

Making Use of PRS Monitoring

Both the country studies and the broader literature concur that an effective system for monitoring a poverty reduction strategy (PRS) must build demand for monitoring, while organizing the supply side. Unless decision makers actively seek evidence to support policy making and program management, monitoring practices are unlikely to take hold across government administration.

The most promising strategy for building demand is to establish a link between the monitoring system and key points in the decision-making process where monitoring information may influence the development of policy. As stated in the Tanzania country study:

The demand will only arise out of the progressive growth among planners and their political bosses of incentives to improve policies by reference to evidence and analysis. The focus in improving monitoring therefore needs to be on the interface between monitoring and decision making, particularly those parts . . . where the incentives to results-based thinking are [being strengthened]. (Booth 2004, 25)

Some of these points of interface are within the formal policy process; the budget is the most obvious example. Others are outside government, such as informed media reporting, interest-group advocacy, or the electoral cycle. The broader goal is to create a virtuous circle whereby government uses sound analysis and information to formulate its policies, is open to informed discussion on its policy choices, and, in turn, seeks to build

legitimacy and electoral support through evidence of its achievements. A PRS monitoring system can help support these dynamics by creating an information-rich environment.

It may be useful for the designers of a PRS monitoring system to think through the different entry points into the policy cycle where monitoring information might help to increase the results-orientation of government policy. These entry points will differ from country to country, but might include decisions on budget priorities, annual reviews of medium-term expenditure frameworks (MTEFs) or public investment plans, periodic reviews and updating of the PRS; scrutiny of government policy by parliament and parliamentary committees, setting priorities for targeted programs or investment plans, the development of budget-support agreements and policy matrices with donors, and the development of multilateral and bilateral assistance strategies. While these processes are outside the scope of PRS monitoring, the PRS monitoring system needs to be organized so as to ensure that information and analysis are available in the proper form at the appropriate time.

This chapter begins by looking at the organization of analysis and evaluation and strategies for dissemination. It then examines the key issue of linking PRS monitoring to the budgetary process. Finally, it discusses the role of parliament.

Analysis and Evaluation

Monitoring alone does not produce institutional learning. It is only by analyzing the results and using them to evaluate policies and programs that one may realize the benefits of monitoring systems. It appears from the country studies that analysis and evaluation are a deficit in PRS monitoring systems. Considerable attention has been focused on the development of indicators and data collection systems, but little has been done to institutionalize the practice of analysis and evaluation. A study produced by the German Agency for Technical Cooperation comments that, in many cases, the most that is done with monitoring data is to edit them into the annual progress report format (GTZ 2004a). The problem is caused by both a general lack of analytical capacity, particularly within line ministries, and weak incentives. Where accountability is weak, agencies have little interest in using information and analysis to define their activities and in subjecting their own programs to critical scrutiny. As the Albanian country study points out, this can trap a PRS monitoring system in a vicious circle. Without

quality analysis of the data, there is no firm basis for setting targets, which then become divorced from reality. As a result, reporting on progress toward these targets is seen as a meaningless exercise and is not taken seriously.

In the countries under study, a few of the PRS monitoring systems incorporate strategies for promoting the analysis of data and the evaluation of programs. The most common approach is to create a central body mandated to lead analysis on behalf of the government. For example:

- In Bolivia, the unit for the analysis of economic and social policies, which is located in the Ministry of Economic Development, led in drafting the PRS and designed the monitoring system. As well as compiling monitoring data from line agencies, it is charged with reviewing proposed sectoral policies and programs for consistency with PRS goals.
- In Nicaragua, a poverty analysis unit located in the Office of the President and staffed by four sectoral specialists, is responsible for the analytical content of annual progress reports and other reporting.
- In Tanzania, the technical working group for research and analysis is mandated to set priorities in research and analysis and propose funding mechanisms. A nongovernmental organization (NGO) acts as secretariat, and the group includes representatives of the central bank, governmental agencies, the national statistics institute, civil society, and donors. It maintains close links with nongovernmental research institutes.
- In Uganda, the poverty monitoring and analysis unit in the Ministry of Finance, Planning and Economic Development was established in 1998 with support from the U.K. Department for International Development. It has three professional staff and one Overseas Development Institute fellow. It is not part of the regular civil service, but seems to be well integrated in ministry processes. It is responsible for generating analysis and for commissioning studies from outside sources.
- A number of Francophone countries in West Africa have established poverty observatories either inside the national statistics institute or as independent agencies. These units carry out analysis of poverty trends and are also responsible for reporting on the progress toward achieving the Millennium Development Goals.

Dedicated analytical units have been most effective where they have remained small and close to government and have focused purely on analytical tasks. If they attempt to expand their role into policy making or data collection, they become competitive with other agencies and are likely to

fail. If they are funded directly by donors, the challenge is to ensure that they are responsive to the needs of government and other national stakeholders. Experience suggests that these units, if they are too far removed from the center of decisions, do not have the intended impact because their analysis is then typically less relevant and operational, and the findings they produce are not owned by decision makers. Some of these central analytical units have also lacked the sectoral focus useful to line ministries and have not concentrated on practical program evaluations. Also, in cases of relatively autonomous agencies in which the wages are significantly higher than those in the civil service, the units may deplete central government agencies of qualified staff.

Another useful technique has been joint analytical exercises which involve government and donors and which thereby help build both capacity and interest in analysis. Such exercises include public expenditure reviews, which are useful tools if routine financial management information is deficient. In a number of countries, including Mauritania and Tanzania, they are now conducted on an annual basis to provide a periodic picture of spending patterns. In Honduras, donors have supported the analysis of the poverty and social impacts of a number of reforms, such as the privatization of electric utilities and tax reform. If ministries are encouraged to use the analysis to justify their proposed policy measures, this helps them view analysis as a means of achieving their own objectives. Similar positive dynamics can be seen in sectorwide approaches, whereby ministries need to justify their policy choices by indicating the impact on poverty in order to make the case to donors for greater alignment. Overall, donors should be taking every opportunity to encourage governments to defend their policy choices by bringing forward evidence and analysis.

Analysis should not be the exclusive preserve of government. The interpretation of monitoring information is best performed through exchanges and debate among a plurality of well-informed actors. In addition, nongovernmental entities, such as universities, research centers, consultants, NGOs, or donors, can supplement limited government analytical capacity (see chapter 4). The difficulty then resides in ensuring that the analysis is effectively used by decision makers. This requires scientific, neutral analysis; the dissemination and explanation of the tools and methods deployed; and the transmission of results in formats adapted to the needs of decision makers. This may sometimes be challenging for donors and nongovernmental advocacy groups since their agendas and ambitions could interfere with the analysis and limit broader acceptance.

Outputs and Dissemination

If they are to have an impact on the policy process, monitoring information, analysis, and evaluation must be compiled into outputs and distributed to actors inside and outside government. A good monitoring system will produce a range of outputs appropriate for different audiences and purposes, plus a dissemination strategy that provides those outputs across government and to the public at appropriate moments in the policy cycle.

The production of specific outputs and their dissemination is a major weakness in the PRS monitoring systems examined in the country studies. Most of the monitoring systems are focused mainly on the production of an annual progress report. Under the rules of the Heavily Indebted Poor Countries Initiative and the Poverty Reduction Strategy Paper (PRSP), the annual progress report is an opportunity to review and update the PRS on a regular basis. In practice, these reports are typically not being used this way. They tend to have weak analytical content and, in the first PRS cycle, are often produced in an ad hoc manner, sometimes by external consultants who do not draw on the monitoring system. They are usually inappropriate for domestic audiences, being long, technical, and full of donor language. Though they are sometimes circulated to civil society in draft form for comment, they are poorly publicized once adopted. On the whole, they are seen as an external reporting mechanism, rather than as a tool of national policy making. (A notable exception is Uganda, where existing government publications are used as the basis for the annual progress report. Poverty status reports are biannual. In alternate years, the annual progress report is based on the background to the budget.) The PRSP evaluation of the Operations Evaluation Department, World Bank, concluded that:

the annual progress report requirement does not help to validate or strengthen existing institutionalized domestic monitoring processes. This lack of alignment implies duplication of effort and decreases the relevance of the annual progress report as an operational tool. The costs of reporting requirements are high for PRSP countries; many need to report to donors while continuing institutionalized or legally mandated reporting requirements in-country. As currently constituted, the annual progress reports are an additional strain on limited country capacity. (World Bank 2004b, 25)

It is important to ensure that the outputs of the PRS monitoring system are appropriate to the needs of the national policy process. This may require a range of publications in different formats and designed for different users, such as ministries of finance, sectoral ministries, other agencies, and parliamentary committees. Users that are often neglected are local-level decision-making agencies, as well as sectoral agencies. These users need outputs particularly tailored to their functions, that is, appropriately disaggregated and focused on policy recommendations in their respective areas.

In addition to format, the timing of outputs is also important. The outputs should be linked to key moments in the policy cycle, such as budget submissions, annual reviews of MTEFs, or parliamentary debates. Unless these outputs are aligned with the key entry points in the decision-making process, their full potential is unlikely to materialize (see more elsewhere below).

Making monitoring information accessible to the general public is also an important objective. The monitoring system should promote informed dialogue and debate around PRS implementation. It can enable governments to explain the choices they have made in selecting priorities and to demonstrate the impacts of these choices in terms of poverty reduction. Similarly, by increasing transparency, it should enable citizens to engage more productively in the decisions that affect them and empower citizens and civil society to hold governments accountable for their policy choices and interventions. Wide dissemination to the public, however, can be difficult if the results of monitoring are somewhat disappointing. In such cases, it takes a strong political commitment to transparency and dialogue for governments to disseminate potentially damaging information voluntarily.

Given the importance of these objectives, it is disappointing to note that little information from poverty monitoring systems is currently entering the public arena. The German Agency for Technical Cooperation has concluded that the dissemination of monitoring information in a form appropriate to a national audience is “largely neglected”:

It is quite astonishing to ascertain how little information makes its way to the public in a form that would permit an assessment of how seriously the government is carrying out its poverty program, and with what degree of success. . . . Those governments that take seriously the participation of and accountability to their citizens have the duty to provide their populace and the national authorities with relevant information. This obligation is not being

adequately met. Publicity work related to the implementation of poverty reduction can be significantly improved almost everywhere, to state it positively. (GTZ 2004a, 80)

In the country studies, examples of outputs intended for the general public include the following:

- Bolivia: booklets on population and poverty statistics at the regional level and thematic booklets on poverty issues
- Honduras: a number of Web sites, although the content is still under development
- Mauritania: a CD-ROM containing survey data and including 108 poverty-related studies and reports produced over the past 20 years
- Guyana: local information centers to disseminate information on poverty programs

Producing material in a form meaningful to the public might be a new skill for governments, and more use could be made of civil society partners in interpreting monitoring data and producing materials. One useful technique is to turn monitoring outputs into stories, particularly stories highlighting weaknesses in program implementation and service delivery. For example, it has been said that the first Uganda participatory poverty assessment report was influential not merely because it articulated non-income perceptions of poverty, but because it generated memorable examples of problems with service delivery. Local communities could readily grasp these problems and mobilize around them, forcing government to respond.

The issues that matter most to communities are usually local in nature, and comparisons between different jurisdictions can be very powerful. Citizens are unlikely to be motivated by small changes in national poverty statistics, but may care deeply whether their municipality is performing better or worse than other municipalities. Increasingly, the availability of performance information in this format helps to build local demand for improved services.

Disseminating analysis on government performance helps to channel public dissatisfaction in a positive direction toward social pressure for change. Picciotto (2004) notes that social learning cannot take place if institutions are unable to channel public protest into responsive shifts in public policy. Such channeling is accomplished through the generation, dissemination, and interpretation of information that promotes public under-

standing of policies and programs. Social learning also demands accountability and a credible capacity for independent review, according to Picciotto. Public protest and participation transform the energy of disappointment into reform if evaluation lends a helping hand.

While debate and a measure of disagreement is necessary, PRS monitoring should not be seen as primarily adversarial in nature. Rather, it is a tool for decision making that is more informed, policies that are better designed, and interventions that are more effective. Governments can also view greater openness and public discussion around development policy as an opportunity to demonstrate their legitimacy. As well as publicizing their own success stories, such openness enables governments to explain to the public the choices and trade-offs involved in development policy.

Linking PRS Monitoring and the Budget

Creating a link between PRS monitoring and the budget process is a critical objective for a PRS monitoring system. The need to access public resources creates powerful incentives across all public agencies and provides the most promising hook for creating demand for effective monitoring. Moreover, unless this link is established, the PRS monitoring system will fail to meet its central objective of information-based decision making because budgets are the central mechanism for policy implementation. However, the country studies also demonstrate that this link can be very difficult to implement, especially if budget planning and public expenditure management systems are poorly developed.

In principle, budget priority should be assigned to programs with an impact on poverty reduction that has been demonstrated through the PRS monitoring system. In practice, performance-oriented budgeting is a recent innovation that has been adopted in a limited number of developed countries following major shifts in public sector management practices. It depends upon technically advanced systems for budget planning and public expenditure management, which are a long-term goal in most PRS countries. Among the countries under study, most still use incremental budgeting and have only recently begun establishing systems to match public spending and PRS priorities. Some lack the financial management systems to ensure that actual spending is aligned with the budget or to report accurately on expenditure.

Budgetary and public expenditure management reforms are necessarily evolutionary. Most PRS countries need to establish compliance (effective

control over spending) and macroeconomic stability (the capacity to meet overall spending targets), before they take on the task of increasing the efficiency and effectiveness of public spending; this is a sequence that may take many years to complete. In addition, in many countries, large segments of the budget are devoted to wages and salaries, leaving little room for reallocation in the short term. Greater alignment and flexibility in budgets thus depend on broader government reforms.

The question is therefore whether it is possible to create an effective link between the PRS monitoring system and the budget in PRS countries given current conditions. Relatively little experience emerges from the country studies on this point.

The most promising strategy identified in the country studies is the introduction in the rules and procedures surrounding the budgetary process of a requirement that spending agencies justify their resource bids according to PRS priorities and the evidence on past program performance. This is more readily accomplished in countries that have successfully introduced an MTEF. While the PRS sets down general objectives and priorities, it is usually the MTEF that provides the framework within which explicit spending choices and trade-offs are made; it therefore represents the ideal opportunity to use monitoring information. PRS monitoring system outputs can be timed to feed data and analysis into annual MTEF updates.

If there is no MTEF in place, there may be other opportunities connected to the annual budget process or the preparation of public investment plans. Monitoring data can influence decisions on which areas receive priority status. Likewise, there may be decision points involved in the selection of target areas and target populations for particular programs, such as social funds, roads, transport, energy, and so on, or in negotiating processes around multilateral or bilateral assistance strategies. In short, wherever line ministries are bidding for resources, the potential exists to use the occasion to encourage the ministries to support their proposals with evidence of the potential impact of the proposals on poverty reduction.

Among the countries under study, only Tanzania and Uganda have made progress in establishment concrete links to budgets, and, in both cases, this has represented the culmination of more than a decade of budgetary and public expenditure management reforms.

In Uganda, there is a technically advanced MTEF and a virtual fund within the budget—the poverty action fund—that protects disbursements in priority subsectors. In Uganda’s consultative budget process, line ministries are required to submit budget framework papers to provide a

rationale for their medium-term recurrent and capital funding bids. The submissions are supposed to cover achievements and goals linked to the PRSP framework and supported by monitoring data.

In practice, as the country study notes, the link has not yet had much influence on MTEF ceilings. (Under the poverty action fund, some subsectors are presumed to be priorities regardless of their performance, which weakens the demand for performance data.) However, it has provided a noticeable, if uneven, impetus toward more results-oriented policy making within sectors. This has allowed for greater donor alignment through budget support, which, in turn, generates more demand for monitoring information.

A key element in the Ugandan process is the external scrutiny of and dialogue around annual budget submissions. This is performed partly by the Budget Policy and Evaluation Department within the Ministry of Finance, Planning, and Economic Development and partly by the poverty eradication working group, a consultative body involving stakeholders and civil society. The department plays a challenge function within the budget process, that is, it engages the spending agencies in dialogue around their policy choices. Without this challenge function, a purely formal requirement that performance information be included in budget submissions is unlikely to be meaningful. The challenge function needs to be carried out by an agency with both the capacity and the authority to engage with spending agencies at a senior level.

Tanzania also has a functional MTEF and a technically advanced financial management information system. It has recently shifted from a system of protected priority sectors in the budget to a more flexible set of cluster strategies, which are prioritized, pro-poor policies spanning most sectors. As in the Ugandan case, to receive prioritization in disbursements, units must justify annual budget submissions in terms of these cluster strategies. The country study comments:

In effect, sector policy makers have a material incentive to develop outcome-oriented rationales for what they do with their allocations from public resources. For the first time, they are being given reasons to make use of data on results. (Booth 2004, 6)

However, in Tanzania the challenge function is not well developed, and the incentives are correspondingly weaker. The link is also diluted by the large amounts of off-budget donor spending, which undermines accountability and, thus, the effectiveness of national funds.

The link between the PRS monitoring system and the budget is usually created via rules governing budget submissions. However, the literature suggests that care needs to be taken in setting these rules for a number of reasons:

1. Particularly while the system is under development, PRS monitoring data are not always suitable or sufficiently accurate for preparing programs, defining interventions, and setting expenditures. It takes many years for some indicators to reflect and respond to policy interventions, and these indicators thus may not immediately support annual budget planning. In addition, the information for some areas might be less developed, which could result in the neglect of these areas. For instance, there might be less information on poorer areas or on particular sectors that have received less attention in the past. Finally, there is always a danger that one will focus on those interventions that are likely to result in measurable short-term changes and neglect areas in which results might take longer to materialize or are more difficult to measure.
2. In addition, the attribution of a positive or negative outcome to a particular program is not always possible because changes are often likely to result from a myriad of factors, many of which will be outside the realm of the program. The analysis must be able to identify a counterfactual (the situation that would have taken place without the program) to attribute specific changes in outcomes to individual interventions.
3. Where budget releases are unreliable, particularly in a cash-budgeting system, public sector managers cannot be held to strict account for the performance of programs, since irregular releases may render program implementation erratic. This undermines the link between the PRS monitoring system and the budget. In the case of Uganda, one commentator noted:

Below budget outturns and uncertainty in the timing of disbursements were justifiably cited widely as seriously impacting the ability of agencies to deliver results. This undermines the ability of and incentive for managers to plan for activities in advance, as they do not know when or whether they will actually be able to carry the activities out. (Williamson 2003, 32)

In these circumstances, a PRS monitoring system needs to track public expenditures to identify situations where budget execution could be negatively affecting program outcomes. Only when the budget and

public expenditure management systems become more reliable will it be feasible to base budget decisions directly on PRS monitoring system indicators.

4. While budget rules can mandate the use of monitoring data, creating an effective sanction against those who do not comply is difficult. Generally, it would not be appropriate to cut funding to PRS priority areas simply because the responsible public agencies have performed the monitoring function poorly. For instance, the weakest agencies might not be able to monitor and report on their activities and to make a case for their programs, yet these programs might be the very ones most in need of funding. Nonetheless, a monitoring process unaccompanied by sanctions for nonuse of the monitoring system may generate only token compliance.
5. Perverse incentives represent a danger. If the link between compliance and access to the budget is poorly designed, there may be a disincentive to effective and accurate reporting. Likewise, the selection of indicators may be influenced in favor of those that can be more readily controlled by line agencies, or there may even be an incentive to falsify the results of monitoring or voluntarily to neglect the effective monitoring of these indicators. One study points out that, "if failure to achieve agreed targets has unpleasant financial consequences, there is little incentive to strengthen monitoring systems which have the potential to highlight that failure" (Lucas, Evans, and Pasteur 2004, 38).

For all these reasons, establishing a link between performance data and resource allocation that is too strict may not be feasible or desirable until budget and public expenditure management reforms and the PRS monitoring system have become more developed. However, this does not preclude introducing a more general requirement that public agencies justify their budget bids based on the PRS through the use of evidence on program performance. The lesson seems to be that it may be fruitful to use the budget process to create opportunities for dialogue on program performance, as gauged by monitoring information, between spending agencies and a central body with the capacity and authority to play an effective challenge function.

The Role of Parliaments

In the countries under study, there is very little substantive involvement of parliament in PRS monitoring or, indeed, in the PRSP process as a whole.

This appears to be a missed opportunity both for increasing the impact of PRS monitoring and for building parliamentary capacity. The involvement of parliaments in PRS monitoring has the potential to bring legitimacy, country ownership, and the voice of constituencies into the process.

Parliaments play many different roles, and some of these roles provide critical openings whereby PRS monitoring systems may have a positive impact. Parliaments have a legislative role that involves collaboration with the executive in the formulation and implementation of development policy. PRS monitoring systems are a critical source of information for parliaments and the other actors involved in the design and implementation of sound policies and programs.

Parliaments also have an important oversight role with regard to the executive. In this role, through committee hearings, ministerial questioning, and investigations, parliaments hold government administrations accountable in reaching policy objectives. To carry out this role successfully, parliaments must be able to determine if resources are being used as budgeted and if they are achieving their objectives. PRS monitoring systems should include mechanisms to provide parliaments with such information, thereby ensuring that the checks and balances of good government are maintained. Parliaments may become involved in reviews of the results of monitoring results on a regular basis through public hearings on sectoral strategies or reports on implementation. It is important to note, however, that this role will depend on the relationship and balance of power between parliament and the executive, which is determined by the constitution and the context of the country.

Parliaments have a representative role. They must speak for the needs and interests of their constituencies, especially the poor. They must inform these constituencies about the efforts being undertaken by the government to meet the needs of the constituencies. PRS monitoring systems can provide parliaments with the relevant information. This information can be shared through venues such as public forums and press conferences.

A central role of parliaments is to review and authorize budgets. By understanding how previous budgets were implemented and what the budget expenditures were able to achieve, parliaments will be much better equipped to review current budgets and identify items that require adjustments in expenditure allocations. There are also opportunities to open the budget process to parliamentary scrutiny when budgets are being submitted and to use PRS monitoring systems to give parliaments more scope for making a substantive input into dialogues on the budget.

The low capacity of parliaments in many countries is one reason parliaments are not involved in PRS monitoring systems, particularly in sub-Saharan Africa (GTZ 2004a). Without a developed committee system, analytical capacity, or sufficient institutional resources, it is difficult for parliaments to engage effectively with the executive on policy issues. Parliamentary capacity is also limited because of a lack of understanding of PRS monitoring systems and the opportunities these systems present for parliamentary engagement.

There are several general ways to increase the capacity and ability of parliaments to engage in and effectively use PRS monitoring information.

- Groups within parliament that have a special need for PRS monitoring information should be identified. These groups are in a good position to use and publicize the use of PRS monitoring information because they are able to access more financial and staffing resources than are individual members.
- To ensure that PRS monitoring information is understood by parliament members, the system analysis, conclusions, and recommendations must be presented in comprehensible terms and laid out clearly. It is also important to strengthen the capacity of members of parliament in understanding data, how the information can be used to inform decisions and ensure accountability, and how it can be conveyed to the media and the public.
- Official venues at which PRS monitoring information can be presented should be identified since any information presented at such venues becomes part of the public record. Through this process, one may disseminate the information to the media and among the public, thereby increasing its reach and impact.
- Alliances should be developed between parliament and civil society groups. Civil society groups are a key mechanism through which parliament can disseminate PRS monitoring information to constituencies. These civil society groups may also be important sources of information and independent analysis for parliament. Civil society would in turn gain an additional entry point into the policy process.