

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND INTERNATIONAL MONETARY FUND

Good Practices for PRSP Design and Implementation:

A Summary for Practitioners

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This summary is based on the Joint IMF/World Bank Review of the Poverty Reduction Strategy Paper approach. For further details, see:

1. Main findings (27pp): <http://www.worldbank.org/poverty/strategies/review/findings.pdf>
2. Early Experience with Interim PRSPs and Full PRSPs (includes country specific experience) (98pp):
<http://www.worldbank.org/poverty/strategies/review/experience.pdf>

1. In December 1999, the Boards of the World Bank and the IMF approved the Poverty Reduction Strategy Paper (PRSP) approach to reducing poverty in low-income countries. The country-authored PRSPs are results-oriented, comprehensive, long-term road maps that are designed to serve as a framework for domestic policies and programs as well as development assistance.
2. When the PRSP approach was approved, the Boards' Executive Directors called for a joint assessment of its early experience. The joint staffs launched this Review in the summer of 2001, culminating in the consideration of two papers by the Boards in March 2002. At that time, ten countries had completed their first full PRSP, and three countries had more than twelve months of implementation. Forty-two countries had completed their interim poverty reduction strategy papers (I-PRSPs), with seven countries having reported on the status of preparation of their PRSPs following completion of IPRSPs. The PRSP Review focused on these countries' experiences with developing, implementing, and monitoring their PRSPs, with a primary focus on the full PRSP countries. It drew on a rich and extensive range of contributions from national PRSP teams, domestic and international civil society, bilateral and multi lateral development partners.
3. The overall message emerging from the Review is a substantial affirmation by low-income countries, development partners, and civil society of the value of the PRSP approach. The achievements of the PRSP approach to date clearly vary across countries and regions depending, in part, on starting points and how advanced the process is. There is nonetheless widespread agreement on several key achievements of the PRSP approach to date, specifically the growing sense of country ownership; the creation of more open dialogue with civil society groups; a greater prominence being accorded to poverty reduction in policy debates; and the embrace of the PRSP approach by nearly all development partners.
4. The Review did not attempt to make specific recommendations or establish further guidelines on the PRSP process and content for countries, because that would run contrary to the principle of country ownership. There are nonetheless a number of "good practices" that are already evident in specific areas of country experience, and in the types of support and engagement of development partners (including the Bank and Fund). The objective of this summary is to highlight areas of good practice, which are more fully illustrated in the Review papers. It is recognized that in reality, there are only a few cases where such practices are in place and the Bank and Fund do not in any case expect that they could be generalized across all countries in the short- to medium-term. The idea is rather to provide useful illustrations and directions, which will be of varying relevance depending on country circumstances.
5. A recurrent theme in the PRSP Review is the importance of building the capacities of governments and civil society so that they become able to engage successfully in all aspects of the PRSP process, from providing initial input to monitoring and evaluating programs. The Review suggests that good practice involves development partners' own staffs and resources supporting the PRSP design, implementation and monitoring at the country level. These suggestions for

development partners (including the Bank and Fund) are detailed in both the Review, and not repeated here.

A. Interim PRSPs

6. In such countries where preparing a full PRSP was likely to could take more than one year, countries were asked to prepare an I-PRSP, a short document that describes the current state of a country's poverty and policies and then presents a plan for completing a full PRSP in order to continue to access concessional financing from the IMF and/or reach a decision point under the HIPC program.

Good practices for countries

- Include key agencies, sectoral ministries, and civil society in I-PRSP preparation.
- develop a good road map and realistic time table for completion of the full PRSP.

Good practices for development partners, including the Bank and the Fund

- To inform I-PRSP preparation, clarify where support will be offered in preparing the full PRSPs.

B. PRSP Participatory Processes

The PSRP process is designed to be open and participatory and to include all major stakeholders, including CSOs (even those which may be out of favor with the government), private sector representatives, trade unions, women's groups, direct representatives of the poor, and donors, to name a few. Special efforts may be required to reach traditionally marginalized groups. There is no blueprint for participation, the nature of which will depend on local circumstances.

Good practices for countries

- Involve parliaments, cabinets, and sectoral ministries in PRSP preparation at appropriate stages;
- improve mechanisms for giving feedback to local participants during the PRSP process, and report in PRSPs any concerns expressed by key stakeholders;
- make PRSPs and related information understandable and available to local civil society; and
- present draft PRSPs to donor round tables or Consultative Group meetings before transmission to the Bank and Fund Boards.

Good practices for development partners, including the Bank and Fund

- Provide timely and constructive feedback to PRSP teams, but resist making extensive comments on drafts that could undermine country ownership.

C. Conflict-Affected Countries

7. While countries may be able to prepare an I-PRSP shortly after conflict has subsided, internal instability, fractured social and political environments, and other factors may make it necessary to delay completion of a the full PRSP until conditions have settled. The PRSP framework is sufficiently flexible for the special needs of conflict-affected countries

Good practices for countries

- Describe in PRSPs how conflict-related problems are being addressed.
- focus on the public actions and institutions most urgently needed to rebuild core government systems and trust in public institutions, and

Good practices for development partners, including the Bank and Fund

- Support country efforts in formulating strategies for conflict analysis, prevention, and peace building.

D. Improving Poverty Diagnostics, Targets and Indicators, and Monitoring and Evaluation

8. The preparation of PRSPs is helping countries make progress toward acquiring better poverty data and undertaking diagnostics. It has also helped to clarify national targets and indicators for poverty reduction, and it increased attention to the importance of M&E. Various challenges remain however. Poverty and social impact analysis has not typically been undertaken, even of major reforms. In many cases, quantitative survey data presented in the PRSPs were out-dated, too infrequent or not sufficiently comparable to permit trend analysis. And, the long-term targets for poverty reduction are sometimes overly ambitious.

Good practices for countries

- Analyze the impact of major poverty programs and policy actions;
- develop appropriate intermediate (short term) indicators to enable timely monitoring of performance and feedback, which complement measurement of poverty outcomes;

- setting realistic targets for growth and poverty outcomes, including the MDGs among national goals when relevant, and customizing targets to country circumstances; and
- report on plans and any associated assistance requirements needed to develop the institutions for improving M&E.

Good practices for development partners, including the Bank and Fund

- Contribute to coordinated assistance in support of poverty diagnostics and PSIA; and
- provide timely and appropriate analysis of key areas of the PRSP, prepared jointly with the government, whenever possible.

E. Clarifying Priority Public Actions

Building on the results of the poverty diagnostics and debates about policy options, PRSPs are intended to set out a country's macroeconomic and fiscal priorities, as well as ongoing proposed policies to improve governance and sectoral programs. It has been a challenge for countries to offer the appropriate level of detail about public actions, such as which institution is expected to accomplish what specific outcome in an identified time frame. Similarly, prioritizing these actions given time and budget constraints and while maintaining an inclusive process has been difficult, both technically and politically. The link between strategic objectives and outcome targets is an especially important connection to make clear in the PRSPs.

Good practices for countries

- Develop alternative macroeconomic scenarios in PRSPs, including contingency spending plans and measures supporting alternative revenue paths;
- include policies to reduce the risks from external shocks or to ensure debt sustainability;
- explore options to improve the efficiency of services that are of key relevance to the poor; and
- analyze and consider the links between sectoral issues (such as the impact of education on health outcomes) and crosscutting issues (such as gender and the environment) when developing priority public policies.

Good practices for development partners, including the Bank and Fund

- Deepen current efforts to understand more fully the linkages between policy actions and pro-poor growth, at the country level.

F. Public Expenditure Management

In many countries, especially heavily indebted poor countries (HIPC), current public expenditure management (PEM) systems are beset with problems, such as incompleteness, inappropriate classifications and weak auditing systems. The importance of improving PEM systems and its presentation in the PRSPs has been highlighted by both domestic stakeholders and donors, who regard adequate PEM systems as essential for improving the overall effectiveness of development policies and programs, for increasing accountability regarding external assistance, and for improving governance in general.

Good practices for countries

- Outline in PRSPs an assessment of the current state of PEM systems and realistic plans for improving them; and
- where a medium-term expenditure framework does not exist, outline plans for how it will be developed and implemented.

G. Improving the Integration of PRSPs into Other Decision-Making Processes

9. In some countries, the extent to which the PRSP is integrated within existing decision-making processes has been problematic. For example, there may be uncertainty about how the PRSP should be related to previously established government planning or national strategic exercises. In many countries, sectoral ministries have been less fully involved in PRSP preparation than was hoped, and this may affect implementation.

Good practices for countries

- Include in PRSPs information about the institutional arrangements for preparing and implementing strategies, including the role of parliament.

Good practices for development partners, including the Bank and Fund

- Respect and align assistance with national cycles for government decision making, particularly annual budget cycles.

H. Improving Donor Alignment and Harmonization

In part, the PRSP approach was designed to address long-standing problems of poor donor coordination, weak country ownership of externally-financed programs, and the fragmentation of governmental programs and institutions caused by multiple, and often inconsistent, aid delivery and management policies and procedures. Nearly all donors have agreed in principles to align their programs with PRSPs, but much remains to be done to achieve this objective. Among development

partners, the Bank and the Fund have a special responsibility to demonstrate their own willingness and ability to support country-driven strategies and to strengthen donor relationships.

Good practices for countries

- Actively lead the coordination and alignment of the local donor community; and
- involving donors in PRSP preparation through, for example, including representatives on working groups, and
- highlight areas which are obstacles to donor harmonization.

Good practices for development partners including the Bank and Fund

- Align donor's own "business plans" with the respective national PRSPs, including performance triggers and conditionality, and justify the choice of instruments against PRSP objectives;
- develop lending operations' conditionalities and policy support transparently, and encourage governments to open discussions on lending instruments to broader consultations with domestic stakeholders and other branches of government, including parliament; and
- explore the expanded use of programmatic lending, including SWAps, when country circumstances warrant.

I. Future Monitoring

10. Effective implementation of PRSPs is more likely to occur when there is regular monitoring, evaluation, and revision of the strategy. It is widely agreed that annual implementation progress reports can play a key role in ensuring implementation, although concerns have been raised that this risks imposing an excessive burden on governments. Another concern is that the three-year cycle for updating a PRSP may be inconsistent with traditional decision making or planning cycles. Questions of relevance and updating may also arise in the wake of major changes in country circumstances.

Good practices for countries

- Preparing and publishing annual progress reports with forward-looking policy matrices in parallel with annual budget preparation;
- decide on appropriate periodicity (up to five years) for revision of subsequent full PRSPs in line with existing cycles for the country's development plans; and
- publicly announce a new administration's intentions with respect to the country's existing PRSP subsequent to a change in government.