

Expectations and Realities

The development of a monitoring system is a critical component of a successful poverty reduction strategy (PRS). Such a system is intended both as a way of ensuring continuous improvement of the PRS and as an instrument for influencing the nature of the development policy process by making it more evidence based and results oriented. A recent review of the PRS approach (IMF and World Bank 2005) underlines the centrality of a monitoring system as a pillar upon which a PRS can be elaborated; it helps open the policy space for dialogue, establish priorities, design programs and policies, set realistic targets, and assess implementation with a view to refine the strategy.

However, the country studies upon which this analysis is grounded indicate that the achievements against these rather ambitious goals have been limited. In most countries, both the supply side (organizing the monitoring and reporting of indicators across fragmented administrations) and the demand side (ensuring that monitoring information is actually used in national decision-making processes) are posing major practical challenges.

This chapter therefore begins by reviewing the goals and functions of a PRS monitoring system and comparing these against the experiences described in the country studies in order to provide a realistic perspective on the challenges ahead.

What Are the Objectives of a PRS Monitoring System?

Ideally, a PRS monitoring system serves a number of larger objectives:

- It supports government decision making on poverty reduction policies, budgetary priorities, and the continuous updating and improvement of the PRS.
- It supports the accountability of government before the public for its policy choices and their impact on poverty.
- It promotes evidence-based dialogue between government, civil society, and donors on development policies and priorities.
- It supports the reporting requirements of donors for their own accountability and for program management purposes.

This is a broad set of goals, and not all are served equally by the same institutional arrangements. When designing a PRS monitoring system, policy makers need to bear in mind the possibility of trade-offs among these different goals.

To achieve these goals, a PRS monitoring system typically incorporates three functions, each with somewhat different institutional leads, as follows.

1. *Poverty monitoring.* The system should track overall progress in poverty reduction against national targets and international measures of development success, such as the Millennium Development Goals, through the periodic measurement of selected poverty indicators. This focuses on monitoring impact indicators and is accomplished through the use of censuses, surveys, and other investigative tools and is usually led by a national statistics institute. In most of the countries studied, poverty monitoring is the most developed area conceptually, technically, and institutionally. Poverty monitoring is relatively easy for donors to support even in weak institutional environments because the capacity needs are fairly concentrated and technically difficult elements can be readily outsourced.
2. *Implementation of the monitoring of the PRS.* The system should allow for the monitoring and evaluation (M&E) of the progress in the implementation of PRS policies and programs. This involves the measurement of inputs, activities, outputs, and outcomes across the various sectoral programs and thematic areas. Implementation monitoring relies on administrative data from a wide range of actors, from line ministries down to

local service-delivery units, and is therefore the most difficult to manage and coordinate. The capacity constraints are often severe and difficult to address because of the number of actors involved. Implementation monitoring depends upon a careful selection of indicators based upon explicit result chains (that is, causal links between interventions and their desired impacts) in order to support effective assessments of programs and policies.

3. *Expenditure tracking.* Although conceptually a part of implementation monitoring, the measurement of expenditure is a somewhat discrete area, usually under the leadership of the ministry of finance. While expenditure tracking is not always explicitly articulated as a part of PRS monitoring, reliable and timely data on expenditure are indispensable to a well-functioning PRS monitoring system in practice. Indeed, information on poverty outcomes and implementation can only be used to improve strategies and interventions when these outcomes are associated with cost and resource requirements. Expenditure tracking depends upon parallel progress in budget and public expenditure management reforms. These are under way in all PRS countries, but at very different stages. A new system may take many years to become effective.

The balance among these functions varies in different countries. Among the countries studied, the African systems are oriented more toward poverty monitoring (measurement of indicators of impact), which has been the focus of donor support in recent years. By contrast, the Latin American systems are influenced by strong civil society mobilization around debt relief and the use of funds from the Heavily Indebted Poor Countries (HIPC) Initiative and tend to focus on accountability in public expenditure.

In a weak institutional environment, poverty monitoring is the easiest of these three functions to accomplish. This part of the PRS monitoring system is critical to ensuring that the focus is on results and that poverty impacts are not seen as “somebody else’s business” (Hauge 2003). In line with the PRS philosophy, one of the functions of a PRS monitoring system is to keep poverty impacts in constant view.

Restricting monitoring only to impact indicators, however, is of limited value for program management and policy development. Impact variables normally respond to policy interventions too slowly to support annual decision making. In addition, monitoring the changes in impact indicators on poverty without simultaneous monitoring of programs and policies (inputs and outputs) and changes in intermediary variables (outcomes) does not

directly provide policy-relevant lessons. Finally, monitoring needs to be supplemented with evaluations of the impact of policies and programs on poverty in order to attribute changes in the welfare dimension that is of interest in particular interventions.

Results orientation does not mean prioritizing the monitoring of results or impacts over the monitoring of implementation processes. Rather, it means focusing on the entire results chain, that is, the causal links between interventions and their intended outcomes posited through explicit hypotheses that describe *how* the interventions will take effect at different stages and that may eventually be tested against the evidence.

A PRS monitoring system needs to perform this integrating role by bringing existing monitoring arrangements together to permit this focus on the results chain. As such, a PRS monitoring system does not take over all other monitoring activities, but merely coordinates and organizes them.

Some authors describe most PRS monitoring systems as second-tier systems that operate by extracting data from existing sectoral and central monitoring arrangements so as to analyze and guide PRS elaboration and implementation. "It is of central importance that a [PRS] monitoring system not attempt to collect all the data itself," one study concludes. "Rather, it should rely on other, existing monitoring systems" (GTZ 2004a, 39).

However, a PRS monitoring system should coordinate among existing systems if it is to generate relevant, timely, and compatible data. It may also be the case that sectoral foundations are missing or too weak to support the PRS monitoring process. In this situation, the PRS monitoring system needs to become involved in promoting the take-up of more effective monitoring techniques across agencies.

A monitoring system therefore incorporates a range of additional functions that are specifically institutional in nature. These include coordinating among different actors, filling gaps and eliminating redundancy in primary data collection, building up monitoring capacity where it is deficient, organizing information flows among actors within and outside of government, compiling data from various sources, organizing analysis and evaluation, producing annual progress reports (a HIPC requirement) and other monitoring outputs, disseminating outputs across government and to the public, providing advice and support to policy makers, and organizing the participation of civil society.

All these elements are conceptually part of a PRS monitoring system and are therefore important for planners to consider. However, at the outset, most of the actors involved in monitoring will not see their activities

as part of a national system. Whether they will choose to participate in building a common monitoring system depends largely on their interests and incentives. These incentives may be influenced to a degree, for example, through the rules governing budget processes or through donor practices. The rules—both formal and informal—that shape public service incentives to generate and use monitoring information are therefore a key dimension of a PRS monitoring system; they shape the structure and functioning of the system.

The Record

Measured against these rather ambitious goals, the achievements of PRS monitoring systems have been fairly modest. In all the country studies, the PRS monitoring systems are recent innovations, and, in many cases, implementation is not yet sufficiently advanced for an assessment. Only a few (for example, Honduras, Tanzania, and Uganda) have made real progress in linking existing monitoring activities into a single system. Few have been able to establish functioning links between PRS monitoring and government policy making, and none has yet triggered any sustained shift toward greater effectiveness or efficiency in development programs (Williamson 2003). Overall, the 2005 PRS review notes that:

While the challenges are large, there is some evidence that the PRS process has contributed to improvements over time. For instance, in countries that have been implementing their PRS for at least two years, three-quarters had systems that were largely developed or were taking actions. . . . For countries that have been implementing their PRS for less than two years, only about a quarter were in the process of taking actions. (IMF and World Bank 2005, 24)

The following common obstacles to an effective PRS monitoring system were identified in the country studies.

1. *Shortcomings in PRSs.* PRSs often lack operational detail, costing, and prioritization. Indicator sets are poorly selected, and many goals are not associated with indicators. Few countries have reasoned out satisfactory result chains, developed logframes, or provided explicit ex ante expectations for interventions. These are objectively difficult tasks for administrations unused to comprehensive development planning, and

it is not surprising to find them lacking in first-round PRSs. Nonetheless, without well-articulated PRSs, it is difficult to carry out effective monitoring. The 2005 review of the PRS (IMF and World Bank 2005, 14) noted that “specifying clear targets, for which data are available, and identifying intermediate indicators remains [*sic*] particularly challenging for countries” and “many PRSs would benefit from a more explicit link between goals and targets and the policies needed to achieve them.” The Tanzania country study notes that:

It is hard to monitor plans that do not themselves reflect strategic policy thinking, that is, which do not say how the specified outcomes are going to be achieved with the specified inputs, and how the obvious obstacles are to be overcome. (Booth 2004, 33)

A review by the German Agency for Technical Cooperation has commented that:

The attempt to superimpose a monitoring system onto this kind of a strategy paper is correspondingly complicated. Basically, the goals must be operationalized, before goal achievement can be measured. So far, none of the countries visited has managed to do this in a satisfying way. (GTZ 2004a, 63)

2. *Difficulties in coordination* among data producers and users are exacerbating the capacity constraints on data producers. Duplication and redundancy are widespread, which increases administrative burdens and complicates analysis. Agencies are often protective of their separate monitoring responsibilities, which come with staffing and resource entitlements, and are resistant to initiatives to rationalize the workload or introduce common standards. As a result, committees and working groups created to facilitate consultation have often been unsuccessful in promoting practical cooperation. In some cases, donors are contributing to the coordination problems by continuing to impose discrete, project-level monitoring requirements. Given these problems, one study concluded that, “in terms of the current state of things and the needs to be met, the chances of assembling in short order, or even in the medium term, the conditions for effective monitoring seem very slim” (EEC Canada 2002, 10).

The 2005 review of the PRS notes that:

progress in building monitoring systems that coordinate the collection of data, [their] analysis and [their] use for policy making has been limited in many countries. This is the area that the joint staff advisory notes most frequently mentioned as a significant constraint to PRS implementation. (IMF and World Bank 2005, 23)

3. *Practical problems with data collection* are proving very difficult to overcome. In particular, all the country studies report that capacity constraints in administrative data systems are serious, especially at the local and regional levels. As a result, indicator data are often incomplete and of inconsistent quality. (The Kyrgyz Republic is able to report on only 25 percent of its indicators.) According to Booth and Lucas (2002, 17), routine administrative sources are “at best highly unreliable and at worst unusable” and therefore ill suited to capturing small, annual movements in indicators. Overall, there has been some progress in statistical capacity in PRS countries since the inception of the PRSs, especially in terms of availability and quality. But the constraints remain severe, especially in African countries (IMF and World Bank 2005).
4. There is a marked *deficit in the evaluation and analysis* undertaken on the basis of poverty-monitoring data. Annual progress reports are often loose compilations of indicator data without substantial analytical content and, during a first PRS cycle, are often produced in an ad hoc manner. This is symptomatic of monitoring carried out to meet donor reporting requirements, rather than to support domestic policy making.
5. The success of PRS monitoring systems is closely tied to the development of *budget planning and public expenditure management systems*, which, according to many of the country studies, are still at an early stage. Most of the countries do not have functioning medium-term expenditure frameworks (MTEFs). Some are unable to report accurately on expenditure or to attribute expenditure to policies or programs. Budget releases are often irregular, undermining accountability for program and policy implementation. Without reliable data on expenditure, it is difficult to assess interventions, especially in light of large, extra-budgetary donor programs.
6. The *link between PRS monitoring and government policy processes* are proving very difficult to institutionalize, and, in most of the country studies, there is little or no evidence that monitoring outputs are being used either

for policy making or advocacy. Demand for monitoring information remains weak, and national policy making is based on evidence only at the margin. Weaknesses in demand and supply are mutually reinforcing: if monitoring outputs are not used effectively, monitoring comes to be seen as a mere bureaucratic requirement, and compliance deteriorates. There is evidence that the PRS process has encouraged greater access to information, but more effort is still needed (IMF and World Bank 2005).

7. *The alignment of donor monitoring and reporting requirements around national PRS monitoring systems* remains at an early stage of development. Most donors do not seem to find annual progress reports sufficient for their own accountability and management purposes both because of quality concerns and because the focus on poverty outcomes rather than on inputs and outputs makes the reports poorly suited for assessing national development efforts in the short term. Therefore, donors tend to incorporate a separate M&E system in each of their individual projects. This leads to duplication of efforts and spreads M&E resources thinly. Furthermore, donors often make funding available to ministries for M&E activities in order to ensure that the required information is available. This practice may create resistance in government agencies to efforts by donors to align their M&E requirements, as this could reduce the resources channeled for monitoring. In countries that receive budget support (for instance, Tanzania and Uganda), development partners have often begun to align their support around common conditionalities, which can reduce donor reporting requirements. These conditionalities, however, are typically only a very small subset of the overall PRS (rather than a single conditionality of “successful PRS implementation”), and this may represent an incentive for governments to focus exclusively on the monitoring of this selected subset of indicators rather than on the overall PRS monitoring system.

Clearly, the obstacles preventing PRS monitoring systems from achieving their stated objectives are therefore widespread and entrenched. Many of the authors of the country studies are pessimistic about the prospects of surmounting these obstacles in the short to medium term. The Albanian country study concludes:

Although all the machinery necessary for the effective functioning of the policy cycle is in place, the actual operation of the system does not correspond with these intentions and, the outputs from

the PRS monitoring system have not yet had an impact on policy choices. (Papps and Marku 2004, 5)

This is in keeping with the findings of the World Bank's overall PRS evaluation:

governments in most countries are monitoring results as a requirement, and results are not being used to adjust strategies or to enhance accountability for performance. (World Bank 2004b, 17)

On the other hand, positive messages are also emerging from the country studies. In some of the more advanced cases, the initiative to develop PRS monitoring systems has helped to make the PRS process focus more on results. The process of selecting a good set of monitoring indicators, where it is taken seriously, requires line ministries to review both their sectoral strategies (in particular, to identify *how* proposed programs and policies are likely to impact on poverty) and their institutional arrangements (to review data collection processes). In Honduras, for example, this has helped to encourage greater strategic focus in sectoral planning.

According to many of the country studies, civil society is becoming more involved in the monitoring of PRSs, particularly in relation to HIPC expenditures. In some instances, the participation of civil society is institutionalized in the design of the PRS monitoring system both as a producer and as a user of monitoring information. In other cases, civil society organizations prefer to remain outside the formal system and contribute through independent monitoring techniques such as citizen scorecards, public service satisfaction surveys, and public expenditure tracking surveys. PRS monitoring systems are helping to create a political space where dialogue and debate on PRS implementation may take place and build on the progress achieved during PRS formulation.

The country studies also support the view that increasing the transparency of government policy making can have important transformative effects over time. The Mauritania country study comments that, in the past, reviews of economic policy were treated as "almost confidential." Now, government policies and their consequences for poverty are the subject of public debate. Through the PRS process, a more pluralistic model of poverty knowledge is emerging, broadening the opportunities for stakeholders to engage with the decisions that affect them. PRS monitoring systems are beginning to make a contribution to this process.

Tactical Choices and Tailored Solutions

The challenge of developing an effective PRS monitoring system is obviously very different in each country and depends on the initial conditions. In some countries, sectoral monitoring is already well established, and the challenge is to overcome territoriality in order to create a unified system. In other countries, sectoral monitoring arrangements are weak or non-existent, and a PRS monitoring system must begin by promoting the adoption of monitoring practices and building monitoring capacity broadly across administrations and jurisdictions.

In some countries, public scrutiny of government performance is already an established part of the political process, and governments depend upon monitoring to promote their achievements and build their legitimacy. In other countries, the interest and capacity of civil society in monitoring the development process is at a low level, and government is unaccustomed to external scrutiny of its performance.

In some countries, budgetary systems are technically advanced, and the budget process is the key policy tool for ensuring that resources go to projects with proven impact on poverty reduction. In other countries, the official budget bears little resemblance to the real distribution of resources.

In addition, the organization of government itself varies greatly across countries. A single organization, such as a finance ministry or a statistics agency, will have different responsibilities and exercise authority over different areas in different countries. Hence, the variables affecting the design of a PRS monitoring system are too numerous and complex to allow for any simple catalogue of best practices or ideal institutional choices.

Creating a PRS monitoring system usually involves tactical choices and solutions adapted to specific problems rather than the application of a set model. The design of the system should conform to current political and institutional realities rather than to an idealized model of how policy processes should function. In addition, it takes a long time to change practices, and the new sets of roles and responsibilities will need to be introduced gradually according to country conditions. Finally, environments change constantly, with new rules of the game, growing capacity, changing political landscapes, and so on, and this calls for a constant evolution of the systems. The experiences described in the country studies presented hereafter should help to inform these tactical choices even though they are not proposed as a model or even a series of models.