

Guidelines for World Bank and IMF Staffs for Joint Staff Advisory Notes (JSAN) for Poverty Reduction Strategy Papers

1. After a country prepares a Poverty Reduction Strategy Paper (PRSP), Bank and Fund staffs prepare an advisory note (the Joint Staff Advisory Note—JSAN) to provide feedback to the country and to the Executive Boards of the World Bank and the International Monetary Fund on priority areas for strengthening the PRS and its implementation. When a PRSP is presented by a government to the Executive Boards of the World Bank and the International Monetary Fund, it is accompanied by the JSAN. This note provides guidance to Bank and Fund staff on preparing JSANs of full PRSPs. These guidelines, which update and replace the previous “Guidelines for Joint Staff Assessment of a Full Poverty Reduction Strategy Paper (April 16, 2001),” may be revised periodically in light of experience and feedback from countries and development partners.

Implications of Recent Changes to the PRS Architecture

2. Based on recommendations made in the *Poverty Reduction Strategy Papers—Progress in Implementation*,¹ some modifications have been made to the PRS architecture, including the replacement of the Joint Staff Assessment (JSA) of the authorities’ PRS documents by a Joint Staff Advisory Note (JSAN) and the elimination of the requirement that the concluding paragraph of this document recommend that the Fund and Bank Boards find the JSAN a satisfactory basis for concessional lending. These modifications do **not** change the fundamental underpinnings of the PRS initiative. Rather, they are meant to re-emphasize certain key elements of the approach: (i) a country’s poverty reduction strategy needs to be tailored to country characteristics and initial conditions, both in terms of content and processes; (ii) the PRS initiative needs to emphasize improvements in analysis, policies, institutions, and processes that underpin a PRSP rather than emphasizing production of papers; and (iii) partners should align their support with country priorities and find ways to deliver more and better aid in support of strong PRSPs. The changes are also intended to also help address the perception that Washington “signs off” on a country’s PRS; to enhance the candor and focus of staffs’ feedback on a country’s PRS; to increase transparency in how Bank and Fund concessional assistance is aligned with a country’s PRS, and to encourage better alignment of the PRS process with existing domestic processes.

3. These JSAN guidelines continue to reflect the main principles underlying the PRSP approach. The PRSP is prepared by the government through a *country-driven* process, including broad participation that promotes *country ownership* of the strategy and its implementation as well as *partnerships* among the government, domestic stakeholders, and development partners. *Comprehensive diagnosis*, a *long-term perspective*, and *results-orientation* are important. The JSAN guidelines also reflect the

¹ *Poverty Reduction Strategy Papers—Progress in Implementation*, IMF Staff Memorandum SM/04/292; World Bank Report Number 30063.

general expectation that, although the specific content of PRSPs will vary widely among countries, a PRSP will include four core elements: (a) a description of the country's participatory process; (b) poverty diagnosis; (c) targets, indicators, and monitoring systems; and (d) priority public actions.² Full PRSPs are generally expected to summarize the priority public actions over a medium-term horizon (three to five years) by inclusion of: (a) a table(s) presenting the country's macroeconomic framework; (b) a table(s) summarizing the overall public expenditure program and its allocation among key areas;³ and (c) a matrix of key policy actions and institutional reforms and target dates for their implementation.

4. **Purpose and Content of the JSAN.** The objective of the JSAN is to provide focused, frank, and constructive feedback to countries on their PRS. All JSANs should present staffs' views on priority areas for strengthening the PRS during implementation over the coming year. Staffs should ensure that advice is prioritized, and consistent with a country's starting point, capacity, and available support. In addition, where there are significant weaknesses in the PRS that, in the view of Bank and Fund staffs, need to be addressed, such concerns should be raised in the JSAN. Specifically, the JSAN should note in particular those areas where:

- a. there are significant inconsistencies between the PRS and its policy framework and the content of Bank and Fund programs that reflect existing analytic work, and/or
- b. further analysis is needed

in order for the PRS to provide a framework for Bank and Fund assistance. Those issues identified in the JSAN would then provide a basis for further discussions on enhancing the strategy.

5. Annex 1 provides a range of issues that staffs should consider when determining their advice. This annex does not represent a checklist of issues that must be covered in each case. In fact, JSANs should be selective, and present a limited number of priority areas for strengthening. JSANs are expected to be substantially shorter than most past Joint Staff Assessments, reflecting increased selectivity and focus. Staffs should continue to use other avenues to provide feedback, as warranted, on other issues not discussed in the JSAN.

6. While the JSAN is to be frank, it should not assess whether the strategy as a whole constitutes a sound basis for concessional assistance (as had been the case with JSAs). The link between concessional assistance and a country's PRS should be made in the Bank's Country Assistance Strategy and project documents and in arrangements under the IMF's Poverty Reduction and Growth Facility (PRGF). These documents

² See Appendix 1, "Possible Elements of a PRSP," Poverty Reduction Strategy Papers: Operational Issues, Joint IMF/World Bank Paper, December 10, 1999, which is available on the Bank and Fund websites.

³ Data on the public expenditure program should be as comprehensive as possible and should not be limited to activities financed by budgetary savings from HIPC debt relief and/or by projected increases in external assistance. However, allocations of specific uses of HIPC debt relief should also be presented.

should explicitly discuss the alignment with the country's PRS, and how a country is addressing any serious concerns that were noted in the JSAN.

7. The JSAN should comment on the four core elements of the PRSP (paragraph 3), including particular attention to issues raised in JSANs for the PRSP APRs, the previous PRSP, or—where there is no previous full PRSP, the Interim PRSP. Where appropriate, the JSAN should address how to better use the PRS as a partnership framework and how to better integrate the PRS into domestic processes. The JSAN should also consider measures to help address implementation risks. The JSAN should avoid description and repetition of the PRSP. To the extent that, for readability, the JSAN needs to summarize parts of the PRSP, this summary should be as brief as possible and preferably separated from the sections providing overall advice. The JSAN should avoid normative language in assessing the PRS as a whole and in particular avoid language that suggests that the PRS document meets or falls short of overall standards.

8. A JSAN of a PRSP should end with suggested points for discussion by the Executive Board. The concluding paragraph should draw on the advice in the main text of the JSAN to highlight areas for discussion and seek the Board's views on staff's conclusions regarding: (i) priority action areas for strengthening the PRS; and (ii) areas where (a) there are inconsistencies between the PRS and its policy framework and the analytical basis that underpins Bank- and Fund-supported programs that reflect existing analysis; or (b) areas in which further analysis or adjustments to the strategy are needed for the PRS to provide a framework for Bank and Fund assistance.

9. In preparing a JSAN, lead responsibility among Bank and Fund staff should be divided in line with primary institutional competencies, taking into consideration that there are areas of overlapping competence and important linkages among areas. The staffs need to reach agreement on common overall advice. Where differences cannot be addressed between country teams, these issues should be raised with OPCS and region management in the Bank and PDR and area department management in the Fund to make it less likely that resolution of disagreements between country teams hold up Bank or Fund operations. The Fund's core areas are macroeconomic policies (monetary, fiscal, and exchange policies) and directly related structural reforms. The Bank's core areas are design of poverty reduction strategies (including poverty diagnostics, sectoral strategies, effectiveness of public expenditures, and social safety nets) and structural, and social reforms and governance reforms (including legal and judicial reforms). Overlapping areas are the environment for private sector growth, trade, financial sector, tax and customs policy administration, and issues related to public expenditure management, budget execution and monitoring, and fiscal transparency, as well as public sector governance.

Structure of the JSAN

10. As with JSAs, there is no mandatory outline for a JSAN, and staffs should tailor the JSAN to country needs. However, recognizing that a somewhat standardized format for the JSA has emerged, a flexible structure is suggested below, which teams can

customize to country conditions. JSANs should not necessarily follow the proposed outline, which is for general guidance only.

- **Overview.** This section could be used to briefly provide whatever context is needed. All JSANs should describe the participatory process. As instructed by the Executive Directors, care should be taken not to evaluate the participatory process. It is recognized that the participatory process is designed and managed by the government and that staff knowledge of the process and its impacts will often be incomplete. This section could also include brief descriptions of the key PRS "blocks": (i) poverty diagnostics; (ii) targets/indicators; and (iii) public actions (macro and structural), which are often described by countries as their PRS "pillars."
- **Link to domestic processes and how to strengthen.** More effort is needed to encourage countries to embed the PRS in their domestic processes. Given this focus, it may be useful to have a section (or sub-section) on how these linkages can be strengthened, including for progress reporting.
- **Advice for strengthening the PRS and enhancing implementation.** Rather than a mechanistic treatment across all sectors, teams should consider whether or not there are organizing themes. JSANs should be selective in the issues covered. Rather than attempting to equally treat all sectors and cross-cutting issues in the JSANs, advice should be prioritized.
- **Conclusions and Issues for Discussion.** This section should summarize staffs' views on: (i) the main implementation risks; and (ii) priority areas for strengthening the PRS and its implementation which could lead to better results. When warranted, it should also note those critical areas where current policies do not match those articulated in the PRSP, where the policy framework of the PRSP is inconsistent with existing analytic work, or where more analytic work is urgently needed to support the policy choices of the PRSP, and where these inconsistencies have implications for Bank and Fund assistance.

The JSAN could conclude with the following set of issues for discussion. Do the Executive Directors concur with the areas identified by staffs: (i) as key implementation risks; and (ii) as priorities for strengthening the PRS and its implementation? When warranted, issues for discussion would also include those areas identified by staff where action by the authorities is needed as related to Bank and Fund concessional assistance.

Annex 1: Questions for consideration when determining what advice to provide in the JSAN

A range of questions are presented below which staffs should consider when preparing a JSAN. The bullet points associated with some of the key questions are only reminders of potentially important issues for consideration, **not a checklist of issues** that must be covered in every case. There may be other issues not included in the bullet point that are important in a particular country and that should be covered.

Given institutional capacity constraints, the quality of data, diagnosis, analysis, strategies and other elements in PRSPs will vary widely among countries, and it is not expected that all PRSPs will address thoroughly all of the issues raised in the questions below.

Moreover, in preparing the JSAN, staff need to consider each of the questions below but should focus in the JSAN on those that are most relevant in the country context. **JSANs should not attempt to address all these questions. JSANs should prioritize the advice which is provided.**

A. Building Country Ownership through Participation⁴

A.1 Does the PRSP describe the participatory process that the government conducted to design and to build ownership for the strategy?

- Participatory processes within government (among central ministries, parliament, and subnational governments).
- Other stakeholder involvement (for example, civil society groups, women's groups, ethnic minorities, policy research institutes and academics, private sector, trade unions, and representatives from different regions of the country).
- Bilateral and multilateral external development partners' involvement, including collaborative analytical work to support PRSP development.
- Mechanisms used to consult the poor and their representatives.

A.2 Does the PRSP summarize major issues raised during the participatory process and the impacts of the process on the content of the strategy? How has the participatory process evolved over time?

- Extent to which the participatory process has been well integrated with existing processes of the government for policy and decision making.
- Comparison with earlier practices and with the plans in previous PRS documents.

⁴ The Executive Boards have instructed the staffs to describe, but not to evaluate, the participatory process. It is recognized that the participatory process is designed and managed by the government and that staff knowledge of the process and its impacts will often be incomplete.

A.3 How closely is the PRSP related to any other current government documents that set forth national or sectoral development plans and/or budgets?

A.4 What are the plans for public dissemination of the PRSP?

B. Poverty Diagnosis

B.1 How adequate are existing poverty data?

- Extent of disaggregation of poverty data by regions and by demographic groups, including by gender.
- Degree to which quantitative data were complemented by qualitative information.
- Accessibility of data for policy analysis, especially outside government.

B.2 How well have the nature and determinants of poverty outcomes (income and non-monetary dimensions) been identified? Have trends in key poverty determinants and outcomes been presented?

- Extent of income/consumption and other dimensions of poverty (health, including environmental diseases and HIV/AIDS, education, natural resource degradation, vulnerability, disempowerment) and their evolution over time.
- Analysis of gender dimensions of poverty.
- Distribution of assets of various types—natural (especially land), physical, financial, and human.
- Identification of economic, social and institutional (including corruption and poor governance) constraints to poverty reduction.

B.3 To what extent have the growth and distributional impacts of past policies and programs been assessed?⁵

- Macroeconomic policies, including the ability to respond to exogenous shocks.
- Structural and sectoral policies, including the distributional impacts of past reforms and policies affecting private sector development, trade, the operation of product and factor markets, and environmental management.
- Equity, effectiveness and efficiency of existing pattern of public expenditures, service delivery, and systems for budget management, financial management, and procurement.
- Other key constraints on implementation capacity.
- Policies with regard to gender inclusion and social inclusion.

⁵ Monitoring and evaluation systems are usually weak, and rigorous quantitative assessments are seldom possible. Nevertheless, judgments about the efficacy and impacts of past policies, even if qualitative, are crucially important for improving strategies over time.

C. Targets, Indicators, and Monitoring

C.1 Does the PRSP define medium- and long-term goals for poverty reduction outcomes (monetary and non-monetary), establish indicators of progress, and set annual and medium-term targets? Are these indicators and targets appropriate given the assessment of poverty and the institutional capacity to monitor? And are they consistent with the policy choices in the strategy?

- Selectivity in the choice of monitorable indicators and targets, in line with priority public actions and capacity.
- Inclusion of indicators related to the Millennium Development Goals, recognizing that the appropriate indicators, as well as specific targets, will vary among countries.
- Indicators and targets which appropriately capture disparities by social group, gender, and region.

C.2 Are current and proposed monitoring and evaluation systems adequate and sustainable?

- Adequacy of efforts to improve data collection and analysis.
- Transparency of arrangements for, and results of, monitoring the PRSP, including service delivery to the poor.
- Use of participatory methods for monitoring.
- Adequate use of results of monitoring and evaluation in policy formulation.

D. Priority Public Actions

D.1 Does the PRSP present **clear priorities for public action**? Are these priority actions appropriate and feasible in light of the diagnosis, the targets, their estimated costs, available resources, institutional capacities, and the effectiveness of past policies? In making this overall assessment, staff should also consider the following questions:

Macroeconomic Framework, Fiscal Choices, and Financing Plan

D.2 Does the **macroeconomic framework** promote: (i) growth that is consistent with the poverty reduction objectives laid out in the PRSP; (ii) a level of inflation that does not undermine macroeconomic stability, private sector growth, or the purchasing power of members of society without access to inflation hedging financial instruments; (iii) an external position that is sustainable in the medium- to long-run; and (iv) an overall fiscal stance that is compatible with the PRSP's poverty reduction and growth objectives?

- Growth projections that are realistic and take into account likely sources of growth, including external trade.
- Possible tradeoffs between the pursuit of short-term versus long-term poverty reduction and other macroeconomic goals.

- Robustness of the macroeconomic program in light of the risks of exogenous shocks.

D.3 Are **fiscal choices** consistent with the poverty reduction and growth objectives of the PRSP? Is the allocation of expenditures consistent with the strategic priorities, institutional capacities and efficiency, and realistic cost estimates? Have domestic revenue measures been designed in light of likely distributional impacts? Is fiscal management capacity adequate to effectively implement the proposed expenditure program?

- Quality of cost estimates for key programs.
- Comprehensiveness of budget data, i.e., extent to which all programs (including externally financed projects) are included in an integrated budgetary framework.
- Status of a Medium-Term Expenditure Framework to improve the capacity to undertake pro-poor budget allocations over time.
- Disaggregation of expenditure programs by sector and key programs for poverty reduction and by recurrent and investment expenditures.

D.4 Does the strategy have an adequate and credible **financing plan**—including domestic borrowing and projected aid (and other external) flows?

- Realism of external financing projections and implications for long-term debt sustainability.
- Extent to which external development partners have begun—or indicated their intention to align and coordinate their own strategies with the PRSP.
- Contingency plans for expenditures in the event of a shortfall in revenues or financing.

Structural and Sectoral Policies, Policies for Social Inclusion and Equity, Governance and Public Sector Management

D.5 To what extent do the **structural and sectoral policies** address the key policy, incentive, and institutional constraints to poverty reduction? How well has the PRSP estimated the likely impact of its proposed policy measures on the poor and included measures to mitigate any negative impacts?

- Measures to expand opportunities for the poor and to distribute the benefits of growth and public services more equally by region, by economic and social groupings, and by gender.
- Prioritization and sequencing of reforms, considering expected impacts on the poor.
- Private sector and financial sector development, including sector, financial and labor market regulations, trade policies, and domestic pricing policies.
- Key social sector policies and programs, including those related to HIV/AIDS.

- Policies and institutions for environmental sustainability.
- Cross-sectoral linkages.

D.6 To what extent do **policies for social inclusion and equity** address the key policy, incentive, and institutional constraints to poverty reduction?

- Measures to promote fair and equitable treatment of all people under the law and avenues of recourse, including with respect to property rights.
- Social protection and labor policies.

D.7 To what extent are improvements in **governance and public sector management** being pursued in areas that are important for poverty reduction? How adequate are proposed improvements in laws and in institutions at the central and local levels with regard to ensuring accountability for use of fiscal resources and better service delivery?

- Measures to address systemic problems in budget formulation and execution, financial management and procurement systems, and monitoring of public spending, as well as short-term measures to ensure accountability for the use of HIPC debt relief.
- Plans for improvements in governance arrangements and service delivery, including the role of local communities and local government.
- Steps to be taken to improve transparency and ensure accountability of public institutions and services vis-à-vis the needs and priorities of the poor.
- Efforts to address critical problems inhibiting civil service performance and any issues of corruption in the public service.