakeholder participation explored. Monitoring and evaluation arrangements and indicators in the different PRSPs are summarised and assessed. The report concludes by drawing some tentative conclusions on the treatment of transport and access issues in relation to poverty reduction in PRSPs. The linkage between transport and access provision and poverty alleviation is not made very explicit in most of the PRSPs.

**Nelson, V, (March 2003) Summary of findings: PRSP transport and poverty review
NRI DFID Transport Resource Centre**

Also:

The World Bank PRSP source book section on transport

<http://rru.worldbank.org/Documents/Toolkits/Highways/pdf/88.pdf>

Urban

IIED, Urban Poverty and PRS (2004)

This paper reviews 23 recent PRSPs to consider how they define and measure urban poverty and the extent to which they actually consider urban poverty. Nearly all these papers place a strong emphasis on the relative importance of rural poverty. There is a common failure to represent urban poverty. Inequality may be higher in urban areas than in rural areas. Most PRSPs still rely primarily on income-based poverty lines to define who is poor. In many nations, a single poverty line is used, with no attempt to take account of the higher monetary income needed to avoid poverty in urban areas, and especially in the larger or more prosperous cities. For nations that include basic-needs measures in their definition of poverty, some use indicators relating to people's proximity to services, without considering whether these people can actually use these services.

Diana Mitlin, Understanding Urban Poverty: What the Poverty Reduction Strategy Papers Tell Us. IIED (International Institute of Environment and Development)

Series Working Paper 13, 2004

URL: http://www.iied.org/docs/urban/urbpov_wp13.pdf

Also:

David Satterthwaite (2004) The Under-estimation of Urban Poverty in Low and Middle-income Nations Series Working Paper 14

URL: http://www.iied.org/docs/urban/urbpov_wp14.pdf

Influencing PRS Process

DFID, Integrating Sustainability into the Uganda PRSP (2000)

The Ugandan Poverty Reduction Strategy emerged from the Government's revision of its National Poverty Eradication Action Plan. It has strong national ownership and political commitment. Drafting was an iterative and participatory process. But a number of important poverty-environment links were overlooked in an early draft. DFID funded consultants to assist the Ugandan National Environment Management Authority (NEMA) to strengthen their engagement in the drafting process, articulate the poverty-environment linkages, and lobby those leading on the process to strengthen integration of the environment and long term sustainability into the PEAP, to improve the achievement and sustainability of the intended outcomes. This has resulted in a strengthened PEAP and is reflected in the approved Poverty Reduction Strategy.

DFID (2000) Key Sheet: Integrating sustainability into PRSPs: the case of Uganda.

URL: <http://www.nssd.net/pdf/ugprsp.pdf>, last accessed 3 Dec 2004.

WaterAid, Civil society influencing Bangladesh PRSP (2003)

WaterAid and partner organisations organised community consultations to advise those communities about the PRSP process, and to discuss with them their perceptions of poverty, their vision for five years hence, and the contributions they could make towards poverty reduction for their communities. Recommendations were tied to specific paragraphs, chapters and annexes in the December 2002 version of the Bangladesh IPRSP. This was then fed back to the planning commission. The main success was a greater emphasis on sanitation in the PRS.

WaterAid B et al (May 2003) Water, Sanitation and Hygiene Promotion, A civil society submission to the Government of Bangladesh, participatory process for the development of the A National Strategy for Economic Growth, Poverty Reduction and Social Development

URL: http://www.wateraid.org.uk/documents/bangladesh_prsp.pdf, last accessed 3 Dec 2004.

Other relevant documents

Briceño C, Estache A, Shafik N (2004) *Infrastructure Services in Developing Countries: Access, Quality, Costs and Policy Reform*. World Bank Policy Research Working Paper 3468, December 2004

URL: http://econ.worldbank.org/files/40996_wps3468.pdf

Brinkerhoff, Jennifer M (2000) *Participatory Processes in Poverty Reduction Strategy: A Selection of Resource Materials* (Washington: World Bank)

URL: <http://www.worldbank.org/participation/PRSP/PRSresources.pdf>

Estache A, (2004) *Emerging Infrastructure Policy Issues in Developing Countries: A Survey of the Recent Economic Literature* Working Paper 3442, November 2004

URL: http://econ.worldbank.org/files/39967_wps3442.pdf

Nankani, Gobind and Allen, Mark (2004) *Poverty Reduction Strategy Papers—Progress in Implementation* (World Bank and IMF, September 20, 2004)

URL: siteresources.worldbank.org/INTPRS1/Resources/prsp_progress_2004.pdf

Oxfam (2004), *From 'Donorship' to Ownership? Moving towards PRSP Round Two*. Oxfam Briefing Paper 51. January 2004