

Concept Note

**Joint World Bank and IMF Report on
Poverty Reduction Strategy Papers—Progress in Implementation**

2005 PRS Review

February 2, 2005

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A. Context

1. Background. **In September 1999, the Development and Interim Committees endorsed a framework to enhance the poverty focus of Bank and Fund concessional lending.** The approach was based on poverty reduction strategies prepared by countries and embodied in Poverty Reduction Strategy Papers (PRSPs). The underlying goals were to support comprehensive, country-led efforts to sharpen the poverty focus and effectiveness of development assistance in low income countries, and to align assistance by external partners around those strategies. Poverty reduction strategies (PRSs) were expected to be country-owned and designed in a participatory fashion (taking into account the views of Parliaments and other democratic bodies, where they exist, the donor community, civil society and specifically the poor themselves); comprehensive in approach (recognizing the multidimensional nature of the causes of poverty and strategies to alleviate it and the need for a coherent macroeconomic framework to support them); and based on a medium and long term perspective, including appropriate monitoring indicators against which progress could be measured.

2. **At about the same time, the 2000 U.N. Millennium Summit led to the adoption of the Millennium Declaration and the MDGs, by which the international community could measure progress on key dimensions of development.** The consensus forged at Monterrey in March 2002 called on developing countries to improve their policies and governance and on developed countries to step up their support through more and better aid and more open markets. For low-income countries, their poverty reduction strategies are the vehicle through which country policies, programs, and resource requirements are linked to the MDGs. The PRS approach provides the framework in which to make operational the responsibilities and accountabilities—of low-income countries as well as their development partners—that were framed in the Monterrey consensus.

3. **The 2005 PRS Review will draw on the experiences of countries in preparing and implementing poverty reduction strategies and of donors in supporting these efforts.** Currently, 45 countries are implementing their PRSPs, of which 24 have produced at least one annual progress report. For these 45 countries, the average implementation period is about two years. Three countries are well advanced in preparing a fully revised (second generation) PRSP. An additional 11 countries have prepared interim PRSPs. The overwhelming bulk of low-income countries which have not yet prepared a PRSP are LICUS countries.

4. Reporting on implementation progress. **Bank and Fund staffs have reported regularly on progress in PRS implementation (annex 1).** Initially, progress reports were prepared twice a year. In March 2002, the progress report reflected the findings of a

larger review (2002 Review). Since September 2002, progress reporting has been annual. In the most recent Progress in Implementation Report (September 2004), staffs highlighted that the PRS approach has helped to focus attention on country-specific challenges to improving development outcomes and effectively reducing poverty as well as the need for more effective development cooperation, including more aid. However, addressing analytic, institutional and capacity gaps in particular countries will take considerable time and effort.

5. **In the summer of 2004, the independent evaluation units of the World Bank and IMF released their findings from year-long evaluations of *The Poverty Reduction Strategy (PRS) Process (OED)* and *Poverty Reduction Strategy Papers (PRSPs)* and the *Poverty Reduction and Growth Facility (PRGF) (IEO)*.**¹ The OED report found that the PRS Initiative has begun to orient the policy discussions in low-income countries toward a focus on poverty, attention to results, and a framework for aid management. However it noted that the tension in designing a Bank/IMF-driven initiative involving conditionality that is simultaneously meant to foster a country-driven process has hampered customization of the Initiative to country conditions and limited the focus on domestic planning and implementation processes. It recommends that the Bank should foster customization, assist in exploring a wider range of policy options and help define clearer partnership frameworks around PRSPs with accountabilities for both countries and partners. The IEO report came to broadly similar conclusions, noting in addition that the PRSP process had not generated a broad discussion of alternative macroeconomic policy options. Moreover, most PRSPs fell short of providing a strategic roadmap for policymaking which limited the scope for embedding the PRGF in the PRSP.

6. **Rationale for 2005 PRS Review At the time of the 2002 Review, the Boards asked that another full review be done in 2005.** In the September 2004 *PRSP—Progress in Implementation Report*, staffs committed to using the next annual review (the 2005 PRS Review) to consider progress, challenges and good practice related to a set of key issues that are central to enhancing the effectiveness of the approach. This concept note outlines the proposed approach for conducting this 2005 PRS Review. The proposed 2005 PRS Review is timely. In the context of the forthcoming UN Summit on implementing the Millennium Declaration, there is a need for the international community to assess progress of the PRS approach as a country-driven model for more effective development cooperation, and to identify actions that could strengthen this approach. This is a challenging undertaking, not least because of the difficulty in measuring concretely the reduction of poverty over the relatively short timeframe of five years and establishing direct causal links between poverty outcomes and the PRS approach, given the vulnerability of most PRS countries to exogenous factors and the persistent shortcomings of monitoring and evaluation systems.

¹ World Bank report number 29164 and IMF Staff Memorandum SM/04/227, 7/7/04.

B. Key Issues

7. **The PRS approach was intended to be country-driven, results-oriented, comprehensive, partnership-based, and with a long-term perspective on development and poverty reduction. The aim of the 2005 PRS Review is to provide a framework for more systematically considering progress in PRS implementation and undertake an analysis to assess progress to date.** The Review will also aim to draw lessons and make recommendations (including for the Bank and Fund) on strengthening specific aspects of the approach. However, it is not possible to assess whether or not the PRS approach itself has led to greater poverty reduction, given the relatively short period of implementation, data limitations, and attribution issues. Nonetheless, five years into implementation, it should be possible to assess the degree to which various inputs to and outputs of the process have been in line with original objectives, and provide an indication of intermediate progress toward the goals of enhancing growth and reducing poverty. Furthermore, it is important to clarify the various intermediate outcome indicators which should be considered in monitoring overall effectiveness of the PRS initiative and to consider progress along these indicators where feasible.

8. Themes for the Review. The 2005 PRS Review will focus on five themes, identified through discussion with stakeholders and review of literature, that are central to the effectiveness of the PRS approach. These themes are: (i) strengthening the medium-term orientation of the PRS; (ii) utilizing the PRS as a mutual accountability framework between countries and donors; (iii) broadening and deepening meaningful participation; (iv) enhancing linkages between the PRS, planning documents, the MTEF and budgets; and (v) tailoring the approach to conflict-affected and fragile states.

9. ***Strengthening the medium-term orientation of the PRS.*** The PRS should serve as the medium-term operational framework for designing and implementing policies for accelerating growth and progress towards the MDGs; for coordinating the increased development assistance to which the donor community committed itself under the Monterrey Consensus; and for institutionalizing the participation of domestic and external stakeholders in the development process. A strengthened medium-term orientation would permit greater focus on appropriate growth-oriented policies, including structural and sectoral policies and trade policies, which should increasingly be included PRSPs. A medium-term orientation will also require the use of: alternative macroeconomic scenarios, both to flesh out the implications of more ambitious development goals than warranted by current policies, institutions, and financing flows, as well as to address the vulnerability to exogenous shocks; more robust growth analysis; enhanced monitoring systems; and poverty and social impact analysis (PSIA) of policy alternatives. These aspects will have important implications for countries facing considerable capacity constraints. Central issues include how donors should manage the tension between their annual aid budgets and the need for medium-term aid commitments to support sustained implementation of poverty reduction programs and how countries can effectively assess intermediate progress toward objectives that are long-term. Key questions to be addressed include:

- Framing development goals. Is the PRS embedded in a viable longer-term development strategy that is consistent with country circumstances? Have countries used the PRS process to make the MDGs operational? Are the objectives of PRSs framed in terms of the MDGs adapted to country-specific circumstances and realistically achievable? What are the implications of the different time horizons of the MDGs and goals and targets set in PRSs.
- Setting the stage for increased aid. How do PRSPs balance the tension between realism (a fiscal framework constrained by current aid levels and capacity) and aspiration (increased aid, improved policies and capacity); how can alternative scenarios provide a bridge between the two? What are the likely macroeconomic impacts of increased aid, what are the implications for debt sustainability, and what actions could help countries manage any negative consequences?
- Building systems to support evidence-based decision making. To what extent do PRSPs have relevant targets and indicators of poverty reduction? Do they have proposals for enhancing monitoring and evaluation systems, including selectivity in the choice of monitorable targets and indicators, efforts to improve data collection and use, and the clear definition of the intended development results? How adequate is the analysis that underpins key policies and decisions (e.g. poverty diagnostics; PSIA; pro-poor growth analyses)?
- Possible areas for recommendations/future action. Strengthen the analysis of the macroeconomic impact of increased aid inflows (Fund) and absorptive capacity (Bank); define comprehensive sectoral programs for scaling up service delivery (partner countries with donor support); provide support for the formulation of alternative scenarios (Fund/Bank); set targets and objectives for the PRS that are defined in terms of the MDGs adapted to country-specific circumstances (partner countries, with the support of UNDP, the Bank and other agencies).

10. ***Utilizing the PRS as a mutual accountability framework between countries and donors***, including alignment and harmonization of external assistance and increased aid volumes. PRSPs have not yet fully supplanted parallel donor analyses and diagnostic and reporting requirements, nor have they been able to ensure full consistency between donor conditionality and country-owned programs. In large part, this is because, as medium-term strategic documents, they generally do not contain the level of operational detail required by donors for their annual financing decisions, nor do they usually provide a clear sense of priorities among the PRS' many objectives and goals. A key challenge for countries, therefore, is to adapt and update their policies to changing circumstances on an annual basis within the strategic medium-term framework set out in the PRS. Donors will need to find ways to demonstrate the increased effectiveness of development assistance to justify higher aid flows in circumstances where the intended results will only gradually become apparent.

- Building capacity. Have countries' need for technical assistance in the preparation and implementation of their PRS been adequately addressed by development partners? Has the PRS process been used to prioritize and coordinate technical

- assistance needs, and to develop a comprehensive strategy for meeting countries' capacity development needs?
- Supporting analysis. To what extent have external partners, including Bank and Fund staff, provided useful analytical inputs into the PRS process consistent with principles of country ownership and partnership?
 - Improving aid alignment, conditionality and volume. To what extent have external development partners, including the Bank and the Fund, aligned their assistance and policy conditionality with the PRSP? Have the volumes of aid increased and/or the modalities for assistance improved for countries implementing sound poverty reduction strategies? Has the PRS approach led to improvements in donor conditionality and more selective aid decisions? How well does PRGF and PRSC conditionality support PRS implementation? To what extent has implementation of poverty reduction strategies been constrained by aid flows? How do specialized global funds relate to poverty reduction strategies?
 - Architecture changes. What has been the initial experience from the changes to the PRS architecture that were introduced in the fall of 2004 aimed at strengthening country ownership by eliminating the joint Boards' endorsements of the PRSP as the basis for BWI concessional assistance, and refocusing the joint staff assessment of PRSPs to provide a more concise and nuanced evaluation of PRSPs and annual progress reports?
 - Assisting in coordination. Has the PRS approach provided a useful framework donor coordination? Has an appropriate balance been achieved between country ownership and the need for donors to be held accountable for the use of their resources?
 - Possible areas for recommendations/future action. Establish well-defined and costed sectoral programs in PRSPs with annually updated implementation plans in APRs that are closely linked to budget processes (partner countries, with analytical support from donors); derive conditionality from a reduced set of the targets and indicators contained in PRSPs, and establish a mutually agreed and coordinated framework for monitoring performance (donors and partner countries); provide adequate and timely commitments of annual support and indicative commitments of likely medium-term support (donors); develop comprehensive and prioritized capacity development strategies within PRSPs and use these to coordinate the provision of technical assistance and other support from donors (partner countries and donors); establish a framework for sector reviews that would facilitate their incorporation into APRs (partner countries and sector-support donors).

11. ***Broadening and deepening meaningful participation.*** Country authorities and donors face the challenge of making participatory processes self-sustaining over time, so that transparent domestic decision-making processes and accountability supplant donor conditionality as a motivating factor for good policy. This includes considering (i) the

role of key actors (such as domestic constituent groups and institutions, including parliaments, labor unions, trade and business associations, NGOs, mass media); (ii) mechanisms (such as for broadening the space for macroeconomic and other policy dialogue and consideration of alternative policy options including macroeconomic scenarios); and (iii) sustainability of processes (moving beyond consultation in PRS formulation). A key question is how all involved stakeholders actually interact with each other in the process of developing and implementing the PRS, and how to ensure that the participatory processes resulting from the PRS process are meaningful in the given country context.

- Involving stakeholders. To what extent have governments prepared and implemented PRSPs in an open and participatory way? Have key domestic institutions, such as parliaments, private sector and business representatives, trade unions, interest groups, and other civil society organizations been engaged, and what role have they played in building consensus around and broad support for the PRS? Are domestic political processes respected; more generally, have there been parallel processes?
- Opening up the space for dialogue. How can the space for policy dialogue be broadened, particularly on macroeconomic issues? Why do few countries have macroeconomic frameworks in their PRS with different scenarios?
- Sustaining participation. Has participation extended beyond PRS formulation to encompass implementation and monitoring and evaluation of policies? What has been the impact of efforts to build stakeholder capacity with respect to participation, including the ability to understand existing constraints and assess difficult policy tradeoffs, and what are the outstanding challenges?
- Influencing programs. To what extent have participatory processes influenced the content and implementation of poverty reduction strategies? Have social accountability mechanisms and official monitoring and evaluation systems enhanced the relevance of stakeholder feedback to policy makers, and deepened the accountability of the latter for delivering improved development results?
- Possible areas for recommendations/future action. Assist the government to engage in open dialogue on macroeconomic issues and discussion of policy options, constraints and tradeoffs with a broader range of domestic stakeholders (Fund and partner countries); provide targeted capacity building to parliaments, other domestic groups and CSOs to engage in policy debate and participate in monitoring and evaluation (donors); scale up support for enhancing monitoring and evaluation systems (donors); develop regular mechanisms for consultation with key stakeholder groups (partner countries).

12. ***Enhancing linkages between the PRS, the MTEF, and budgets***, including the role of line ministries and local governments, in order to strengthen the country-driven nature of the PRS, to help promote greater prioritization, and to integrate sectoral strategies better. This will help ensure the consistency between day-to-day decisions, the

medium-term priorities of the PRS, and the longer-term objective of attaining the MDGs. It would also allow for better analysis of the linkages between investment, direct poverty-reducing expenditures, especially in the social sectors, and medium-term fiscal and debt sustainability. As donors increasingly look to the provision of budget support as an effective instrument for delivering higher aid flows, the importance of the MTEF as the budgetary translation of the PRS' medium-term objectives and the framework for the formulation of annual budgets will continue to rise.

- Using domestic processes. Have countries drawn on existing strategies and integrated the preparation and implementation of their PRSPs with their core processes for policy making and program implementation, including annual budget cycles and medium-term expenditure frameworks? To what extent are line ministries and local governments engaged in the process?
- Allocating resources. Do PRSPs define, cost and prioritize public actions that are likely to reduce poverty? How comprehensive is sectoral coverage? Has there been progress in defining “pro-poor” expenditures, and have such expenditures increased? Are the budgetary allocation and execution of public expenditures consistent with PRS priorities?
- Defining financing plans. Do PRSPs have adequate and credible financing plans, including contingency planning for expenditures in the event of a shortfall or unanticipated increase in revenues or financing? Is sufficient attention paid to enhancing domestic revenue mobilization as the major source of financing for development, and to the incidence of fiscal policies, particularly in the area of taxation, on the poor?
- Building capacity. Is fiscal management capacity adequate to effectively formulate, implement, and monitor expenditure policies? Under what conditions do countries establish systems that allow prioritization of programs and policies which effectively feed into the budget process?
- Possible areas for recommendations/future action. Provide coordinated support for capacity development in public financial management, based on joint diagnostic work (budget support donors), particularly in the area of public expenditure management (Fund/Bank); align PRSP and budget cycles (partner countries) and donor support programs with the PRSP/budget cycle (donors).

13. ***Tailoring the PRS approach to conflict-affected and fragile states.*** The majority of low-income countries that have yet to prepare a PRSP fall into one or both of these categories. Countries experiencing instability and stress are likely to face more intense challenges in preparing and implementing a meaningful PRS, yet they have perhaps even greater need than stronger performers for better prioritization, realistic estimates of the timing and cost of key interventions, reliable donor assistance for priority actions, and close donor coordination. Furthermore, the extent to which the PRS in a conflict-affected or fragile state may help strengthen rather than weaken the country's resilience to violent conflict or state failure would demand attention to how well proposed policy actions take

drivers of conflict and state fragility into account, and utilize processes that include socioeconomic groups across society.

- Assessing relevance. Is the PRS approach relevant to fragile states? What are the special challenges and considerations—for country officials, aid agencies and other partners? Does the PRS approach provide opportunities? Can the PRS approach be applied in countries with significant constraints on voice and participation?
- Tailoring content. Have PRS processes been conflict sensitive? How can they take political dynamics and conflict drivers into account? How should they best be tailored to reflect particularly weak governmental capacity? What challenges have stakeholders (government, civil society, partners) faced where a PRSP is developed in a conflict-affected environment?
- Applying PRS principles. How can donors provide assistance in the absence of country-driven poverty reduction strategy, in a manner that reinforces (rather than undermines) the underlying principles of the PRS approach?
- Possible areas for recommendation/future action. Develop better mechanisms for prioritized and coordinated support for capacity development and a more focused approach to institutional change; provide technical support to strengthen PRSP processes in conflict-affected and fragile states; identify operational tools to simplify the application of PRS principles in very low capacity environments (donors). Develop good practice lessons for conflict-sensitive PRSs.

C. Methodology

14. Approach. The overarching questions guiding the 2005 PRS Review are three-fold:

- What have been the main achievements and challenges to date in developing and implementing poverty reduction strategies;
- What is the appropriate results chain for monitoring progress in PRS implementation across the various dimensions; and
- In light of experience to date, how could the approach—and support for its implementation—be strengthened to improve long-term development impact?

For the themes and key questions identified above, the 2005 PRS Review will assimilate analysis from various sources with a view to report on overall progress and trends; improvements, if any, of the PRS approach over past practices; objectives moving forward and benchmarks for assessing progress; good practice; key challenges; and recommendations.

15. Work on the 2005 PRS Review will be conducted in several stages, some of which will take place concurrently, leading to integration of findings and recommendations in a final report. These steps include the following:

- i. *Initial stocktaking.* An initial stocktaking exercise is now underway to identify analysis (studies, evaluations, case studies, etc.) that is on-going or planned (with results expected by end-May 2005) which should inform the 2005 PRS Review. This stocktaking includes work not just by Bank and Fund staffs, but also by other partners. This initial stocktaking will also identify various regional and international events, the proceedings of which are likely to be relevant to the review. (On-going, to be completed by end-February 2005 after consultations on the concept note.)
- ii. *Preparation of discussion/issues notes for key themes/sub-themes.* Based on existing analysis, discussion notes will be prepared that will begin to distill key issues and trends, and highlight areas for further inquiry. These discussion notes are expected to be short (five pages or less), with a bibliography of existing and planned analysis appended to each. All discussion notes would be finalized by end March 2005, and posted on the PRS 2005 Review webpage. The aim of the discussion notes is to stimulate debate and further analysis around key issues. (January through end-March, 2005.)

Topic	Responsibility
Engaging domestic constituent groups and sustaining participation	Bank with inputs from Fund
Broadening the space for considering alternative policy options including macro-economic scenarios	Fund/Bank
Linkages between the PRS and the MTEF and budget processes	Fund with inputs from Bank
Targets, indicators and monitoring, MDG links	Bank with inputs from Fund
PSIA	Bank with inputs from Fund
The PRS approach in conflict-affected and fragile states	Bank with inputs from Fund
Alignment and harmonization (including Bank and Fund assistance)	Bank/Fund

- iii. *Identification of analytic gaps to be filled by Bank/Fund analysis and commencement of background work.* While the 2005 PRS Review will, to the extent possible, draw on existing and already planned analysis, there will be a select number of areas where the Bank and Fund will need to prepare additional background material. Identification of these gaps will be further informed by the initial stocktaking. (January through end-February 2005).
- iv. *Synthesis of existing and on-going analysis* (evaluations, reviews, case studies) around key issues identified in discussion notes (on-going throughout review period). (April 2005-end June 2005).
- v. *Consultations around 2005 PRS Review.* Paragraphs 22-26 provide information on consultation plans. (April-May 2005)

16. Information sources. The 2005 PRS Review will be draw on five main information sources: (i) compilation and synthesis of existing and planned analysis by Bank and Fund staffs; (ii) compilation and synthesis of existing and planned analysis by other partners; (iii) targeted additional Bank/Fund analysis specific for the 2005 PRS Review; (iv) proceedings from various consultations; and (v) views and contributions from governments, development partners and other stakeholders solicited through the Bank and Fund external web sites.

17. *Bank-Fund analysis (existing work programs).* There is a wide range of activities in which Bank and Fund staffs are involved which have direct relevance to the themes of the PRS 2005 Review. The PRS 2005 Review team is currently in the process of stocktaking within the Bank and Fund to identify relevant analysis, which will be available within the relevant timeframe, on which the 2005 PRS Review should draw. (Annex 2, to be augmented based on internal stocktaking.)

18. *Analysis by external partners.* Many external partners (international organizations, bilateral aid agencies, civil society organizations, member countries, academics, etc) have carried out or are planning reviews and analysis that are relevant to the 2005 PRS Review. External partners may wish to commission additional analysis as specific inputs into the 2005 PRS Review. In order to be timely for the 2005 PRS Review, analysis needs to be available by the end of May 2005. The process of consultations around the concept note is expected to help identify additional work which partners are undertaking or would like to contribute as inputs to the 2005 PRS Review. (Annex 3, to be augmented based on stocktaking and consultations around the concept note.) The main findings and conclusions from each of these will be summarized and serve as input into staff's own analysis. With agreement of concerned parties, these reviews will be made available on the PRS 2005 Review web page.

19. *Targeted additional Bank/Fund analysis.* To the extent possible, the 2005 PRS Review will draw on existing analysis by Bank and Fund staffs and other partners. However, to ensure adequate coverage of key themes and to assist in synthesis of the large volume of analytic and case study material available, a range of background pieces will be produced specifically for the 2005 Review. (Annex 4, to be finalized after stocktaking exercises discussed above is competed).

20. *Proceedings from various consultations.* To the extent possible, consultations around the subject matter of the 2005 PRS Review will be conducted in the context of planned regional and international events. In addition, as discussed in the section on consultations below, several mechanisms for consultation specific to the 2005 PRS Review are planned, including an on-line discussion space (April) and a PRS theme for one day of a planned World Bank—Civil Society Global Policy Forum (April 2004). Efforts are on-going to identify specific regional or thematic events, and possible sponsors to organize consultations around the 2005 PRS Review and to provide synthesized proceedings which staffs can use to help inform their analysis. Annex 5, which needs to be completed, provides: (i) a list of planned events whose proceedings are

likely to particularly germane to the Review and (ii) a list of consultations which are planned specific to the 2005 PRS Review. See also paras. 22-26.

21. *Call for contributions.* The views of governments, development partners, and other stakeholders (including civil society organizations) will be solicited through the Bank and Fund external web sites. A summary of the views received will be appended to the review and feed into staffs' analyses.

22. Consultations. There is a range of regional and international events that are planned (outside of the context of the 2005 PRS Review), whose proceedings are likely to be of high value to this Review. In order to minimize duplicative gatherings, to the extent possible, consultations on the 2005 PRS Review will "piggy-back" on existing events. However, a selected number of events are planned specific to the PRS 2005 Review.

23. First, consultations around the concept note are planned (late January, February) to build agreement around the themes of the Review, the methodology employed, and the expected content of the final report. These consultations will also provide an opportunity to better understand the existing or planned analysis and/or consultative activities of various partners which should be reflected in the Review. It will also provide an opportunity for interested partners to identify additional areas of work on which they would like to engage as part of the 2005 PRS Review process.

24. Second, an on-line discussion forum will be set up during the month of April, using the discussion notes to stimulate debate on issues central to the 2005 PRS Review. More generally, the views of stakeholders will be solicited through the Bank and Fund external web sites through a call for input from various stakeholders regarding their views of, and experience with, the PRS approach.

25. Third, a select number of targeted regional or thematic consultations would be useful. To maximize broad-based involvement of a range of partners, Bank and Fund staffs encourage other partners to organize consultative mechanisms, the proceedings of which could inform the 2005 Review. To minimize the risk of excessive "meetings," staffs would seek to reach agreement with interested partners on specific activities during consultations on this concept note. It will also be necessary to define clearly the scope of such eventual consultations in the interest of managing expectations of the process.

26. Finally, in April 2005, the World Bank is organizing a World Bank—Civil Society Global Policy Forum. At that forum, it has been proposed that one day be used to discuss key issues related to PRS approach. Expected participants include country officials, civil society organizations, donors, and other external partners.

27. Output. The main output would be a paper for the Bank and Fund Executive Boards and for consideration (for discussion or for background) by the Development Committee at the Fall Annual Meetings. The paper would report on overall progress and trends; improvements, if any, of the PRS approach over past practices; key objectives moving forward and benchmarks for assessing progress; good practice; key challenges;

and recommendations, where appropriate, both for the BWIs and other stakeholders. Discussions at the Executive Boards and in the Development Committee should provide an endorsement of key proposals for taking the PRS approach forward and enhancing its contribution to achieving the MDGs. As a public document, the report would communicate to the global community about progress to date and ways in which development impact of the PRS approach might be improved. The report is also intended to help inform the views of the Bank and Fund for the UN Summit Conference on implementing the Millennium Declaration in the fall of 2005. It is expected that the report would be followed up with an intensive process of knowledge management, including dissemination of good practice and key findings.

D. Timetable

28. The following table provides an indicative timeframe for key elements of the work plan as outlined in the previous section. The paper would be made available to Executive Directors prior to the Annual Meetings.²

Key elements of the work plan	Date
Consultations with partners on concept note	Jan-Feb 2005
Finalize topics for additional Bank/Fund analysis, finalize TOR and initiate studies	End Feb 2005
Thematic discussion/issues notes	End Mar 2005
Web-based call for inputs from stakeholders	Mar-May 2005
Various consultations	Apr-May 2005
Cut-off date for analytic inputs	End May 2005
Detailed annotated outline	mid June 2005
Final report	End July 2005

² Some of the work launched in the context of the review may not be completed by the time the final report is issued. In this case, the review will draw on progress reports on this ongoing work.

Annex 1: Joint World Bank and IMF staffs reporting on PRS Implementation

Initially progress reports were prepared twice a year. In March 2002, the progress report reflected the findings of a larger Review. Since the September 2002 annual meetings they have been prepared annually. The following lists the various progress reports and highlights key messages from those reports.

Progress Report on Poverty Reduction Strategy Papers (April 2000). This report primarily discusses consultations around the PRS Initiative and actions by the Bank and Fund to gear up to support countries in the preparation of their PRSPs. The report emphasizes the need for countries to tailor the PRSP to reflect individual country circumstances.

Poverty Reduction Strategy Papers—Progress in Implementation (September 2000). Drawing mainly from the country experience in preparing I-PRSPs, this report highlights likely capacity constraints due to the institutional and technical demands and administrative costs of preparing PRSPs; rising expectations for coverage; and uncertainty of development partners about their specific roles. The report also signals the need for greater country-specific analysis on a range of issues, including better understanding the linkages between expenditures and results and the determinants of pro-poor growth. Several tensions in the PRS approach are identified including: (i) the need for countries to prepare their PRSP quickly in order to obtain concessional assistance and debt relief versus country ownership secured through broad participation; and (ii) country ownership versus the prerogative of the Bank and Fund Boards to determine if the PRSP forms a sound basis for concessional assistance.

Poverty Reduction Strategy Papers—Progress in Implementation (April 2001). At the time of this report, four countries had prepared PRSPs and [32] countries had prepared I-PRSPs. This report describes steps taken by the Bank and Fund to facilitate the PRS process, including developing guidelines for the JSAs of full PRSPs, expanding learning programs, and improving information available to countries and their development partners through the PRSP sourcebook and external websites. The report reflects the intention of the Fund to streamline conditionality under PRGF programs and notes the Bank's creation of the PRSC instrument to support implementation of PRSPs. Finally, the report highlights a range of outreach efforts with the UN, EU, bilateral donors, multilateral development banks and NGOs.

Poverty Reduction Strategy Papers—Progress in Implementation (September 2001). At the time of this report, five countries had prepared PRSPs and [36] countries had prepared I-PRSPs. The report highlights that initial country timetables for developing full PRSPs have been overly optimistic, and that countries and development partners have underestimated the time needed to develop an inclusive participatory process and to undertake the necessary analytical work. The report discusses how countries could use Poverty and Social Impact Analysis to help understand the growth, poverty and distributional impact of policy actions. It notes, however, that countries are likely to face significant methodological and analytic challenges in conducting PSIA, that it will be a

long term endeavor and that it is important to be realistic about how quickly progress can be made, that countries will need to be selective in the reforms that are analyzed. The report also briefly discusses the need to strengthen public expenditure management systems to track poverty reducing spending, Bank-Fund coordination in program design and conditionality, and outreach to other partners. The report notes that the PRSP process has been accepted as the basis for country-level monitoring of progress towards achieving medium-term development goals.

Review of the Poverty Reduction Strategy Paper (PRSP) Approach Main Findings (March 2002). At the time of this report, ten countries had prepared PRSPs, of which three had produced annual progress reports. The central message from the review is that there is broad agreement among low-income countries, civil society organizations and their development partners that the objectives of the PRSP approach remain valid. The review found broad agreement on four key achievements of the PRSP approach to date: (i) a growing sense of ownership among governments of their PRSPs; (ii) a more open dialogue within governments, and with at least some parts of civil society than had previously existed; (iii) a more prominent place for poverty reduction in policy debates, extending beyond social sector interventions to focus on reducing income poverty through higher and more broadly shared growth; and (iv) more systematic data collection, analysis, and monitoring of outcomes. The key challenges identified include: (i) alignment by partners, including the Bank and the Fund, to support PRSP implementation; (ii) shifting beyond process, to content and implementation, and greater understanding of the linkages between policies and poverty outcomes; and (iii) realism in setting goals and targets, as well as in managing expectations, both within countries and among their development partners.

While there have been improvements over time in both process and content, substantial scope for further enhancement remains. Based on country experience, high priorities include: (i) improving public expenditure management systems; (ii) placing greater emphasis on, and building capacity for, monitoring and evaluation; and (iii) strengthening and institutionalizing participatory process. The report emphasizes that the PRSP approach requires flexibility so that both the process and content of poverty reduction strategies can vary across countries in light of national circumstances. It also notes that lack of capacity, and the inability to use existing capacity effectively, remain important constraints to preparation, monitoring and implementation of PRSPs in many countries. The report highlights a range of good practices for countries and development partners, and notes actions to be taken by the Bank and Fund, on a range of topics (participatory processes; conflict affected countries; poverty diagnostics, targets and indicators, monitoring systems; priority public actions; public expenditure management; integration of the PRSP into other decision making processes; and improving donor alignment).

Poverty Reduction Strategy Papers—Progress in Implementation (September 2002). At the time of this report, 18 countries had prepared PRSPs, of which five had produced annual progress reports. [The report concludes by noting that need for more systemic examination of progress in implementation of the results achieved, and note that future

progress reports would feed into the next joint review of the PRSP approach scheduled for Spring 2005.]

Poverty Reduction Strategy Papers—Progress in Implementation and Detailed Analysis of Progress in Implementation (September 2003). At the time of this report, 32 countries had prepared PRSPs, of which seven had produced at least one annual progress report. The report finds that while there is evidence of improvement and progress, as recent PRSPs build on the efforts of earlier PRSPs, and countries more advanced in the process are successfully adapting and implementing their strategies, the PRS instrument is charged with multiple objectives, many of which result in tensions. This report concludes that this inevitably means the PRS will reflect compromises and that attaining some ideal level of performance along every line is impossible. The report points to these tensions being particularly manifest in the following respects: (i) concerns about the breadth of government's commitment beyond the team responsible for preparing the PRS; (ii) countries continue to find it difficult to strike an appropriate balance between ambition and realism in setting PRS targets; (iii) weak PEM and difficulties in linking the PRS to the budget strain countries' administrative capacity; and (iv) there is an urgent need to improve donor alignment and harmonization around national strategies, in order to achieve successful PRS implementation.

Poverty Reduction Strategy Papers—Progress in Implementation (September 2004). At the time of this report, 42 countries had prepared PRSPs, of which 23 had produced at least one annual progress reports. The report notes that given the country-specific nature of PRS process, country experience has varied with regard to both process and content. However, in general, it has helped: (i) countries focus more squarely on poverty reduction in formulating and implementing their development strategies; (ii) open up the participatory process in many countries; (iii) focus more attention on monitoring poverty-related outcomes; and (iv) draw attention to the importance of understanding and addressing the country-specific constraints to more effective development. The key finding was that while countries have made good progress in addressing the more straightforward challenges inherent in the approach, the challenges that remain are technically complex and institutionally challenging. As implementation proceeds, continuing attention on several key issues is warranted, including: (i) integrating the PRSP process with existing decision making processes, particularly the budget, and expanding the involvement of sectoral ministries and parliaments; (ii) deepening the links to the MDGs, and identifying the financial, policy and institutional constraints that need to be addressed to accelerate progress towards these goals; (iii) continuing to strengthen the results focus of country strategies and the complementary monitoring and evaluation systems; and (iv) speeding the pace of progress in aligning donor support with country strategies; harmonizing donor processes and procedures; and increasing aid flows.

Annex 2: Key Existing/On-going/Planned Analysis by Bank and Fund Staff On which 2005 Review will draw

*Jointly or with support of other partners
Key Existing Documents (in italics) from 2004

Area of Focus	Title	Dept/VPU
General issues	CDF Review	OPCS
	<i>OED PRS Review and background studies</i>	<i>OED</i>
	<i>IEO PRS Review and background studies</i>	<i>IEO</i>
1. Medium-term orientation	Pro-poor growth*	PRMPR
	Institutional arrangements for monitoring*	PRMPR
	Case studies on PSIA (about 10)	PRMPR/SDV
2. Mutual accountability	PRSC Review	OPCS
	Review of World Bank Conditionality	OPCS
	Review of IMF Conditionality	PDR
	Role of the Fund in Low-Income Countries	PDR
	Results Based CAS Review	OPCS
	Range of Harmonization and Alignment activities, including in the OECD-DAC and the HLF-2	OPCS/PDR
	Review of PRGF Program Design	PDR
	Signaling and Donor Coordination	PDR
	The Fund's Role in the PRSP Process	PDR
3. Participation	<i>An operational approach for assessing country ownership in PRSPs</i>	<i>OPCS</i>
	<i>Strategic Communication in PRSP: Experience and Challenges*</i>	<i>EXTCD</i>
	<i>A Review of Poverty Reduction Strategies: Do They Empower Stakeholders</i>	<i>PREM</i>
4. Links to budget	<i>Budget case studies/synthesis</i>	
5. PRS in conflict-affected and fragile states	Poverty Reduction in Conflict Affected Countries (synthesis of case studies)*	SDV/PRMPR
	<i>PRS in LICUS countries</i>	<i>OPCS</i>
	Review of the Guidelines for Emergency Post-Conflict Assistance (EPCA)	PDR
Thematic issues	[Further additions are expected]	
	<i>A Review of Rural Development Aspects of PRSP and PRSCs, 2000-2004</i>	<i>ARD</i>
	<i>Poverty Reduction Strategy Papers: Do they Matter for Children and Young People Made Vulnerable by HIV/AIDS</i>	<i>UNICEF AND WB</i>
	Adolescent Health	
	<i>Poverty Reduction Strategies: Their Importance for Disability</i>	<i>HDN</i>
	<i>Water Supply and Sanitation in PRSPs in SSA: Developing a Benchmarking Review and Exploring the</i>	<i>WSP</i>

Way Forward

Strengthening the environment for an expanded
HIV/AIDS response in Africa

**Annex 3: Key Existing/On-going/Planned Analysis by Other Partners (Partial List)
On which 2005 Review will draw**

Key Existing Documents (in Italics) only from 2004

[This is a partial list to be augmented by information provided by partners]

Area of Focus	Title	Partner
General issues	<i>Politics and the PRSP Approach: Synthesis Paper</i>	ODI (3-04)
	<i>Second Generation PRSPs: Synthesis Paper</i>	ODI (9-04)
	Monitoring PRS Implementation (Case Studies)	Commonwealth (on-going)
	<i>PRSP: Lessons Learnt Recommendations for the World Bank, IMF and Donors for the 2nd Generation of PRSPs</i>	Trocaire
	ECA work – second generation PRSP, stocktaking]	ECA SPA
	<i>Can Poverty be Reduced? Experience with PRS in Latin America; Country Reports; Thematic Reports. 2004 Reports.</i>	ISS (SIDA) (12-03) forthcoming
1. Medium-term orientation	<i>From Donorship to Ownership: Moving Towards PRSP Round Two (also participation and donor issues)</i>	Oxfam
	<i>Research on the Current State of Monitoring Systems, Lucas, Evans and Pasteury</i>	IDS/DFID (05)
	<i>Monitoring study</i>	GTZ
2. Mutual accountability	Results of the OECD-DAC Survey on Harmonisation & Alignment (case studies)	OECD-DAC
	Mutual Review of Development Effectiveness in the Context of NEPAP	ECA/OECD-DAC
	<i>Paying the Price, Why Rich Countries Must Invest Now in a War on Poverty</i>	Oxfam
	<i>The Other Side of the Coin, An Alternative Perspective to the Role of the IMF in Low-Income Countries</i>	Trocaire
	<i>PRSP Annual Progress Reports and Joint Staff Assessments: A Review of Progress</i>	ODI (09/04)
	<i>The PRSP Process and DFID Engagement</i>	ODI (2004)
	<i>Poverty Reduction Strategy Papers: Are the World Bank and IMF Delivering on Promises</i>	CIDSE (04/04)
	<i>Rethinking Participation</i>	Action Aide (04/04)
3. Participation	<i>Poverty Reduction through Democratisation? PRSP: Challenges of a New Development Assistance Strategy</i>	Peach Research Institute
	<i>Between Grassroots and Governance: Civil Society Experiences with the PRSPs. A Study of Local Civil Society Response to PRSPs</i>	Danish Institute International Studies
	<i>Parliaments in Sub-Saharan Africa: Actors in Poverty Reduction</i>	GTZ
	<i>Children and Young People Participating in PRSP Processes</i>	Save the Children (04)

4. Links to budget	Design and Implementation Features of Medium-Term Expenditure Frameworks and their Links to Poverty Reduction	ODI/DFID (on-going)
5. PRS in fragile states		
Thematic issues	<i>Implementation of Water Supply & Sanitation Programmes under PRSPs</i>	<i>ODI (8-04)</i>
	<i>The Treatment of the Private Sector in African PRSPs and APRs</i>	<i>USAID (11/04)</i>
	<i>PRSP: Their Significance for Health: Second Synthesis Report</i>	<i>WHO (04)</i>
	<i>Poverty Reduction Strategy Papers: A Displacement Perspective</i>	<i>UNHCR (10/04)</i>
	<i>Poor Relations? PRSP and the Response to HIV/AIDS and Children: A Briefing Note</i>	<i>Tear Fund (04)</i>
	<i>Education and PRSP: A Review of Experiences</i>	<i>UNESCO/IIEP (2004)</i>
	<i>Are PRSP Combating Rural Poverty in Honduras and Nicaragua</i>	<i>Trocaire (08/04)</i>
	Sharpening the Rural Focus of PRSPs	IFAD and partners

Annex 4: Background Pieces Initiated in the Context of this Review

Area of Focus	Title
General issues	Refinement of a county-level results chain, and how to measure progress/results Synthesis of comments received from general call
1. Medium-term orientation	Growth analysis (Bank) Poverty analysis (Bank) PSIA (Bank and Fund) Multiple scenarios (Fund) Update study: MDG-PRSP indicators (Bank) Monitoring systems (Bank)
2. Mutual accountability	Update on CAS alignment (Bank)
3. Participation	Facilitating dialogue on macroeconomic policies (Fund)
4. Links to budget	Pro-poor expenditures (Fund) Public expenditures/PEM systems (Bank)
5. PRS in conflict-affected and fragile states	(no special work)
Thematic issues	Trade

Annex 5: Mechanisms for Consultations

Key Relevance for the 2005 Review (not specific to the Review)

Date/location	Event	Key Issues for 2005 Review	Participants
Jan 2005 London	LICUS conference	PRS in fragile states	
Jan 2005 Johannesburg	2005 SPA Plenary	Mutual accountability, donor coordination/harmonization and alignment	Govt officials, donors
Feb 6-9, 2005 Warsaw	Public Expenditure Management Challenges in ECA/PSRP Countries	Links between the PRS and budget	Govt officials, donors
Mar 1-2, 2005 Paris	Second High Level Forum on Harmonization and Alignment	Donor assistance to the PRS process	
Late Apr, 2005 Accra	Social Accountability Mechanisms in the PRS	Broadening and deepening participation	Govt officials, stakeholders
May Cairo TBD)	UN-ECA Ministerial Meeting		African Ministers
May 2005	Workshop: PRS in Conflict Affected Countries	PRS and Conflict Management	PRS stakeholders (incl. gvt, civil society), donors
May 5-6, 2005 Capetown	Practitioners Forum on Budget Support	Conditionality, links between PRS and budget	PRS countries, CSOs, Aid agencies

Consultations on 2005 PRS Concept Note

Date/location	Event	Participants
mid-Jan Jo'burg	SPA Plenary	African government officials, donors
Distribution	Consultation Concept Note	Countries, donor agencies, MDGs, UN Agencies, CSO, interested parties, Executive Directors
February Various	Consultation Concept Note	

Consultations Specific to the 2005 Review

Date/location	Event	Participants
Tbd	Regional Consultations	Govt Officials, other partners
Apr 21, 2004 Wash, DC	World Bank—Civil Society Global Policy Forum	CSOs, Govt Officials, Donors
April On-line	2005 Review, e-discussions	CSOs, Govt Officials, Donors, Academics

Annex 6: Country Case Studies

This is a partial list of case studies from mid-2003 onwards. Many additional case studies (on other countries and by other partners) have been conducted and will be added to the list.

Albania	PRS evaluation case study (OED/IEO) Institutional arrangements for PRS monitoring (WB)
Bolivia	An operational approach for assessing country ownership (WB) PRSP and budget links (WB) Politics and the PRS approach (ODI) CDF evaluation (OED) Institutional arrangements for PRS monitoring (WB)
Burkina Faso	PRSP and budget links (WB) CDF evaluation (OED)
Cambodia	PRS evaluation case study (OED/IEO)
Ethiopia	PRS evaluation case study (OED/IEO)
Georgia	Politics and the PRS approach (ODI)
Ghana	An operational approach for assessing country ownership (WB) CDF evaluation (OED) Monitoring Donor and IFI support behind country-owned PRS (Commonwealth Secretariat)
Guinea	PRS evaluation case study (IEO)
Guyana	Institutional arrangements for PRS monitoring (WB)
Honduras	Institutional arrangements for PRS monitoring (WB)
Kyrgyz	An operational approach for assessing country ownership (WB) Institutional arrangements for PRS monitoring (WB)
Malawi	Institutional arrangements for PRS monitoring (WB)
Mali	Institutional arrangements for PRS monitoring (WB)
Mauritania	PRS evaluation case study (OED/IEO) Institutional arrangements for PRS monitoring (WB)
Mozambique	PRS evaluation case study (OED/IEO)

Nicaragua	PRs evaluation case study (OED/IEO) Institutional arrangements for PRS monitoring (WB)
Niger	Institutional arrangements for PRS monitoring (WB)
Senegal	An operational approach for assessing country ownership (WB)
Tajikistan	PRs evaluation case study (OED/IEO)
Tanzania	Monitoring Donor and IFI support behind country-owned PRS (Commonwealth Secretariat) PRSP and budget links (WB) PRs evaluation case study (OED/IEO) Institutional arrangements for PRS monitoring (WB)
Uganda	Politics and the PRS approach (ODI) CDF evaluation (OED) Poverty Reduction Support Credits, Results of a Stocktaking (WB, draft) Institutional arrangements for PRS monitoring (WB)
Vietnam	PRs evaluation case study (IEO) Politics and the PRS approach (ODI) CDF evaluation (OED)