

**Progress Report on the Poverty
Reduction Strategies Trust Fund:
November 2001-February 2003**

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1. EXECUTIVE SUMMARY AND CONCLUSIONS

- 1.1 This is the first progress report on the Poverty Reduction Strategies Trust Fund (PRSTF) and overviews the initial sixteen months of its operation. The report reviews the financial status of the trust fund; activities supported to date; activities currently being considered; collaboration with the UN; financing and sustainability issues; and trust fund administration. The report is mainly retrospective, and provides information about how the fund has worked to date, and what steps have been taken to improve its operation. A companion paper entitled “Governance and Administration of the Poverty Reduction Strategy Trust Fund” provides greater detail on the problems encountered to date and proposes possible remedial options.
- 1.2 Despite a slow start, take up from the PRSTF over its first sixteen months has been good, with total commitments to date amounting to US\$5.62 million. With a current US\$20 million contribution for disbursement over a four year period, the average allocation rate of US\$4.215 million annually is reasonable. At the same time, the volume of requests for support from the trust fund has increased considerably in recent months, and projected commitments show the need for replenishments in calendar year 2004.
- 1.3 As anticipated, the nature of activities supported by the trust fund is broad, and consistent with the capacity building needs identified various stakeholders in the PRSP approach. In terms of regional allocations, in the early phase the fund was dominated by proposals from Europe and Central Asia, but subsequently the regional picture has become more reflective of the overall spread of PRSP countries. The impact of the PRSTF is already evident on the ground. Task managers of the six PRSTF grants activated to date have recently submitted short updates on implementation and testify to steady progress.
- 1.4 The PRSTF has also proved to be an effective mechanism for coordinating donor support at the country level, and enabling donors to align support with PRSP priorities. Proposals to the PRSTF place the request for funds in the context of national priorities and other donor programs. In most cases, the fund appears to have improved UN and World Bank collaboration as well as broader donor coordination.
- 1.5 That said, Bank staff feel that more country applications could be stimulated and the rate of take-up improved. In addition, the pace at which countries proceed through the application process could also be accelerated. Sixteen months on, a host of ambiguities have become clear which have resulted in the operation of the trust fund being, in some cases, much less smooth than initially envisaged. These issues are considered in greater detail in a companion paper entitled “The Poverty Reduction Strategies Trust Fund: Governance and Administration”. Both these reports, and the first meeting of the Advisory Board in April 2003, provide an ideal point for the key stakeholders to take an informed look at the fund and consider possible reforms to its procedures and decision making structures.

2. INTRODUCTION

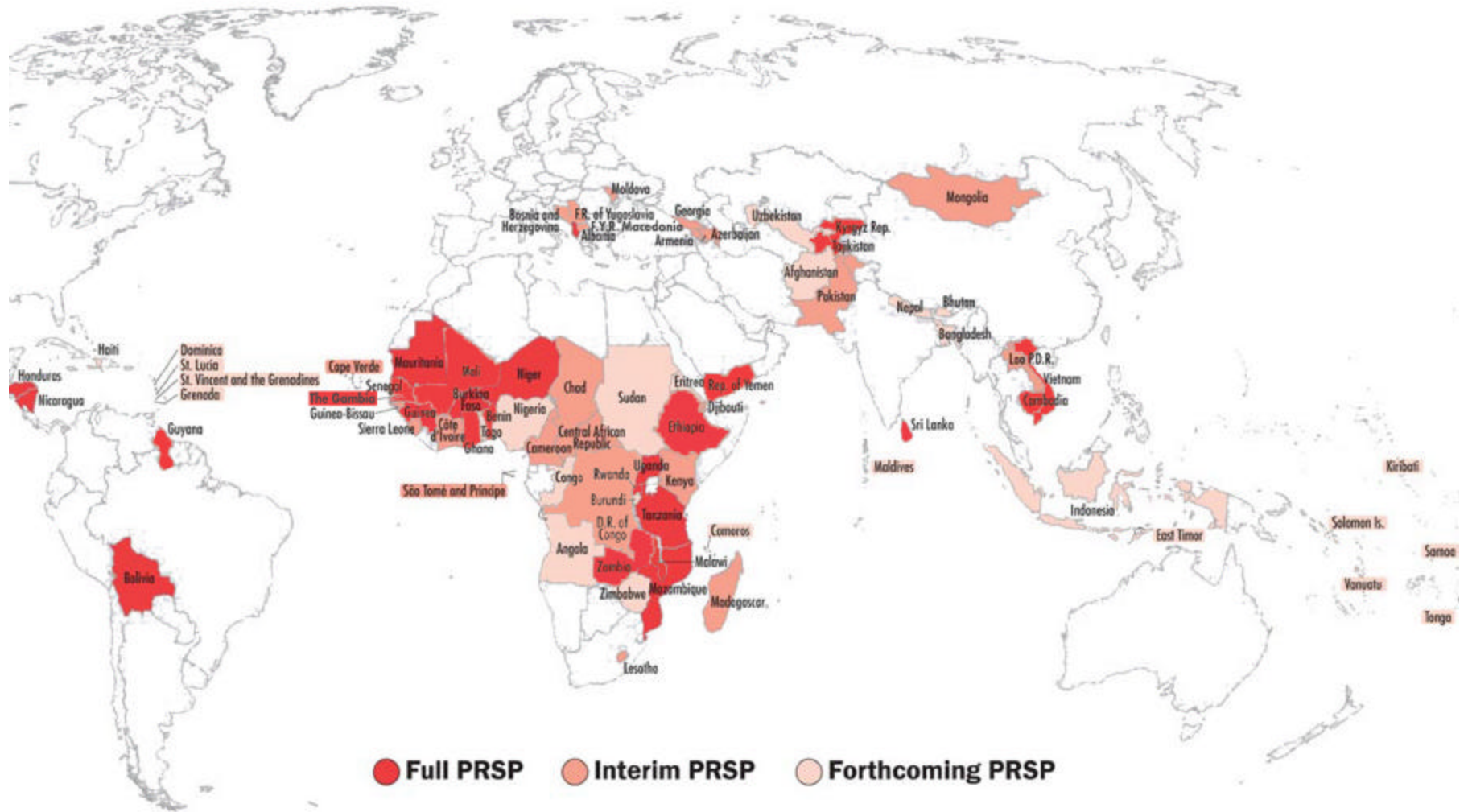
- 2.1 In late 1999, the World Bank and the IMF launched the Poverty Reduction Strategy Paper (PRSP) approach for low income countries. This program entails the development of country-owned plans to foster growth and reduce poverty through broad based and participatory processes. By the end of February 2003, 27 countries had completed their first full PRSP, and an additional 22 countries have completed their interim PRSPs as an initial step and road map to a full strategy. Furthermore, many of the remaining 32 IDA-eligible countries have indicated their intention to prepare an I-PRSP in the near future. The coverage and status of countries engaged in the PRSP approach is illustrated in Figure 1.
- 2.2 Preparing, implementing and monitoring PRSPs involves a range of complex and demanding tasks, that are increasingly well recognized by the international community. Indeed, a key conclusion of the joint Bank/Fund Review of the PRSP approach and subsequent Progress Report to the Development and IMF Committees was that “Weak country capacity is a major constraint to effective preparation and implementation of poverty reduction strategies”¹.
- 2.3 Given the challenges involved, low income countries have sought technical and financial support from their development partners. A range of different types of support has been available, though typically limited to specific tasks and without a coherent overview of the country’s overall capacity building needs. It has also been difficult for local officials to be fully familiar with the types of support that might be available. To help address these needs, in November 2001 the Poverty Reduction Strategies Trust Fund (PRSTF) was established. The PRSTF is a multi-donor trust fund currently supported by the Netherlands and Japan, to finance capacity building activities in low income countries that are undertaking poverty reduction strategies.
- 2.4 The PRSTF is intended to strengthen the preparation and implementation of poverty reduction strategy papers, and is open to all countries eligible to borrow from IDA (including blends) which are involved in the PRSP process. In particular, the PRSTF supports activities that are regarded as critical to the successful development and implementation of the PRSP; build sustainable country capacity; and have the support of domestic stakeholders and external partners.
- 2.5 In keeping with the spirit of the PRSP approach, much of the management and responsibility for each grant made under the PRSTF is devolved to the country level. The grants are recipient executed, and are approved in country by a Steering Board comprising the Government, contributing donors, UN and the World Bank. The trust fund is administered by the World Bank, while an Advisory Board of the donors, UN and World Bank maintains strategic oversight over its operation and development.

3. FINANCIAL SUMMARY (NOVEMBER 2001-FEBRUARY 2003)

- 3.1 The PRSTF was launched with pledges amounting to US\$20 million from the Netherlands and Japan to be allocated over a four year period (November 2001- December 2005). To date, Japan has contributed the entire pledged amount, while the Dutch have provided \$5.74 million. The final Dutch tranche (US\$4.26 million) is expected before the end of calendar year 2003.

¹ See the Poverty Reduction Strategy Papers (PRSP) – Progress in Implementation Report, September 2002, available at <http://www.worldbank.org/poverty/strategies/index.htm> for further detail.

Figure 1: PRSP progress to date



- 3.2 Cumulative contributions so far thus amount to US\$15.74 million or 79% of the amount pledged for the four year period. In addition, from inception to February 28, 2003, the PRSTF has generated US\$414,439 of investment income.
- 3.3 To date, thirteen proposals have been approved for funding under the PRSTF, comprising total commitments of US\$5.62 million, and an average annual allocation rate of US\$4.125 million. However, the majority of the proposals funded are bunched at the end of the time period under consideration (i.e. through end February 2003).
- 3.4 Grant disbursements to date total \$376,085. The rate of disbursements (total disbursements as a share of total allocations) is very low. This is due, in part, to slow start-up at the country level². On the other hand, however, the time-lag between clearance and disbursement is not significantly longer than that of comparable recipient executed trust funds administered by the Bank. Disbursements are expected to pick up during the second half of this year as more proposals are funded, and the system for approval and processing is speeded up.
- 3.5 Since inception to February 28, 2003 administrative fees of \$0.64 million have been processed against the fund in accordance with the provisions of the agreement. Table 1 provides a summary of the PRSTF's financial status.

Table 1: Financial summary for the PRSTF as of end February 2003

	Amount (USD millions)	Percentage of total fund
Total pledged	20	100
Funds received	15.74	78.7
<i>Japan</i>	<i>10.0</i>	<i>50.0</i>
<i>Netherlands</i>	<i>5.74</i>	<i>28.7</i>
Investment income	0.41	2.1
Commitments	5.652	28.3
<i>Africa</i>	<i>2.411</i>	<i>12.1</i>
<i>Europe and Central Asia</i>	<i>1.811</i>	<i>9.1</i>
<i>East Asia and Pacific</i>	<i>0.50</i>	<i>2.5</i>
<i>Latin America and Caribbean</i>	<i>0.0</i>	<i>0.0</i>
<i>Middle East and North Africa</i>	<i>0.48</i>	<i>2.4</i>
<i>South Asia</i>	<i>0.45</i>	<i>2.3</i>
Disbursements	0.376	1.9
Administrative fees	0.64	3.2
<i>Japan</i>	<i>0.53</i>	<i>2.6</i>
<i>Netherlands</i>	<i>0.11</i>	<i>0.5</i>
Available funds (receipts less commitments)	10.09	50.4

4. THE SHAPE OF NATIONAL PROPOSALS

4.1 While it is still early days for the operation of the PRSTF, it is useful to review the shape of the national proposals to date in terms of regional allocations, the types of activities being financed, what expenditures are being supported as well as the local administrative arrangements. This section overviews the experience to date and highlights emerging issues.

Activities Financed

4.2 On the thirteen proposals financed to date, five are from Africa (Cape Verde, Comoros, Cote D'Ivoire, Mauritania and Uganda), five from the Europe and Central Asia region (Albania, Armenia, Georgia, Kyrgyz Republic and Moldova), one from East Asia (Vietnam), one from the Middle East and North Africa region (Djibouti), and one from South Asia (Pakistan). Table 2 shows the breakdown by region.

4.3 The activities funded under the thirteen grants approved to date vary considerably, reflecting the diversity of country conditions and the different stages of the PRSP process at the national level (see table 2 for breakdown by PRSP status).³ This is consistent with the vision and objectives of the PRSTF, with the PRSTF providing support from the early stages through to activities associated with implementation. For example, in Comoros, which is currently at an early point of drafting its I-PRSP, funds will be used to analyze poverty data and develop sector strategies. Substantial support is also being provided to support more advanced activities to strengthen the implementation of full PRSPs in several countries including Uganda, Mauritania and Vietnam. In Vietnam, which completed its full PRSP in May 2002, the grant will be used to ensure that regional development plans are consistent with the PRSP, as well as a vision exercise to explore how the PRSP could develop in the future.

Table 2: Breakdown by region and PRSP status for proposals approved to date

	Total number of eligible countries	Number of proposals approved	Number of requests as a percentage of possible requests per category	Number of requests as a percentage of all requests
Africa	39	5	12.8	20.0
Europe and Central Asia	10	5	50.0	20.0
East Asia and Pacific	13	1	7.7	4.0
Latin America and Caribbean	9	0	0.0	0.0
Middle East and North Africa	2	1	50.0	4.0
South Asia	8	1	12.5	4.0
PRSP	27	5	18.5	20.0
I-PRSP	22	7	31.8	28.0
pre-PRSP	32	1	3.1	4.0
Total	81	13	16.0	52.0

² Section 9 below outlines measures that have been taken to date to tackle the problem of slow take up while the companion paper "Governance and Administration of the Poverty Reduction Strategy Trust Fund" offers a more in-depth analysis and proposes reform to ensure the smooth operation of the PRSTF in the longer term.

³ Annex 1 outlines the core areas covered by each grant.

- 4.4 While no single activity stands out as attracting significantly more support than other types of activity, there are some common themes. A review of the financial allocations to date shows that the most commonly supported areas relate to strengthening monitoring and evaluation systems (14.6% of total grants) and statistical survey work (13.6%), which corresponds to well-recognized capacity weaknesses critical to the success for the PRSP approach⁴. Another key area has been developing priority sectoral strategies (12.8% of total grants), which was also picked up as an area of weakness in a recent Bank-Fund review of the PRSP approach⁵.
- 4.5 Some countries have requested that a share of the funds be made available on a flexible basis for activities identified during the grant's lifespan. For example, in the Kyrgyz Republic, over 25% of the total grant is not allocated to specific activities but instead will be utilized with guidance from the in-country steering board.
- 4.6 The activities funded under the PRSTF grants are broadly aligned with areas of weak capacity identified in the respective Bank-Fund Joint Staff Assessments (JSAs) (see table 3). For example:
- In Djibouti the proposal directly reflects the concerns of the JSA of the I-PRSP (December 2002), highlighting statistical survey work, public expenditure management and the participatory process as key areas of weakness.
 - In Mauritania the JSA of the PRSP Progress Report (June 2002) highlighted the need to improve poverty analysis underpinning policy actions, as well as the monitoring and evaluation systems. Both these areas will be squarely addressed by the PRSTF grant.

Table 3: Breakdown by activity for the proposals approved to date

Activity	Allocation (USD)	Percentage of Total Grants
Developing monitoring and evaluation system	819,927	14.6
Statistical survey work	765,542	13.6
Developing priority sector strategies	718,301	12.8
Improvements of PEM systems	636,958	11.3
Capacity building for PRSP lead institution	614,110	10.9
Participatory process	609,570	10.8
Poverty analysis	459,700	8.2
Develop regional action plans	354,633	6.3
Contingency	188,000	3.3
Dissemination of (I)-PRSP	135,000	2.4
Preparing (I)-PRSP	115,150	2.0
PRSP future development	105,000	1.9
Donor coordination	50,800	0.9
Other	50,300	0.9
Total Grants to date (USD)	5,622,992	100

- 4.7 Furthermore, in some countries the PRSTF grants reflect needs identified in other World Bank and donor assessments. For example, in Uganda, low levels of participation of civil society in decentralized planning and budgeting processes had been identified as a constraint to PRSP implementation. The PRSTF grant picks up on this and seeks to increase capacity in this critical area.

⁴ See paragraph 62, Review of the Poverty Reduction Strategy (PRSP) Approach, Main Findings, March 2002

⁵ See Poverty Reduction Strategy Papers – Progress in Implementation Report, September 2002

- 4.8 In those countries where less alignment with JSA priorities is apparent, other sources of funding (both bilateral and multilateral) to increase country capacity in key areas are typically outlined. For example, in Albania the proposal locates the PRSTF grant in the broader context of significant work programs supporting PRSP implementation funded by UNDP and the Carter Center, as well as other bilateral agencies such as DfID and Norway.
- 4.9 Likewise, the Moldova proposal details financial support received from UNDP to strengthen monitoring and evaluation capacity, and points out that support from the PRSTF will be channeled to those areas where other donors are not active. Therefore a lower level of consistency with the JSA is not necessarily a cause for concern. In many cases it is clear that the PRSTF, by virtue of its flexibility, is usefully supporting residual activities such as publication costs, interpretation and translation, office costs, and auditing fees that other sources of funding debar from consideration, but nonetheless are important for the effective development, dissemination and implementation of the PRSP.

Table 4: Alignment of approved proposal activities with JSAs by country, February 2003

Country	Capacity building for PRSP lead institution	Statistical survey work	Poverty analysis	Improve PEM systems	Developing priority sector strategies	Develop regional action plans	Participatory process	Developing monitoring and evaluation system	PRSP future development	Residual
Albania			10.5	19.5	29.1			25.7	15.3	
Armenia		73.0			16.3					10.7
Cape Verde	12.1	2.8	9.3	35.8			14.7	2.8		22.4
Comoros **		34.1	11.3		13.1		16.0	14.1		11.4
Cote D'Ivoire	10.7	48.6	5.6				14.3	20.8		
Djibouti	12.5	9.3	27.1	31.3	5.3		10.4	4.1		
Georgia	51.3				6.8		20.5	6.8		14.6
Kyrgyz Republic	17.8				14.1		13.3	10.1		44.7
Mauritania	16.1	20.8	16.4		14.7			32.0		
Moldova	15.3				30.0		25.4	2.4		26.9
Pakistan			16.4	13.8	25.6	10.7		30.2		3.3
Uganda				30.8		30.8	30.8	6.7		1.0
Vietnam	29.7				11.1	30.9		20.4	6.0	1.9

■ JSA Priority Areas

Expenditure Categories

- 4.10 The PRSTF grants are being used to fund a wide range of inputs, including goods, workshops and South-South missions. However, for the majority of grants to date, the single largest cost is consultant fees. As table 5 shows, consultant costs range from 78% (Georgia) to 11% (Kyrgyz Republic) of the total grant, with the average allocation for consultants being 46%.
- 4.11 A breakdown of the allocation of funds between international and national consultants highlights the contribution of the PRSTF to utilizing local capacity. Since the unit cost for international consultants is much higher than that for national staff (on average, four times higher), a comparison of the actual amounts is misleading. However, when the number of days is compared, in all countries the demand for national consultants is higher than that for international experts: out of an aggregate 23,669 days of consultant time requested in the thirteen grants, almost 20,000 of these days are to be worked by national consultants, comprising 82% of the total consultant days requested. This reflects the value-added of the PRSTF in capacity building through utilizing local expertise, and thus addressing a common demand from developing countries. In most of the applicant countries to date the PRSTF is helping to relieve the scarcity of skills through allowing PRSP teams to buy these services locally.

Table 5: Breakdown of consultant days and costs

Country	Number of Consultant Days		Consultant Costs	
	International	Local	As % of total grant	Local as % of Total
Albania	355	390	54.6	20.4
Armenia	70	420	21.2	33.3
Cape Verde	227	805	39.2	41.5
Comoros	140	2,680	43.6	63.0
Cote D'Ivoire	60	140	18.3	66.7
Djibouti	790	650	69.7	29.1
Georgia	0	1,600	78.5	100.0
Kyrgyz Republic	60	366	11.2	33.7
Mauritania	230	2,620	60.3	69.3
Moldova	40	2,701	35.2	99.5
Pakistan	120	2,510	24.6	56.7
Uganda	160	570	31.1	74.0
Vietnam	160	4,240	69.2	76.9

- 4.12 While local consultant time dominates international consultants across activities, staff analysis shows that there are some areas where international experts are clearly in demand (see table 6). Among the key areas are public expenditure management, poverty analysis, statistical work, developing priority sectoral strategies and monitoring and evaluation systems. The challenge in such cases is, as the Armenia proposal states, “to ensure the use of consultants leads to a permanent transfer of capacity to local officials”.

Table 6: Consultants days by activities

Activity	Number of Consultant Days	
	International	Local
Capacity building/support to PRSP lead institution	0	3,940
Statistical survey work	352	1,740
Poverty analysis	400	1,570
Improve PEM systems	659	1,100
Developing priority sector strategies	260	4,426
Develop regional action plans	133	1,240
Participatory process	103	1,292
Developing monitoring and evaluation system	220	3,419
Donor coordination	10	45
Preparing full PRSP	90	125
Publishing, dissemination of PRSP	0	440
PRSP future development, visioning	185	0
Contingency	0	0
Other	0	0
Total (number of days)	2,412	19,337

Local administrative arrangements

- 4.13 Of the thirteen grants made to date, all will be executed by government agencies, although the capacity building activities typically extend beyond government. Funding is being channeled to a broad range of agencies including the Ministry of Finance, the PRSP Secretariat, statistical agencies, line ministries, and regional government bodies. In Uganda, NGOs will be trained alongside local government officials in monitoring and evaluation techniques. Similarly, in Vietnam, the grant will be used to build capacity of parliamentarians and NGOs as well as sector ministry and local government staff.
- 4.14 In principle non-governmental agencies may execute a PRSTF grant: in Albania, for example, a component of the work program has been sub-contracted to the Carter Center. However, in order to ensure funds are used in a manner consistent with Bank rules, all NGOs must be certified by specialist Bank staff as having sufficient experience and financial adequate checks and balances prior to their being accepted as an implementing partner.

Results to date

- 4.15 Given the recent approval of most of the proposals and the fact that disbursements are very low, results to date are limited. However, task managers of the six PRSTF grants activated to date have recently submitted short updates on implementation and testify to steady progress. For example, in the Kyrgyz Republic, a widespread public awareness campaign is ongoing and to date has resulted in coverage of PRSP topics in over 50 publications, as well as two national workshops, one on participation and the other on the MDGs. Furthermore, as well as outputs achieved there is evidence of success in terms of broader outcomes: for example, the Georgia task manager reported that the PRSTF grant “has helped improve government and national ownership by facilitating better coordination and communication between key ministries, and between government and civil society”.

5. UPCOMING ACTIVITIES

- 5.1 As of end-February, 2003, twelve additional countries have indicated their interest in submitting a proposal to the PRSTF. This group includes the first proposals from the Latin America region (Honduras and Nicaragua), as well as four more from Africa (Eritrea, Gambia, Togo and Malawi), three from Europe and Central Asia (Bosnia-Herzegovina, Serbia and Montenegro, and Tajikistan), two from East Asia (Timor Leste and Cambodia) and one from South Asia (Bangladesh). Applications from five countries, Bosnia-Herzegovina, Cambodia, Eritrea, Honduras, and Malawi are fully developed and costed, and are currently being considered in-country.

5.2 This second group of proposals shows as much diversity as those already approved, and some interesting innovations. For example:

- In Bosnia-Herzegovina, the proposed activities would seek to bring together the perspectives from the two entities, and to ensure that the PRSP develops very much as an integrated national strategy, rather than two development programs that sit side by side.
- The proposal currently under consideration from Honduras is the first to be submitted jointly by the government and NGOs, and contains four components to be executed by civil society organizations.
- The Cambodian proposal puts a premium on the need to coordinate efforts more effectively as the implementation of the PRSP commences in order to avoid “inter-sectoral rivalry and turf battles”, and outlines how the grant will assist the government in this process.

6. COLLABORATION WITH THE UN

6.1 A priority for the World Bank, the UN and its partners is to improve coordination and collaboration at the country level⁶. Hence one intended benefit of establishing this trust fund with highly devolved responsibilities was to improve collaboration between the World Bank and the UN through the in-country management of the funds.

6.2 A brief survey of both the World Bank task managers of the thirteen grants made to date showed that in the majority of cases, collaboration has been good and that the operation of the trust fund has been fairly smooth. In Georgia, for example, where UNDP coordinates donor contributions for technical assistance as part of the “Framework for Support to the Preparation of the PREGP”, the donors were able to take advantage of these existing structures to convene the steering board. Likewise, in the Kyrgyz Republic, the task manager affirmed that “the joint management of the fund is very effective in terms of coordination of donor activities”.

6.3 Furthermore, in some countries where local capacity is inadequate, the UN has been asked to take an even stronger role in the execution of the PRSTF grant. For example, in Montenegro, where there is neither a government nor World Bank project implementation unit to handle procurement, recruitment of consultants and the like, the UNDP office has offered to take on the management of the grant on behalf of the government.

6.4 However, in countries where the collaboration between the World Bank and the UN has not been good in the past, the PRSTF is not a panacea. For example, in one country where there had been some tension between the Bank’s and UNDP’s approaches to the PRSP and MDGs, the PRSTF did usefully bring both agencies to the table to discuss capacity building and donor support. However, in the words of the task manager, “the problem [of in-country UN/World Bank relations] is too large for the trust fund to solve by itself”.

⁶ See, for example, UNDP Administrator Mark Malloch Brown, at the World Bank/IMF PRSP Review Conference, January 2002, who spoke of UNDP’s commitment to “*help co-ordinate donor assistance to ensure resources and programmes are managed in a coherent manner consistent with the underlying poverty reduction mandate of the PRSP framework*”.

7. FINANCING AND REPLENISHMENTS

- 7.1 At the outset of the PRSTF, the Standard Provisions anticipated target funding of US\$15 million a year for the trust fund⁷. However, in the early period take up from the trust fund has been slow, with the majority of grants being activated in the last six months (see table 7). In light of this, additional donor support was not actively sought in the first sixteen months of operation.
- 7.2 Recent efforts to raise the profile of the PRSTF appear however to have stimulated considerable demand. As section 4 above outlined, there are currently twelve proposals in the pipeline for consideration. Using the average amount of the thirteen grants to date, staff project that there will be approximately US\$5,217,000 in additional commitments by mid 2003 (see table 8). Hence if the rate at which proposals are now being prepared continues for the balance of PRSP countries, future demand could exceed the supply of funds by the end of calendar year 2004.

Table 7: Progress of the PRSTF

Date Active	Country	Title	Amount
27-Aug-02	Comoros	Interim Poverty Reduction Strategy Paper	434,200
28-Aug-02	Georgia	Support To Finalization Of Poverty Reduction And Economic Growth Program	123,200
3-Sep-02	Armenia	Strengthening Poverty Monitoring and Reforming Labor Market Regulations	297,400
11-Oct-02	Kyrgyz Republic	Institution Building Under the National Strategy On Poverty Reduction Program	485,000
26-Dec-02	Moldova	Strengthening Analytical Capacity and Participation for Poverty Reduction Strategy Paper	414,962
13-Jan-03	Djibouti	Capacity Building For Poverty Reduction Strategy Paper	480,000
2003	Albania	Support for PRSP Preparation And Implementation	490,150
2003	Cape Verde	Support for PRSP Preparation And Implementation	495,000
2003	Cote D'Ivoire	Preparation of The Poverty Reduction Strategy Paper	490,500
2003	Mauritania	Implementation, Monitoring and Evaluation of Poverty Reduction Strategy	496,900
2003	Pakistan	Capacity Building for Economic Reform and Poverty M&E in the North West Frontier Province	450,000
2003	Uganda	Capacity Building for Decentralized Community Based Participatory Planning and Budgeting	494,700
2003	Vietnam	Poverty Reduction Strategy Paper: Implementation and M&E	499,980
Total (USD)			5,651,992

- 7.3 Looking beyond the immediate future projected here, there are two additional sources of demand: first, from the countries who are newly embarking on the PRSP approach; and second, from those countries who made early applications to the PRSTF and who will soon have implemented their first two- year grant and become eligible to make a second application.

⁷ See paragraph 1, Annex II of the PRSTF Standard Provisions which can be found at <http://www.worldbank.org/poverty/strategies/prstf/tflegal.pdf>

Table 8: Projected commitments for the PRSTF June 2003 and beyond

	Amount (USD millions)	Percentage of total fund
Funds received (February 2003)	15.7	78.7
Existing commitments	5.7	28.3
Available funds (February 2003)		
<i>(Total received - Commitments to date)</i>	10.1	50.4
Average grant to date	0.4	2.2
Projected total cost of 12 pipeline grants (June 2003)	5.2	26.1
Funds expected (June 2003)	4.3	21.5
Projected available funds (June 2003)	9.2	46.0
Average cost of grants made/month**	0.5	2.7
Projected available funds (March 2004)	4.4	21.8
Projected available funds (December 2004)	0.1	0.3

*** over period November 2001-June 2003*

- 7.4 In the light of these projections, the World Bank is now seeking additional contributions from donors to replenish the PRSTF. Given the European Union's strong commitment to the PRSP process, and its expressed desire to coordinate effectively with other donors, a contribution of US\$10 million has recently been requested. In addition, discussions are ongoing with the Swiss Government. Furthermore, these projections raise some broader strategic issues as outlined in Box 1.

Box 1: Strategic questions for the PRSTF

Demand for PRSTF grants looks set to rise in the future and while replenishments for the fund are now actively being sought, it is by no means assured that there will be adequate funds to support all subsequent requests. This poses a number of strategic questions for the management of the fund:

- Funds to date have been allocated on a first-come first-served basis but it is this may not be **the fairest way to proceed if demand at some point outstrips supply of PRSTF resources**. Should funds perhaps be targeted at countries with higher or deeper levels of poverty? With larger numbers of poor people? With fewer active donors available to provide support?
- On a more practical level, it is formally possible that a grant could be approved at the country level without there being sufficient funds available to support the application. The **possible disconnect between the country level and the strategic oversight of the fund needs to be addressed** if situations such as this are to be avoided.

8. TRUST FUND ADMINISTRATION

- 8.1 A range of management and administrative issues have become apparent with the PRSTF's operations over its first sixteen months. As table 7 above showed, take-up of the fund has been slower than expected and disbursement of the majority of grants has commenced only in the last six months. Two reasons are advanced for this: a lack of information on the part of potential recipients about the trust fund and the sometimes cumbersome, and therefore time-consuming, nature of the trust fund's procedures.
- 8.2 A number of steps have been taken by staff to tackle the difficulties encountered on both these fronts (see Box 2), and these efforts have clearly produced results as the recent increase in proposals attests. However, many issues remain of a more strategic nature which are considered in more detail in the companion paper, and will be discussed at the Advisory Board meeting.

Box 2: Steps taken to improve the operation of the PRSTF, December 2002-February 2003

Addressing lack of information

- ✓ Clarification of the internal and external websites with links to high-hit pages such as PovNet;
- ✓ Marketing the PRSTF with key Bank staff working in close connection with the PRSP teams, especially those in regions which have generated few proposals to date;
- Translation of key literature into other languages (ongoing);
- Production of a information about the PRSTF in more user-friendly formats such as a short brochure (ongoing).

Clarifying procedures

- ✓ Development of a matrix spelling out clearly both pre- and post approval stages for applicants as well as clarifying responsibility at each stage;
- ✓ Raising awareness of the steps that must be taken post-approval, to ensure that the proposal is harmonized with Bank procedures at the early stages of development;
- ✓ Monitoring progress of proposals more actively with follow up on a regular basis with countries where proposals seem subject to undue delay;
- ✓ Trust Fund accreditation program introduced for Bank staff who manage trust funds to ensure that they are fully appraised of the operational policies and procedures applicants must abide by
- ✓ Critical review of PRSTF and comparable trust fund arrangements and proposals for reform of governance and administration developed (see companion paper).

ANNEX 1: ACTIVITIES TO BE SUPPORTED BY PRSTF GRANTS, FEBRUARY 2003

Albania

- Build national consensus on a vision of Albania's future;
- Undertake a participatory national visioning process;
- Develop an Albanian application of Threshold 21 model for the analysis and debate of alternative long-term development scenarios;
- Strengthen capacity to monitor and evaluate the NSSED by introducing results-based management, elaborating a strategy for institutionalizing qualitative poverty monitoring, and piloting participatory monitoring and evaluation in the health sector;
- Improve the prioritization and costing of public actions;
- Analyze the sources of future growth.

Armenia

- Support the establishment of a regular household survey thereby strengthening poverty monitoring capacity of the Government;
- Re-draft existing labor legislation and enact a modern regulatory framework that is fully consistent with the needs of a modern market economy;
- Review ongoing government and donor programs which provide support for children (orphanages, schools, child health) and develop recommendations for improvements and for setting up an efficient coordination mechanism that would reduce duplication and administrative costs.

Cape Verde

- Formulate and coordinate of the PRSP including preparation and translation of the final PRSP
- Strengthen the participatory process including an outreach program to capture the views of the disenfranchised
- Support a series of diagnostic qualitative and quantitative studies to measure poverty and finance an analysis of the next household survey in early 2003
- Develop a practical, balanced and limited set of indicators (progress / output and outcome indicators in the main areas of interest to the PRSP) for monitoring and evaluation
- Capacity building in data gathering and management
- Preparatory work leading to the development of an MTEF (but not the MTEF itself);
- Provision of a macroeconomic modeling tool with specific features; study of decentralized budgeting, and a report on practical FDI tracking.
- Organize first donor meeting for the new administration.

Comoros

- Undertake a series of diagnostic qualitative and quantitative studies to measure poverty and provide the basis for the PRSP. This component will include the co-financing of the household survey in 2003;
- Develop Sectoral Poverty Reduction Programs through production of detailed reports on sectoral poverty reduction, identifying the issues and challenges, and proposing strategies to address these issues;
- Strengthen the participatory process through supporting and building capacity of existing island-level committees;
- Prepare and translate the I-PRSP;

- Develop monitoring and evaluation tools to support the implementation of the program.

Cote D'Ivoire

- Technical assistance for analysis of the results of the ongoing survey on living conditions of households and preparation of the methodology for the qualitative survey on poverty to be launched in May 2002;
- Technical assistance for the monitoring and evaluation of PRSP;
- Financial contributions to the cost of the survey on standard of living;
- Creation of a database and indicators on poverty;
- Strengthening the capacities of actors and beneficiaries of the PRSP process (NGOS and private sector);
- Strengthening institutional coordination capacities.

Djibouti

- Conduct diagnostic and sectoral studies such as the second and third phase of the household budget and consumption survey (EDAM 2);
- Assist the implementation of public expenditure management reforms and budget modernization tools such as sectoral budgeting and priorities and overall macroeconomic modeling and forecasting;
- Finance studies in identifying key growth sectors, understanding any potential negative impacts of economic policies, and designing tools to mitigate impacts;
- Promote and institutionalize the participatory process while empowering the vulnerable groups such as nomads and refugees;
- Provide additional staff and office equipment for PRSP office to increase coordination and monitoring capacity.

Georgia

- Increase capacity of both the SGC and the Sub-Commissions in order to improve the coordination and content of the final PREGP;
- Undertake a sound analysis of the potential sources of broad-based economic growth;
- Develop fiscal and macroeconomic frameworks/projections covering the short and medium terms;
- Provide realistic costing of the reforms and initiatives envisaged in the PREGP;
- Strengthen prioritization of the PREGP reforms and initiatives, taking into account both fiscal and administrative constraints;
- Increase capacity of the Government of Georgia to ensure civil society participation and public ownership of the Programme.

Kyrgyz Republic

- Consult on the National Strategy for Poverty Reduction within government and with civil society;
- Provide technical assistance to Expert Working Groups established to work on different economy sectors, costing/financing, and prioritization for the NSPR implementation;
- Coordinate donors within NSPR and CDF implementation framework;
- Support participatory monitoring of NSPR implementation including opinion polls conducted with participation of NGOs;

- Train government officials, NGOs and other concerned parties involved in the process of NSPR implementation in different areas directly related to poverty reduction, improvement of governance, and social development;
- Develop monitoring and evaluation system for NSPR;
- Disseminate newsletters, brochures and other printed materials in Kyrgyz, Russian and English languages on the process of NSPR including further development of official NSPR portal

Mauritania

- Strengthen the system for the M&E of the PRSP;
- Strengthen capacity of the Commissariat for Human Rights and the Fight Against Poverty and for Integration (CDHLCPI) in the area of M&E, with specific focus on its programs;
- Strengthen national capacity to analyze poverty issues and evaluate the poverty and social impact of policies.

Moldova

- Strengthen analytical capacity of Government officials by providing technical assistance to high-level policy makers, technical committee, sectoral working groups and by filling knowledge gaps necessary for developing sector strategies of a full PRSP;
- Strengthen participation by institutionalizing the participatory process and enabling participation and consultation with key stakeholders;
- Build capacity of NGOs participating in the PRSP process;
- Strengthen government partnerships with civil society and donors.

Pakistan

- Build capacity of implementation assistance units in the key government departments related to the North West Frontier Province reform program to monitor progress on reforms;
- Establish five implementation assistance and monitoring and evaluation (M&E) units in the Departments of Schools and Literacy and Health, the Economic Reform Unit, the Provincial PRSP Secretariat, the Budget Analysis Unit;
- Conduct citizen's surveys of facilities, quality and service delivery in social sectors;
- Conduct surveys to help improve the baseline information and data for establishing a provincial poverty line and tracking key human development indicators;
- Conduct studies on NWFP's tax potential; a study on the province's growth potential; a review of the fiscal performance of districts under the new Devolution Plan; a study to assess the implementation of user charges in the health sector incorporating social safety nets for the very poor.

Uganda

- Support orientation and training of lower Local councils, Ministry of Local Government and the collaborating agencies in community based participatory development planning and budgeting processes;
- Support the establishment of data/information dissemination/feedback mechanisms, data collection, entry and analysis for planning and budget decision making functions;
- Support monitoring and evaluation activities for the implementation of the Harmonized Participatory Planning Guide (HPPG) for Lower Local Councils;
- Enhance stakeholder participation in community based planning and budgeting processes.

Vietnam

- Build capacity to elaborate the supplement and expansion of the CPRGS to incorporate those policy areas that are covered by Public Investment Program (PIP) and are conducive to poverty reduction and growth;
- Strengthen coordination, partnership and participatory process in implementing the CPRGS;
- Build capacity to improve provincial five year and annual plans to make them more poverty-focused and to align resource allocation decisions at the national and local levels to the desired outcomes;
- Build capacity to improve sectoral plans into concrete sectoral action plans detailing the timing and costs of activities, which will be more sharply prioritized and set within resource constraints;
- Establish M&E system for the CPRGS, especially to undertake full assessment of poverty and social impact of reform programs, preparing annual progress report on implementing the CPRGS, and preparing for the updated CPRGS.