



WB / IMF 2005 Annual Meetings
September 24-25, Washington D.C.

CIVIL SOCIETY POLICY DIALOGUES PROGRAM



CIVIL SOCIETY TEAM

Accountability within the PRS Approach
Wednesday, September 21, 2005 / 3:30 – 5:00 pm

MEETING NOTES¹

The purpose of this panel discussion was to **discuss the status and outcomes of the Poverty Reduction Strategies (PRSs)** policies and programs now that the PRS approach has been in existence for five years. Through the presentation and discussion of two papers – a Bank/Fund review and CSO paper – the session focused on several underlying issues such as the quality of civil society participation, poverty outcomes, and forms of accountability. *Mr. Fletcher Tembo* (Economic Justice Policy Advisor of World Vision International), presented the findings of his report titled “Poverty Reduction: Are the Strategies Working?”. *Ms. Linda van Gelder* (Lead Economist of the World Bank Poverty Reduction and Economic Management Network) and *Mr. Elliott Harris*, (Lead Economist of the IMF Policy Development Division) presented the summary overview of the “Poverty Reduction Strategies Review 2005 on Balancing Accountabilities and Scaling up Results” to civil society representatives and World Bank and IMF staff. *Mr. Warren Nyamugasira*, (Executive Director of the Uganda NGO Forum) and *Mr. Luca Barbone* (Sector Director of the World Bank’s Poverty Reduction and Economic Management Network) served on the panel as discussants. The session was co-organized by the Civil Society Team and World Vision International, and was moderated by Mr. Paul Mitchell, (Sector Manager of the World Bank’s Development Communications Team).

Mr. Paul Mitchell opened the session by **welcoming everyone** and introducing himself. He briefly described the work carried out by the Development Communications’ Team on PRSs, highlighting the recent publishing, in partnership with DFID, of a manual on the PRS titled “With the Support of Multitudes: Using Strategic Communication to Fight Poverty through PRSs”. He introduced the speakers and explained the format of the session.

Mr. Fletcher Tembo began by first thanking the Civil Society Team for organizing this session and for allowing him present his paper on the quality and impact of the PRS in Zambia and Bolivia. He began by stating that the underlying point made in the report is recognizing that the PRS approach has the

¹ These summary notes were taken and drafted by a consultant, Hui Mien Tan, and reviewed and edited by the panelists. Attribution is given only to the panelists since it was not feasible to allow audience participants to review the draft text of the questions and comments before posting this note on the web. If any of the participants have comments or suggested edits to this text we ask that they send an email to the Bank’s Civil Society Team at civilsociety@worldbank.org.

potential to improve accountability, both externally and internally, by influencing governments and donor agencies. However, it is clear that **there needs to be marked improvements in the PRS approach** if it is expected to effectively move the process from simply consulting poor people, to enabling them to influence the agenda and hold governments and donors more accountable. The goal, as pointed out in his report, is to move the donor agenda from relying on externally imposed conditionalities to a more balanced mutual accountability framework.

Mr. Tembo then explained that the report was grounded on his own background in political economy and working with poor communities in Africa, as well as on data from World Vision's broader poverty research and in-depth case studies carried out in Bolivia and Zambia. The report **attempts to shed some light in four areas**: how to promote a more comprehensive understanding of poverty; how to move from consultation to policy influence; how to monitor and evaluate PRS accountability; and how donor systems and behavior impact PRS outcomes. He then presented the PRS accountability framework which underpins the study. It is represented by a diagram (**see diagram in power point presentation attached**) showing how the various domestic stakeholders (governments, Parliaments, private sectors, CSOs, and citizens) interact with external stakeholders such as the international financial institutions and donor agencies. The diagram demonstrated the imbalances between external and domestic stakeholders with the former often exerting greater influence throughout the policy, budget, and aid flows processes. He further presented the methodology of the report which involved individual interviews and focus groups with representatives from government, donor agencies, CSOs, and communities in Bolivia and Zambia.

Mr. Tembo explained that due to the close link between the PRS with the HIPC debt program, **PRSs were often crafted in a short period of time** without adequate consultation, inadequate understanding of poverty, and incomplete policy design. For this reason the country poverty strategies were often not comprehensive enough, did not garner widespread ownership, and were more geared to the social sectors. As a result, productive sectors or macro-economic policies were simply not brought into the PRS. Participatory Poverty Assessments (PPAs) were also unable to analyze the links between the micro, meso, and macro levels, or to show the power dynamics and historical context between them. The Poverty Social Impact Analysis (PSIA) also has great potential to close the current gap between PRSs and policy, but it often doesn't adequately analyze the multi-dimensionality of poverty nor identify the many stakeholders involved in the process.

Next he turned to the **issues of representation and civil society participation within the PRS**. On the issue of "representativity" there are questions concerning who really represents the poor, and which model of representation – *democratic* representation through parliaments versus *participatory* representation through people's organizations – is best suited for the PRS. In Zambia, for instance, the PRS approach is closer to the participatory rather than the democratic model. He next highlighted the issue of space and capacity to engage, and illustrated how civil society has mostly occupied an "invited" rather than "created" space which leads to a sense of being co-opted by the government. Further CSOs are generally not involved in the macro-economic framework such as the Poverty Reduction Grant Facility (PRGFs) since many CSOs either are not invited to participate and/or don't have the technical expertise needed to do so effectively. The internal political processes of individual countries can also distort the PRS Cycle. This is the case in Zambia and Bolivia, where the PRSs were discussed and promises made before the elections, but there were no follow-up discussions on

implementation after the elections. All these limitations to participation weaken the accountability of the PRSs.

Mr. Tembo emphasized the **link between external and domestic accountability** and stressed the need to incorporate donor harmonization and alignment in the accountability equation. While countries are said to be in the driver's seat, it defeats the purpose when someone else (external actors) are providing the maps and directions, thus effectively navigating the process from afar. Donors seem to have a preference fund in such areas as education and health, but this needs to be balanced with a greater commitment to mutual accountability. Outcome-based conditionality is the right direction to go, but the relationship between outcomes and policies, and between outcomes and impacts need to be considered.

Mr. Tembo concluded his presentation with some **recommendations**. First he stressed that PRSs must be **fully embedded in the national development policy-making process**, with well-institutionalized civil society participation. The latter is especially important based on the *invited* versus *created* space paradigm, since it makes it hard for civil society to hold governments accountable when their space at the negotiating table is subject to the goodwill of the government. Second, in order to ensure greater donor harmonization and alignment a **UN coordination mechanism should be established** at the country level to oversee the PRS process. He further recommended that the PRS design must include medium and long-term political mapping strategies and indicators.

Third, that the **costing and funding of PRSs** should be based on a 'value adding' approach from the grassroots to the national level, including supporting the capacity building of civil society to participate in the process. He added that donor conditionality and performance frameworks should be based on a "rights-based" approach to development which strengthens domestic accountability by utilizing transparently agreed to criteria and outcomes. His final recommendation was for there to be special **attention to be paid to vulnerable groups**, such as women and children, in the design and monitoring of PRSs.

Ms. Linda van Gelder and Mr. Elliot Harris next presented the findings of the 2005 PRS Review carried out by the Bank and Fund. Mr. Harris began with a **brief overview of the PRS policy** since being launched in late 1999. Today the program is being implemented in 49 countries, half of them in sub-Saharan Africa and half of them HIPC countries. The average implementation process takes 2.5 years for most countries but 3 countries (Burkina Faso and Tanzania, and Uganda) have already fully revised their first cycle strategies. In broad terms, the team conducting the 2005 Review found that there is broad support for the PRS approach, primarily because it places the country at the center of the decision-making process. While there are variations among countries, the Review found that the process is largely country owned with governments setting the policies, priorities, and targets they want to pursue. The Bank and Fund and other donor agencies, on the other hand, need to learn to provide the needed space and support for this process to move forward. The Review also found that there has been a substantial increase in support by a variety of donor agencies for the PRS framework.

Ms. Van Gelder continued the joint presentation by saying that the Review analyzes the implementation of the PRS through a framework of five basic themes and that the review incorporates a good deal of information and analysis submitted by nearly a dozen CSOs during the review process. But rather than simply presenting the Review findings through these five areas, they opted to present

the assessment data through an accountability prism. She presented the team's **diagram of mutual accountability (see diagram in power point presentation attached)** showing the core stakeholders and decision-making process within the PRS approach. This includes domestic constituents and external actors, with the balancing fulcrum in the middle representing institutions. The ideal balance shows the domestic stakeholders in the driver's seat and donor agencies aligned and providing aid which is consistent and predictable. The policy dimension is more holistic and includes such aspects as macro-economic and trade policies. This requires a better integration of the PRS process with the Medium Term Expenditure Framework (MTEF), and an effective monitoring & evaluation system which generates the needed information on a continual and timely fashion.

Ms. Van Gelder listed the **factors that can tilt the balance so external donors have too much influence** in the PRS process. These factors include: the lack of prioritization and specificity of the PRS strategy by the local government; external assistance which can undermine domestic systems if provided off-budget or through parallel processes; the adoption of inappropriate goals and methodologies due to donor pressure who also rush the country-based consensus building and policy formulation phases; lack of adequate policy space which can limit the open discussion of policy options; and donor-driven policy analysis which crowds out local policy formulation. She emphasized that the challenge in moving forward is for countries to adopt actions which can re-balance the accountability framework in favor of the domestic constituents.

Mr. Elliott Harris continued with the presentation on the various aspects of opening up space for the policy dialogue. He stressed that broad **national dialogue on the PRS is an integral part** of the accountability framework, as consensus within society is necessary to promote more effective poverty reduction strategies and to re-tilt the balance back to domestic accountability. He also recommended full and open discussion of policy options with fuller involvement of all stakeholders which would provide for more flexibility in policy design and allow for greater inclusiveness and tailoring to country context. He acknowledged that a major critique of the PRS approach and the Bretton Woods Institutions, particularly the IMF, is of the relative absence of dialogue on macro-economic policies and this is an issue which should be effectively addressed.

On the issue of policy space, while the team had found some examples of flexible approaches, there were also important limitations to full and open discussion of macroeconomic policies within the PRS framework. **First**, some macro-economic policies are simply not conducive to decision-making in the public arena. **Second**, there is often reluctance on the part of governments or donors to engage in open debate on sensitive macro-economic issues. **Third**, non-governmental interlocutors generally have limited access to relevant information which limits their capacity to formulate policy alternatives. He also acknowledged the lack of an appropriate institutional framework often constrained such discussions. For this reason, there is a need to introduce more flexibility, change the mindsets of government officials, and consider feasible policy alternatives as suggested by the OED (Operations Evaluation Department, World Bank) and IEO (Independent Evaluation Office, IMF) evaluations. An appropriate institutional framework should be established to which clearly define the nature and extent of *the* participation. It is also necessary, on the other hand, to clarify expectations about the participation process and be explicit about who makes the final decisions, what will be discussed and decided, and understand that some macro-economic decisions of a technical nature simply cannot be decided by plebiscite.

Mr. Harris concluded his presentation by acknowledging the **need for realism and clarity within the PRSs** in terms of how much poverty reduction is achievable. Yet, there is also a need for PRSs to aspire to more ambitious results, such as achieving the MDGs (Millennium Development Goals) within the time frame of 2015. The tension between the two aspects (need for realism and ambitious scaling up) requires that governments and donor agencies consider alternative policy scenarios. Thus, as countries contemplate the use of additional resources, their macroeconomic impact on both monetary and fiscal policy, as well as fiscal sustainability must be managed effectively in order to ensure effective poverty reduction. Other considerations include external debt sustainability and maintaining poverty reduction efforts in the event of reduced donor resources.

Mr. Paul Mitchell thanked the speakers for their presentations and turned to Mr. Warren Nyamugasira and Mr. Luca Barbone to comment on the two presentations.

The first discussant on the panel, Mr. Nyamugasira, began by saying that there is an assumption in both previous presentations that all the stakeholders would like more domestic accountability. He challenged that notion by saying that **empowered citizenry**, which included both CSOs and Parliaments, **can actually be seen as dangerous to local governments**. Even though he foresees greater participation and influence by civil society, he cautioned that these types of constituencies might not really be what governments have in mind in terms of broadening participation. First, parliaments used to have more teeth and make decisions to approve PRSs and today they are considerably weakened. Second, CSOs are often established by governments within a growing trend of government owned and supported NGOs (GONGOs) so governments can claim that there is participation. It is necessary to **analyze who and what domestic constituents are** and whether they represent the genuine civil society, and whether they are not unduly influenced by the donor and government agendas. He suggested that perhaps the Bank and the Fund could do more to ensure civil society exists as a free agent rather than appendages to a government or donor agent.

Mr. Nyamugasira mentioned the move by governments to emphasize macro-economic issues as raised by Mr. Tembo. Previously it was no wonder that unions, the media and parliaments (when “they had teeth and could bite”) were not invited by governments to participate in the policy debate. Now that many of the major issues such as privatizations and economic policies have already been decided, they are now asked to participate but they have lost their pertinence as compared to past years when the structural adjustment debate raged in the 1990s. He remembered participating in UN Meetings in New York back then when there was a real discussion about different economic alternatives and policy choices. Today, civil society is asked to discuss policy choices within a pre-established macro-economic framework and **there isn’t much room for exploring alternative models**. He concluded his presentation by stating that these two factors – independence of CSOs and lack of real policy choices – should be considered more carefully when assessing the PRSs.

Mr. Barbone began by saying that he found the presentations to be thoughtful and tended to agree with most of the recommendations made. Further since he did not wish to repeat the same points mentioned by the panelists he would only make a few points. He made a quick comment on who the recommendations were really addressing in these discussions, as frequently asked by his Bank and Fund colleagues. He explained that having been closely involved with the PRS process at the country level for many years and observing how individual countries work, governments are beginning to take

the issue of ownership very seriously. For this reason, the PRSs have become increasingly subordinate to national bodies and stakeholders. For this reason, the Bank and Fund have to be increasingly careful in how they monitor and supervise PRS implementation. In the event that the Bank and the Fund feel that certain aspects of the PRSs are not satisfactory in a given country, they need to walk the fine line between making recommendations and avoid imposing their own views.

Mr. Mitchell gave a brief recap of the issues raised by the various speakers and opened the floor for questions and comments by participants.

QUESTIONS AND COMMENTS FROM THE AUDIENCE (First Round):

1. Participant: It seems that this review once again demonstrated that the PRS process is **often seen as a one time event** with most of the focus being on producing a well written strategy paper, and not on ongoing policy debate. Further, there is insufficient recognition about the intellectual crowding out of local stakeholders by international donors. I would like to ask if the Bank is considering encouraging more vibrant policy debates with civil society at the country level as a way of viewing them as peers and common stakeholders. This would send a clear message that the Bank wants to balance the distorted accountability framework by empowering domestic stakeholders. Perhaps World Bank staff should get out of their air-conditioned offices to explain their work to the community and establish ongoing policy dialogue. Perhaps the Bank should also consider establishing consultancy relations with local researchers and political analysts who could help make the policy dialogue more dynamic and useful beyond the PRS.
2. Participant: My question is on whether **citizens have the right to know the details about PRS policies** and where the line is drawn between autonomous sovereign governments and the need to ensure transparency and accountability. I would also like to ask what Mr. Harris meant when he said that governments should have more policy space but within certain perimeters, what are those perimeters, and who determines them?
3. Participant: I think the accountability lens approach is very timely and relevant and I would not disagree with what Ms. Van Gelder and Mr. Harris said. However I would like to stress the need for these **lessons from this Review to become Bank policy** and effectively influence PRS implementation. I would also like to ask how the new Joint Strategy Analysis (JSAs) might change, since the proposed more balanced accountability framework in which domestic stakeholders are in the driver's seat, would seem to contradict the traditional approach used by the IMF to impose conditionalities on countries.

Ms. Van Gelder said that the key is to **treat the PRS as an ongoing, iterative process**, and not a one-time event to produce a paper for submission to the Board. This emphasis on the strategy itself has been something the team has been trying to work on, but it is an over simplification to say that there is a "fixation" on strategy in all 49 countries. In most countries, the discussion around the PRS goes beyond formulating the strategy itself to a focus on promoting domestic accountability and reducing the policy weight of external constituents. She explained that the team has also been trying to use annual reporting that is more directed to domestic stakeholders and which incorporates elements of stakeholder participation. She does acknowledge, however, that if the PRS review is viewed as a one-shot event just to produce a paper, then it won't grow meaningful roots in those countries.

Mr. Harris addressed the comment about the **need for more proactive outreach by local donor agency representatives** in reaching out to domestic stakeholders, and said that he basically agreed with the comment. Local Fund representatives should indeed explain the basis of their country analysis, the challenges the country faces, and what policy choices they are recommending to the government. Regarding the question on policy perimeters, the Fund would clearly not support policy proposals that would not promote macroeconomic stability and economic growth and effectively reduce poverty. This would exclude policies not geared to poverty reduction efforts, policy options which are not sustainable over time, and policies that cause macro-economic destabilization or hurt efforts to achieve to sustained growth which is essential for poverty reduction. He explained that the use of IMF conditionality is really aimed at a narrow range of macro-economic policy choices and variables, and thus does not apply to the broader policy objectives of the PRS.

Mr. Tembo reiterated the **paradigm of “invited” versus “created” space** and stressed the need for greater inclusion via created space for stakeholders.

Mr. Nyamugasira responded to the comment about the need for **greater transparency by governments** and donors on their policy options within the PRS, by agreeing with the suggestion. Based on his experience assessing the PRS at the country level, he said he was amazed by the statements made by government officials that their policy choices had been forced upon them by donor agencies. He stressed the need for genuine balance in accountabilities, which means that the cards need to be on the table so that the players can know and operate accordingly. Very often, the information about why policy choices were made rest only with the senior government officials and most stakeholders are left to conjecture why decisions were taken.

Mr. Barbone commented that on the question about the **need for transparency of information**, the larger onus for disclosure should be on governments since, ideally, they are in the driver’s seat and the Bank and Fund only play an advisory role. He also mentioned the often held view in the press that if inflation were allowed to go higher, there would be more available resources for social expenditures. He feels that this analysis is generally not accurate and that greater transparency and policy exchange among a broader set of stakeholders would lead to greater common understanding around this issue. On the issue of loan conditions, international institutions do not simply impose conditionalities but encourage governments to make sound policy choices in close alignment with donor agencies.

He acknowledged that the Bank is learning that in order to achieve results, it **must analyze the political dynamics in the country**, recognize the need for local expertise, and to support government programs which are sound and have a proven track record. He further recognized that the technocratic culture at the Bank often leads economics to think that once a problem is recognized, that it is simple to fix it and this can lead to unrealistic expectations. He talked about the role and promising approach employed by the Development Communications Team, headed by Paul Mitchell, which utilizes a two-way communications approach and political risk analysis to understand what the policy options are, who the political actors and interests are, and feasibility of each choice.

QUESTIONS AND COMMENTS FROM THE AUDIENCE (Second Round):

1. Participant: The complaint we always get from our partner organizations is the **lack of receptiveness from governments**. Even when CSOs bring good ideas and increased analytical capability to the table, it does not seem to matter as governments do not listen or cooperate effectively. Many of our country-based CSO partners are giving up on PRSs, having put in considerable time and energy to participate only to find that their input had been ignored. Understandably the governments cannot be forced to become more participatory, but the PRS model will only work effectively if the Bank and the Fund can persuade governments to become more open and inclusive.
2. Participant: I would like **share my country experience in Tanzania** where the problem with the PRS lies with the lack of alternatives and challenges to implementation. It seems that only the top level of government understands the PRS approach and the policy choices therein. The lack of downward accountability, even within government, is a serious impediment to good execution and capacity-building. Perhaps there needs to be more attention paid to adapting the policy choices to conditions on the ground, rather than simply following the views and policy prescriptions from the top.
3. Participant: I am from Mali and carried out a review of the PRS in that country, specifically assessing the **impact on the cotton** industry which is failing economically. Although there is a statement of principles which calls for all stakeholders, including civil society, to be engaged in the discussion of the cotton policies, the missing link are the peasant cotton farmers who have not been engaged in these policy discussions. Mali is the third largest producer of cotton in all of Africa, and it would not be able to feed its people and promote poverty reduction without the strategic participation of cotton industry in promoting jobs and revenue.

Mr. Harris responded to the first question by saying that it is suggested that the Bank and the Fund should **force governments to be responsive** to civil society, and he clarified that they can *encourage* governments to do so by pointing to the advantages brought by a participatory approach, but do not have the mandate to *force* them. He said that as someone from a developing country himself, he would be averse to accepting the imposition of particular policy processes from Washington, DC. On the other hand, the use of conditionalities tied to a loan is a different matter.

Mr. Barbone added that the Bank and the Fund **should not dictate to governments** and there is need for realism in terms of the nature and dynamics of political systems. The extent to which governments are willing to be open to civil society in a meaningful and sustainable way depends much more on the local political history and context than on any pressure external donors can exert. For this reason, one should not expect major changes overnight in the quality of relations between the government and civil society. On the other hand, the PRS process can begin the process of promoting substantive dialogue and can set into place basic perimeters for future advances in this area. He acknowledged that perhaps the PRS did generate some unrealistic expectations about the high level of participation which could be achieved when it was launched five years ago. Perhaps one reason for this was the lack of input from political scientists who might have brought more realism into the planning process. Nonetheless, the role of the Bank is to encourage openness by the governments without attempting to try to substitute existing political domestic systems.

Mr. Tembo added that on the issue of **domestic accountability**, the Bank and Fund should have a more conscious evaluation of those actions which impede or support domestic accountability processes. The institutions could also develop a set of agreed principles on engagement and participation by civil society in “created” spaces, without trying to destabilize particular country political systems or impose overt political conditionalities.

Mr. Paul Mitchell commented that there are **examples of effective consultation processes** such as in Country Assistance Strategies, and these are “good practice” examples which are not imposed. He then thanked the panelists for their inputs and the audience for a frank and thoughtful discussion on the PRS, and declared the session closed.