THE PRSP REVIEW: IMPLICATIONS FOR BILATERAL DONORS

26 April 2002

This document provides for background to discussions on development effectiveness at the Development Assistance Committee High Level Meeting.

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I. Background

1. The PRSP approach In 1999 the World Bank and the IMF adopted a new approach for reducing poverty based on country-owned, country-led poverty reduction strategies. This approach was manifest at country level in Poverty Reduction Strategy Papers (PRSPs), where governments -- in broad consultation with society at large -- set out a vision and a plan for reducing poverty in partnership with local stakeholders and development partners.

2. DAC contributions to the PRSP Review Process In mid-2001 the Bank and the Fund launched a comprehensive, inclusive review of the PRSP approach to assess progress and identify good practice for improving its development impact. The DAC contributed to the review process through a focused information exchange with lead Bank and Fund staff in October and a special consultation among agency senior management staff held just prior to the Senior Level Meeting in December. DAC Member concerns and views on the PRSP process were synthesised in a letter from the DAC Chair to Messrs. Wolfensohn and Kohler. DAC Members and DCD staff also participated in the final Bank/Fund international conference on the PRSP approach in January 2002.

3. Findings from the PRSP Review were presented to the Boards of the Bank and the Fund in March 2002 (see http://www.worldbank.org/poverty/strategies/review/findings.pdf). This paper briefly summarises highlights from the final report, explores implications for the bilateral donor community and proposes options for follow-up.

II. PRSP Review findings

4. Overall review conclusions IMF and World Bank Board documents affirm widespread acceptance of the PRSP approach among low-income developing countries and development partners. This is consistent with the view expressed by the DAC. A major distinguishing characteristic and innovative feature of the PRSP has been the opening it has provided for civil society to dialogue with government on public policy choices and actions. Overall review conclusions highlight the centrality of country ownership, the need to improve the understanding of linkages between policies and poverty outcomes, the importance of realism for setting targets and managing expectations, the desirability of public debate about alternative policy choices and the benefits of openness and transparency among partners.

5. Key findings for development partners More specific findings and related good practice emerging from the review process are clustered around ten thematic areas. Key areas for focus and reinforced efforts by countries and development partners include the need to:

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The themes included: interim PRSPs, participatory process, conflict-affected countries, targets/indicators/monitoring, priority public actions, public expenditure management, integrating PRSP into other decision-making processes, improving donor alignment and harmonisation, balancing speed and quality for HIPC, and future monitoring.
• Strengthen, scale up and institutionalise participatory processes for influencing national policy making.

• Provide greater detail on the priorities and specifics of public actions for reducing poverty (provide a “roadmap” describing what is to be done, by whom and when).

• Rely on local capacity and local planning process (including Medium Term Expenditure Frameworks).

• Build civil society capacity to establish priorities, to benchmark and to monitor progress.

• Promote pro-poor public expenditure.

• Enhance the knowledge base and understanding of linkages between growth and poverty reduction, and the implications of cross-sectoral (e.g. impact of education on health and incomes) and of cross-cutting issues (gender, environment).

• Invest in core PRSP capacity-building needs, including poverty diagnostics and monitoring, public expenditure management, financial accountability, and monitoring and evaluation.

• Expand the use of poverty and social impact assessments in evaluating major policy choices, and improve their rigour and validity.

6. **Key findings for DAC Members** More pointed review conclusions regarding the bilateral community are broadly grouped in the following three thematic areas:

• The crucial role OECD Member countries can play in increasing development assistance resources, opening their markets to developing country exports and phasing out trade-distorting subsidies.

• The importance of aligning bilateral agency country assistance strategies for PRSP countries around PRSP choices, priorities and processes (e.g. synchronising donor planning and review cycles with country planning and review cycles, supporting country priorities in programming choices, working through country budget systems, providing appropriate technical support for developing and implementing PRSPs, assuring timely and predictable resource flows).

• The urgent need to reduce transactions costs of development assistance resources by reforming donor procedures (e.g. more joint donor missions, simplified and/or streamlined reporting, accountability and procurement requirements and other conditionalities, shared diagnostic and statistical work, etc).

7. **PRSPs can help enhance aid effectiveness** Partner country PRSPs can be useful frameworks for focusing and co-ordinating development assistance, for developing results-based partnerships, and for concerted efforts across the international community to attain Millennium Development Goals. They can also catalyse productive exchange on problems and obstacles that impede development effectiveness and new ways of collaborating and working together.

III. **The way forward**

8. **Galvanising our political will to change** DAC Members recognize that their commitment to partnership and country ownership call for changes in agency practices, cultures and business models. Yet moving beyond principled support for this new development agenda towards active implementation is proving very challenging for many DAC Members. Expectations are high in developing countries that the
donor community will undertake necessary reforms as a counterpart to the responsibilities and commitments that partner countries have assumed.

9. **Practical steps** to address key PRSP review findings could proceed along several different tracks:

**Adapt programming and field operations**

- Target development assistance to capacity development and programming needs and priorities identified in PRSP Review findings.
- Consider intermediate steps or phased approaches to co-ordinated country programming, accountability, and aid management issues.
- At the country level, promote dialogue between representatives of bilateral agencies, IMF/World Bank and partner governments with a view to i) identifying priority areas for streamlining or joining up donor procedures and practices, ii) promoting exchange on creative intermediate steps or solutions, iii) fostering consensus on and commitment to actions appropriate to local contexts.
- Build awareness in country teams of ongoing PRSP processes and related partner exchanges, transactions, and movements.

**Deepen exchange and learning among partners**

- Increase communication and learning in donor co-ordination fora on PRSP implementation and harmonisation issues.
- Monitor progress in the quality and extent of bilateral agency interaction with the Bank and Fund in PRSP countries (e.g. country dialogue, joint donor consideration of PRSPs).
- Monitor Bank and Fund progress in adapting their institutional operations, policies and technical support to the needs and requirements set out in PRSP Review findings.
- Promote opportunities (e.g. *ad hoc* donor meetings, in-country aid management groups, CGs) to reflect collectively on obstacles to change and develop joint problem-solving approaches.
- Strengthen advocacy efforts to inform the public, parliaments and civil society in Member countries of the importance for aid effectiveness of supporting country-led PRSPs and to adapt development co-operation efforts in order to do so.

**DAC follow-through**

- Draw on DAC subsidiary body work to provide input to the Bank and Fund on ways to improve the PRSP process and its implementation. Both the Bank and the Fund have indicated an openness to receiving frank, constructive feedback of this type from the DAC.
- Monitor interaction and collaboration within the external development community on PRSP development, implementation and monitoring through the DAC POVNET, including in partnership with the Strategic Partnership with Africa.
- Deepen and extend the ongoing work of DAC Task Force on Donor Practices.
- Share experience and lessons learned in forging poverty reduction partnerships in DAC peer reviews.
- Sustain PARIS21 efforts to strengthen partner country statistical capacity.