

Forum on National Plans as Poverty Reduction Strategies Lao P.D.R., Vientiane April 4-6 2006¹

The third forum on Poverty Reduction Strategies (PRS) was held in Vientiane, Lao P.D.R. on April 4-6, 2006 and was hosted by the Government of Lao P.D.R. Like the first two forums, it was organized jointly by the Asian Development Bank, the International Monetary Fund, the United Nations Development Programme and the World Bank. The forum hosted about 126 representatives of government and civil society from Cambodia, Indonesia, Lao P.D.R., Mongolia, Timor-Leste and Vietnam as well as the donor community and guest speakers from China and Thailand.

Objectives and Highlights

The objective of the forum was twofold. First, exchange experiences with formulating and implementing national plans and poverty reduction strategies. Second, promote a common understanding of the principles for moving forward in making national plans, budgets, and sector strategies more participatory, poverty focused, and results oriented and in improving donor alignment and harmonization so as to effectively support country priorities and processes. Accordingly, the forum was structured along these four principles. Some highlights of the forum were:

- A talk on China's experience with developing a national plan with a poverty focus
- A summary of global lessons of PRSP implementation during the last five years
- Presentations by country delegations on the experiences in Cambodia, Indonesia, Laos, Mongolia, Timor-Leste and Vietnam.
- A talk on Thailand's experience with monitoring results of poverty reduction strategies
- Proposals and discussions on principles for moving forward in using national plans as poverty reduction strategies
- Roundtable discussions between government officials and donor and civil society representatives on how to operationalize the core PRS principles

Main Outcome--Broad consensus for mainstreaming PRS principles into national planning processes

The forum evidenced a high-level of consensus on the desirability of fusing the PRSP and the national planning processes. Country presentations showcased the great progress made in the region on the four thematic areas of the conference. It also underscored, however, that some of the gains made are still fragile and will need careful support from

¹ Please visit the forum's website, which contains all presentations and background documents: <http://www.worldbank.org/eap/prsforum>. For questions on the Forum, please contact Rosa Alonso I Terme at ralonsoiterme@worldbank.org.

government, civil society and the donor community so they can be consolidated. Some of the main advances noted were:

- Increased transparency and participation in the development of PRSs and national plans and in the inclusion of results frameworks in both documents.
- Greater production of data and analysis and more attention to monitoring and evaluation.
- Increased focus on the need to align donor assistance to national priorities as well as progress in the donor coordination and harmonization agenda.

Moreover, there is greater awareness of the gaps that need to be filled in the four thematic areas covered in the forum as well as an expectation of continued progress in them. It is this expectation, jointly with government commitment and the incentive framework created by the PRSP process, which bodes well for continued progress in the future.

The forum's presentations and discussions also underscored the diversity of experiences across the region and the view that "one size does not fit all." How much progress is made in any given area and the form that progress takes depends on the initial conditions of the country as well as the specific characteristics of its current situation. Forum participants stressed that this diversity needs to be taken into account as the donor community supports the mainstreaming of PRS principles into the development and implementation of national plans. Hence, the importance of flexibility and customization was emphasized, as was the need to have a clear sense of how national plans would need to be enhanced to serve as poverty reduction strategies.

National Plans as Effective Poverty Reduction Strategies

1. Improving the quality and quantity of participation

Participants discussed how participation had increased over the past few years in the various stages of the policy-making process as well as challenges ahead. The following issues were discussed:

- Participation –like other dimensions of good governance—has a value in and of itself.
- Increased participation –within and outside government-- has contributed to improvements in the design, implementation and monitoring of poverty-reduction policies and is now leading to significantly improved participation in the development of national plans in some of the participating countries such as Lao P.D.R. and Vietnam.
- The value added of sector working groups in mainstreaming participation in the implementation and monitoring and evaluation phases was broadly recognized, as was the desirability of strengthening the participation of civil society in monitoring and evaluation.
- Important obstacles, however, remain. In particular, the unevenness in information flows is a critical obstacle to improving participation. Line ministries,

- local government and non-governmental stakeholders often have very limited access to the background information that is necessary to their effective participation in formulating policies or monitoring their implementation.
- Representatives from civil society emphasized the need to improve transparency by donors as well as governments. In this regard, the importance of continuing to improve the transparency of policy processes and the active dissemination of information was underscored.
 - The role of the written press, radio and television in the dissemination of information was discussed as was the importance of publishing national plans in local languages and placing all critical policy documents and statistics on the Internet.
 - Some of the forum's presentations stressed the importance of fiscal transparency-- its positive correlation with higher credit ratings and better fiscal discipline, and its negative correlation with corruption. Vietnam shared its experience in increasing fiscal transparency in the context of strengthening its public finance management system over the past few years.

Several participants noted that while the quantity of participatory processes in the region had definitely increased over the past few years, their quality was not always high. In this regard, the need to spell out how the views expressed during participatory processes would actually be used in policy-making was discussed. The PRSP process was seen to support the policy space and the incentive systems that can improve the quality of participation over time. It was recognized, however, that improving the shape of participation was a process, and that the shape this process would take depends on the specifics of each country. In all contexts, however, making sure one has the right people/participants, the right timing and enough information and capacity were recognized as important elements of quality participation.

2. Sharpening Poverty Diagnostics and Sustaining Pro-Poor Policies and Expenditures over Time

The forum stressed the importance of high-quality poverty diagnostics in identifying priority intervention areas and, more broadly, in ensuring a clear poverty focus in policy design. In particular, the need for more research on the linkages between policy interventions and results (indicators and targets) was underscored. Successful experiences in service delivery in the area of primary education in Cambodia and Vietnam were shared. The following issues were discussed:

- The need to strike the right balance between investing in human development (education and health), infrastructure and directly productive sectors such as agriculture.
- The importance of cross-cutting areas that provide the basis for government effectiveness, such as public finance management and overall institutional strengthening was also recognized.

- The desirability, in some contexts, of complementing government efforts in service delivery with the engagement of civil society and the provision of a conducive environment for the private sector.

Poverty focus in implementation requires sound links between poverty reduction strategies and implementation tools, i.e., sector strategies, public investment programs, medium-term budget frameworks and annual budgets. Long-term success in engineering growth and poverty reduction requires a consistent focus on the right priorities and supporting and funding them in a sustained manner over time (as Vietnam, for example, has done in the education and infrastructure areas). Even in the short run, however, impressive achievements can be made by focusing on a sector, as evidenced by the performance of the primary education sector in Cambodia.

Poverty focus also has a regional dimension and requires proper investment in particularly vulnerable groups and in lagging regions. In this regard, participating countries exchanged experiences on targeting efforts, such as the focus of the Lao P.D. R. plan on the poorest provinces, the case of Indonesia's replacement of its untargeted fuel subsidies with a targeted cash transfer program, Vietnam's targeted poverty programs and China's focus on lagging regions in its new five-year plan. The challenges posed by decentralization in ensuring policy coherence and the pro-poor focus of interventions were also underscored. In this regard, Indonesia shared its experience with the development of regional poverty-reduction strategies as a route to aligning planning processes with a decentralized state structure.

3. Customizing the MDGs and Creating Demand for Information

The desirability and the intricacies of setting targets and indicators and monitoring results were discussed extensively. The following issues were emphasized:

- MDGs are commonly accepted as the framework within which results are identified and targets set and, as such, they have firmly anchored national development strategies onto poverty-reduction results.
- The challenge countries face is to tailor the global MDGs into targets that are realistic in the national context –as Cambodia, Lao P.D.R., Mongolia and Vietnam have done. In some countries with decentralized government structures and strong regional differences, processes of “localizing the MDGs” have also been undertaken.
- Once targets have been established, proper monitoring of progress with implementation requires the identification of a results chain linking inputs, outputs, outcomes and impacts.
- Forum participants, however, emphasized that results chains and the supporting monitoring and evaluation systems should be kept relatively simple, in particular in low-capacity environments.
- The importance of managing for results was also discussed. Once established, targets and indicators need to be used to guide public policy and, in particular, the elaboration of sectoral interventions and budgets. The forum stressed that this

- process will be aided if institutional responsibilities for delivering on objectives and targets are specified in national plans and other policy documents.
- Managing for results is not achieved in one go. Rather, given adequate incentives, the results-orientation of policies is likely to improve as part of an iterative process of learning-by-doing.

The establishment of monitoring and evaluation systems was also addressed during the forum. It was recognized that it takes time to develop the processes, capacity, formal institutions and culture necessary for appropriate monitoring and evaluation. It was also noted that more progress has been made over the past few years on the supply of data than on its demand, with a much greater increase in the production of data than in its use. The need to increase government capacity as well as institutional incentives within government for the use of data was recognized. Opening up policy processes further to civil society and the broader public would be a key driver in increasing the demand for information. As in other areas, participants stressed the need to design monitoring and evaluation systems that fit properly into each country's institutional structure and capacity level. The role of impact evaluation as a tool to improve the effectiveness of government interventions was also discussed.

4. Improving information on aid disbursements and stepping up capacity-building efforts

The fourth theme discussed at the forum was the alignment of aid, aid cycles and reporting mechanisms. Alignment of donor resources to country priorities continues to be a challenge, especially in the face of strong and changing donor priorities. Avenues for supporting the alignment of donor aid to country priorities were discussed:

- Collaborative country assistance strategies among donors were seen as an avenue for developing and exploiting shared analysis, building trust with government and enhancing the alignment of donor aid.
- General budget support is seen as one of the most direct ways of ensuring alignment of donor aid to country priorities and it can strengthen incentives for governments to deliver on results.
- Sector-wide approaches are another tool to enhance donor alignment while supporting the development of medium-term strategies, as illustrated by presentations on Cambodia's and Vietnam's primary education sector-wide strategies. As evidenced by Cambodia, however, even the development and successful implementation of a sector-wide approach does not guarantee the necessary funding from the development community.

The alignment of aid cycles to existing government planning and budgeting processes can significantly enhance the efficiency of public finance management. Some emerging good practices as well as remaining obstacles were discussed:

- Some countries in the region, such as Mongolia and Cambodia, are requesting that donors align their aid reviews and disbursements with the budget cycle.

- Reporting by donors on aid disbursements, however, remains weak, which limits the comprehensiveness of government budgets and budget reports as well as planning efforts. In the case of Timor-Leste, the government has requested the donor community to provide information on aid commitments and to report on disbursements in a format and with a timetable that is supportive of the government's budget and planning process.

Throughout the forum, the critical importance of capacity-building for enhancing government effectiveness was underscored. In particular, the view was expressed that high quality data and policy processes can only be delivered in a context of high capacity, which is often lacking in many parts of government in low-income countries. As a result, the need to urgently address capacity shortcomings in a more systematic manner with support from the donor community was a recurrent theme of the forum. Some participating governments stressed that urgent improvements are needed in the design and delivery of technical assistance, which currently tends to substitute for domestic capacity at high costs for donors, but with relatively little knowledge transfer to recipients.

Finally, some participating governments underscored the critical importance of open trade policies in developed countries for poverty reduction in developing countries providing some recent examples from the region.

Moving forward—Indicators of an effective poverty reduction strategy

A proposed list of indicators for a national plan that can function as an effective poverty-reduction strategy was presented during the second day of the conference. This list was based on two background papers, one developed jointly for the conference by the World Bank and the International Monetary Fund, and the other by the Asian Development Bank. The papers emphasize the four key principles--transparency and participation, poverty focus, results orientation and donor alignment and harmonization. The indicators presented aim to measure progress in a set of areas that would signal key improvements in the quality of governance and the poverty focus of public policies and hence demonstrate the soundness of a government's national plan as a poverty-reduction strategy. The indicators are meant to be tailored to the country context.

Indicators for transparency and participation

Transparency and broad participation in the elaboration and implementation phases of national plans are key ingredients of good governance and sound policy-making and can increase the involvement of the poor in the policy-making process. Indicators in this area center around:

- The availability and dissemination of budget information, poverty statistics and macro-economic data
- The degree of participation by government, civil society and the donor community in developing and monitoring national plans

- The extent to which national plans are discussed and approved by Parliament.
- Participation in the elaboration of budgets and sector strategies, and
- The existence of an ongoing dialogue between the government and the private sector on the investment climate.

Indicators of poverty focus

In the area of poverty focus, the indicators monitor:

- The extent to which plans and policies are based on appropriate diagnostics, in particular poverty assessments and participatory poverty assessments led by governments with the involvement of national research institutes, civil society and the donor community.
- The alignment of budgets and sector strategies to the poverty objectives contained in national plans.
- The consistency between plans and implementation policies is also monitored through indicators of the existence of supportive policy tools and coordination mechanisms. These include medium-term expenditure frameworks, sectoral/thematic working groups, and systematic coordination between planning and finance units within and across ministries and between national and local levels of government.

Indicators of results-orientation

In the area of results orientation, the indicators focus on:

- The selection of country-specific MDG-based indicators and targets covering a suitable mix of inputs, outputs, intermediate and final indicators which appropriately capture disparities across social gender, social group and region.
- Regular and public reporting on a consistent set of indicators and targets.

Finally, the indicators cover the characteristics of a good monitoring and evaluation system, including:

- The development of a strategic, country-driven statistical master plan with an appropriate periodicity of household surveys
- The establishment of institutional arrangements with clearly-defined responsibilities, systematic efforts to collect adequately disaggregated data in priority sectors and a plan to enhance the quality of data and analysis.
- The conduct of periodic public expenditure reviews and client-feedback-based service delivery assessments, and
- The strategic use of impact evaluations to inform policy choices and annual reporting on progress in the implementation of national plans.

Indicators of donor alignment and harmonization

The last set of indicators focuses on the area of donor alignment and harmonization and is closely aligned with the Paris Declaration on Aid Effectiveness.² The indicators of donor alignment center around:

- Government leadership of donor coordination processes such as round-table and CG meetings and joint government-donor working groups.
- The percentage of aid flows to the government that are: a) reported in the national budget, b) provided in the form of budget support, and c) (non-general budget support) aid directed at priority sectors.

Finally, indicators of donor harmonization measure progress in improving support of national planning processes and public finance management. They include:

- The alignment of donor reviews with country planning and budget cycles
- The provision of indicative multi-year donor commitments as a critical input to medium-term budgeting
- The announcement of annual donor financing commitments before the start of the budget planning cycle, and
- The firming up of financing decisions before budget implementation starts; and the disbursement of donor funds as close as possible to a pre-established schedule.

There was consensus among conference participants that this set of indicators constitutes a good practice guideline for the development, implementation, monitoring and evaluation of national plans as poverty reduction strategies. In some countries, these indicators are being tailored to the country context with a view to using them to monitor progress in strengthening the transparency and participation, poverty-focus and results-orientation of domestic policy processes and the alignment and harmonization of donor support in a systematic manner over time. In other countries, they can be used (as needed) as good practice guidelines to support the development and implementation of national plans that can function as effective poverty-reduction strategies. A major conclusion of the forum is that progress in all these areas requires time and is an incremental process that requires learning-by-doing.

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