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National Monitoring of Strategies for Sustainable Poverty Reduction / PRSPs

VOLUME 1: MAIN REPORT



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This study was conducted on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The views expressed are the independent conclusions of the authors. The BMZ views the study as a contribution to the international discussion on the monitoring of Poverty Reduction Strategy Papers (PRSPs). The complete study – the main report and the country cases – is available in German and English. The summary and the country cases studies of Burkina Faso and Nicaragua are also available in French and Spanish.

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The five countries were visited by one or two consultants in January 2004 for 10 to 14 days.

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Acronyms and Abbreviations

BMZ	German Federal Ministry for Economic Cooperation and Development
CAS	Country Assistance Strategy (of the World Bank)
CDF	Comprehensive Development Framework
CWIQ	Core Welfare Indicator Questionnaire
DAC	Development Assistance Committee of the OECD
DFID	Department for International Development (UK)
ESAF	Enhanced Structural Adjustment Facility (of the IMF)
GDP	Gross domestic product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HDI	Human Development Index
HDS	Health and Demographic Survey
HIPC	Heavily indebted Poor Countries
IEA	Institute for Economic Affairs (Kenya)
JSA	Joint Staff Assessment (prepared by staff members of the IMF and the World Bank with recommendations for both Boards of Directors)
KePIM	Kenya Participatory Impact Monitoring
LSMS	Living Standard Measurement Survey
MDG	Millennium Development Goals
M&E	Monitoring and evaluation
MTEF	Medium-Term Expenditure Framework
NGO	Non-governmental organization
ODI	Overseas Development Institute
PEAP	Poverty Eradication Action Plan (Uganda)
PEM	Public Expenditure Management
PER	Public Expenditure Review
PFP	Policy Framework Paper
PPA	Participatory Poverty Assessment
PRA	Participatory Rural Appraisal
PRGF	Poverty Reduction and Growth Facility (IMF)
PRSC	Poverty Reduction Support Credit (World Bank)
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
SAF	Structural Adjustment Facility (IMF)
SAP	Structural Adjustment Program

SDA	Social Dimension of Adjustment
SWAP	Sector-Wide Approach
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund

Summary

So far, 54 countries have finalized strategies to alleviate poverty in the form of Interim or Full Poverty Reduction Strategy Papers (as of July 2004). Originally, their primary function was to secure the remission of debt in accordance with the rules of the HIPC II Initiative. Then, in addition, they became a prerequisite for a country to obtain low-cost development loans. They now increasingly provide the programmatic basis for budgetary assistance.

PRSP monitoring systems should enable all stakeholders to gain information on progress made with the implementation of the strategies, and to use their influence within the political process to ensure that governments follow their strategy and transform it effectively into action and public expenditures. Monitoring systems are the precondition for maintaining a partnership amongst governments, national stakeholders, and international donors.

This study was initiated by Division 310 (Poverty Reduction, Social Development) of the BMZ, and was commissioned by the GTZ Poverty Reduction Program in order to investigate, on the basis of five country studies, how monitoring systems are constructed in practice, how effective they are, and how donors can use the information they provide for shaping their programs. Furthermore, the study is to examine how donors can support the development of monitoring systems.

The foundations

The political context of PRSPs

The concept of Poverty Reduction Strategy Papers (PRSPs) came into being on the basis of the experience and discussion of nearly two decades of development cooperation and the indebtedness of developing countries.

The traditional approach: projects and conditionalities

The old form of cooperation consisted of projects on the one hand and on the other, of conditions imposed by the International Monetary Fund (IMF) and the World Bank in order to ensure a political framework that would foster growth and stability.

Conditions without internal consensus

Although the extensive poverty in developing countries had been discussed in international forums and reports since at least 1980, for a long time this had no influence on the policies of the IMF and, to some degree as well, of the World Bank. IMF conditions typically were negotiated behind closed doors and for the most part had no perceivable bearing on poverty. Furthermore, IMF was accused of

applying very similar packages of measures to very dissimilar situations, and of pushing blueprints instead of custom-designing solutions.

Experience with structural adjustment focuses attention on the issue of poverty

The discussion about poverty and its causes has become more intense since the mid-80s. A UNICEF study (*Adjustment with a Human Face*), the Social Dimensions of Adjustment initiative, and the 1990 *World Development Report* of the World Bank, which took world poverty as its theme, were the milestones of this period. While they led to numerous studies, they did not result in any fundamental change in policy amongst the donor organizations. From then on, calls to make development projects poverty-oriented did become more frequent, however.

HIPC Initiative

From the middle of the 90s, the pressure on the traditional foundations of development cooperation intensified. The World Summit for Social Development took place in Copenhagen in 1995; in 1996 the Initiative for Heavily indebted Poor Countries (HIPC I) was called into being. Then in 1999, in light of the growing influence of non-governmental organizations, an explicit link was forged between the then expanded debt relief initiative (HIPC II) and the poverty reduction efforts of the beneficiary countries. PRSPs were intended primarily to demonstrate how the countries which were to have debt cancelled would employ the resources thus liberated to fight poverty.

Participation in PRSP processes

In order for the Poverty Reduction Strategies to be accepted by the IMF and the World Bank as the basis for debt remission, they had to have been developed on a participatory basis and discussed broadly in the given country. In many countries, this resulted in the very first broad-based discussion about issues of structure and poverty. The idea behind this condition was that, although governments would bear the responsibility for the strategies, their character should be more one of a national strategy that would not automatically be overthrown or reworked in the case of a change of government. At the same time, the general public and particularly those affected (the poor) were to be involved in the discussion such that, through this participation in political processes, they could exercise influence on the behavior of governments and administrative bodies, thus keeping these on the agreed path. Finally, internal political processes were to acquire a different quality. Democratic principles and governments' duty to be accountable to their parliaments and people were to be strengthened.

PRSPs to set the course of action for national governments and donors

A PRSP that originates in this way then sets the course of action both for the governments of the respective developing country and for multilateral and bilateral donors, who align their activities with a strategy that is owned by the country (and not imposed from outside) and that, on the basis of concrete information, strives for socially balanced growth and the sustainable reduction of poverty. The PRSP becomes the hub of a partnership built upon basic agreement on objectives and the broad outlines of processes, the details of which are to be defined and discussed during the course of implementation. Opportunities for dialogue form pillars of the partnership.

Functions of PRSP monitoring...

PRSP monitoring should serve above all to determine to what degree and how successfully the Poverty Reduction Strategy has been put into action. The monitoring system should be able to answer two central questions in detail:

- a) Do the strategy and its actual implementation promise to reduce poverty sustainably? Is the strategy (still) valid, and is it being carried out satisfactorily?
- b) Is the government adhering to the agreed strategy? Is the common basis of the partnership still intact?

...for national stakeholders and donors

Both civil society and the donors need this information, in order to fulfill their roles in the partnership. It may well be that they need the monitoring information in different depths and forms. But without a doubt, special attention must be accorded to the aspect of civil society control.

The demands on a PRSP monitoring system

Management, accountability, collective learning

A reading of the most important literature reveals that, there too, PRSP monitoring is understood for the most part as policy monitoring. It has several functions, the compatibility of which is occasionally questioned in the literature. The management function is most pertinent to the government and the donors. PRSP monitoring also serves accountability and should enable collective learning.

Relationship between PRSPs and MDGs

The congruence between PRSP monitoring and the monitoring of the Millennium Development Goals was a matter of discussion for some time. In the meantime, however, PRSPs have been recognized as the national strategies through which the international development goals, in the form of the Millennium Development Goals (MDGs) are to be achieved. Thus MDG monitoring is, in principle, a component of PRSP monitoring.

Compatibility with IMF conditions

Questions of compatibility arise, too, in regard to the relationship between the PRSP goals and the triggers, benchmarks and performance indicators agreed with the IMF. The European Commission determined in 2000 that the PRSP goals rarely correspond with the conditions (in this case, the “triggers”) for reaching the HIPC “Completion Point.” Likewise, a study by the Overseas Development Institute (ODI) recommends making a clear distinction between monitoring performed for the purpose of negotiation with donors and that done for assessing the progress with poverty reduction and the PRSP.

In this respect, we must ask whether overt contradictions do, in fact, exist between the IMF conditions and PRSPs, and whether or to what degree this ought to be the case. There are certainly grounds to justify some divergence:

- The goals, and above all the strategies, that are formulated in the PRSPs are quite vague in parts. Therefore, the agreements with the IMF and, for that matter, with the World Bank and the donors that provide budgetary assistance, can certainly address the specific activities that have been discussed and agreed since the approval of the PRSP. The conditions should provide the details of the PRSP, without contradicting it.
- Furthermore, the different timeframes must be addressed. Agreements with the IMF and other donors can specify when particular actions must be completed.

But there should be no overt contradictions or incompatibilities. Checking this is surely a job not only for the bilateral donors, but also for an interested and committed civil society in the PRSP countries.

Monitoring per se is a political process

PRSP monitoring is an inherently political process. Which information is considered to be especially significant depends on the interests of the actors involved, and it is natural that there will be some resistance to making certain types of information available to the public. Governments cannot be expected to be interested in monitoring a priori, because it restricts their room for maneuver. On the other hand, PRSP monitoring plays a decisive role in maintaining throughout the implementation phase those dynamics of participation that emerged during the formulation of the PRSPs.

Linkages with existing systems

There is no universal blueprint for the institutional structure of a PRSP monitoring system. However, experience to date reveals that certain aspects deserve special attention, because they often are neglected in practice:

- While it is true that institutions usually are assigned areas of responsibility, the actual delineation and coordination of tasks often receives too little attention.
- The best solution for the institutional configuration of the monitoring system is aligned with and builds upon existing structures.
- PRSP monitoring distinguishes itself from other monitoring systems through the enormous breadth of information it deals with. Thus it is all the more important for PRSP monitoring to build upon existing monitoring systems in order to cover this wide spectrum of information.
- The institutional structure must be compatible with the available capacity. Excessive complexity that can be realized only through an unrealistic level of capacity building is counter-productive.

Inputs – outputs – outcomes – impact

A crucial concept for PRSP monitoring is the distinction between inputs (resources, funds), outputs (the goods or services directly produced by an agency), outcomes (the direct utility or benefit to the agency's target group or clients), and impact (usually at the level of the Millennium Development Goals). At the same time, it can make

good sense to observe the process of transforming the inputs into outputs, especially when outputs and outcomes can be defined only through gross over-simplification of the processes.

Information is often summarized and quantified in the form of indicators.

The “missing middle”

In many cases, PRSPs do, indeed, contain goals that are clearly defined at the impact level and even include a quantified time dimension, but it remains unclear how the goals are to be achieved. Equally, they make no mention of the corresponding indicators at the output and, more importantly, at the outcome levels. This is called the “missing middle.” It is problematic in that the indicators at impact level react to changes in policy or in public services only after a lengthy delay. Moreover, changes in results-based indicators can be caused by factors beyond the influence of the government (for instance, weather or world market prices). This is why the most suitable indicators for monitoring policy are those at the outcome level, as they by definition relate directly to governmental action. When such indicators are missing from the list of information to be collected, there is no basis for timely steering and for exerting any meaningful influence within the political process.

Instruments and types of data

Statistics on poverty and social status

Household surveys and censuses are the fundamental sources of information at the results level. They are, however, costly and time intensive, and therefore are conducted only at intervals of several years. The information provided by these instruments is most suited to representing the level of results

Administrative data

Information and statistics provided by government administrative offices (also called “institutional data”) are the elements of many indicators used in PRSP monitoring. Particularly in the areas of education and health, the relevant ministries often (but not always) have relatively good statistical departments.

Benefits for clients and/or target groups

Information about client benefits and client satisfaction is very scarce however. The World Bank introduced the Core Welfare Indicator Questionnaire (CWIQ) in the attempt to close this information gap. Participatory and qualitative surveys, such as results-based monitoring, can help to close the gap.

Data on public expenditure

Data on actual public expenditures are the central source of information for the monitoring of inputs. Government financial reports are becoming substantially more meaningful with the reforms of the accounting and information systems and the improvement of the fiscal systems. But the budget and medium-term financial planning are also important pieces of information that should be used for PRSP monitoring. Public Expenditure Reviews, expenditure tracking studies, and facility surveys provide supplementary information.

Qualitative investigations

Qualitative results-based monitoring, Citizen Report Cards, and Poverty and Social Impact Analyses round off the set of instruments in common use.

The findings of the country cases

Context, origin, and substance of the PRSPs

The five countries investigated – Albania, Burkina Faso, Kenya, Nicaragua, and Vietnam – differ not only in size and state of development, but above all in their respective political culture and fundamental motivation to produce a PRSP. As was to be expected, this influences the quality of monitoring and its significance in the political process.

At the time of the study, Kenya was the only one of the five countries without an agreed design for a monitoring system. One of the reasons for this was that, after a change of government at the beginning of 2003, the strategy was re-worked. Nevertheless, the consultants found interesting elements of a future PRSP monitoring system in Kenya.

Frequently, the strategies must be worked out in more detail before the achievement of goals can be assessed within the framework of a monitoring system. This inevitably must occur parallel to the development of the monitoring structures. Such was the case in the five countries investigated.

Areas of investigation and instruments used

Poverty statistics and MDG monitoring

The statistics on poverty were relatively well developed in each of the countries; Albania was the only country to have to make do with a short time series. However, comparability with the findings of earlier years is often problematic, and the measure of the incidence of poverty is very sensitive to the definition of the poverty line, because a large portion of the population lives just above or just below the poverty line. In Kenya and Nicaragua, poverty maps were produced that provide very detailed information on the poverty incidence for small geographical areas, but they display methodological weaknesses.

The United Nations Development Program (UNDP) has assumed responsibility for MDG monitoring in many instances.

Each of the countries except Albania has carried out Participatory Poverty Assessments. Health and Demographic Surveys are carried out in three of the five countries.

Indicator lists	<p>The lists of phenomena to be observed are in some cases extremely extensive, and include indicators on factors that are not relevant for assessing policy performance in reducing poverty.</p> <p>Administrative data were used in all of the countries, but especially in the social sectors. Only in Kenya (perhaps) and Burkina Faso (as planned) are these data to be supplemented by regular studies on beneficiary satisfaction and the reasons for non-use.</p>
Unsatisfactory indicators on economic goals	<p>For the economic areas that the state regulates and supports, without intervening in production, the indicators are generally less satisfactory. These indicators frequently relate to the impact level only, and it remains unclear what the state agencies should contribute or have contributed in the past.</p> <p>The indicators on anti-corruption and good governance, which are issues strongly stressed in many countries, are especially inadequate.</p>
Public finance reforms	<p>It is good to note that the implementation of the PRSP is being accompanied everywhere by the fundamental reform of the management of public funds. The systems being initiated promise to deliver information in the medium-term that is more useful in attributing expenditures to policies. Currently, however, donors often complain about meaningless figures and insufficient transparency.</p> <p>Exceptional examples in the area of public finance include Kenya's Public Expenditure Review that was carried out by the government, four sectoral Public Expenditure Reviews in Burkina Faso, and an extreme willingness in Nicaragua to make current financial data available to the public. But nowhere is information on donor contributions systematically reported.</p>
Participatory Impact Monitoring	<p>Participatory Impact Monitoring and Citizen Report Cards are used in Kenya, and Poverty and Social Impact Analyses are being employed in Burkina Faso and Nicaragua.</p>

Organization, dissemination, and utilization of the findings

Monitoring primarily for the donors	<p>Typically, the Ministry of Finance, Ministry of Planning, or a unit in the Office of the President is responsible for preparing and compiling the findings. The line ministries and statistical offices supply the data.</p> <p>The reporting, however, is done primarily for the World Bank and the IMF – understandably so, because further potential disbursements are dependent upon reports on the implementation of the PRSP. In contrast, dissemination of the reports in a form appropriate for the respective target audiences is largely neglected within the country itself. The parliament is not truly involved in any of the five countries. Versions that would be understandable to the general public are not produced, the reports are not translated into local languages, and only in Kenya are short reports on research findings prepared for the press</p>
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and the public (but not within the framework of a defined monitoring system).

Generally limited impact on domestic policies

Hence it is not surprising that public discussion on PRSP implementation has practically no influence on policy in any of the countries. Nicaragua, where civil society organizations prepared a hotly discussed alternative study, is a positive exception to this general rule.

Donor support to PRSP monitoring

Modalities of the donor contributions adequate on the whole

To avoid endangering the sense of ownership of the PRSP on the part of the government, donors must act as carefully with regard to PRSP monitoring as they do during the formulation of the strategy. Without question, they have achieved this in the five countries studied. They have supported the statistical institutions in a coordinated way and have financed studies and seminars. Reform measures in the public finance administrations, too, typically are supported by several donors in a coordinated fashion.

The approach practiced by the Department for International Development (DFID) deserves special mention, whereby national civil society organizations and non-governmental research institutes are financed through partnership contracts. This is done in such a way that close attention is paid to the boards of directors and management structures of these partners, but they are given free hand in defining their programs.

The question of financial sustainability

The question as to whether the monitoring structures developed can be financially sustained through the state's own resources rightfully plays no great role here. As long as donors support the poverty reduction program, it seems only warranted that they provide funding in the area of monitoring, indeed, for some time to come.

Conclusions

Experiences and lessons learned

Should one want a pithy (and therefore unavoidably simplified) summary of the consultant team's observations in the five countries, the following statements emerge:

Disappointing internal effectiveness

- a) The involvement of the parliaments and civil society in the discussion about the achievements and successes in implementation of the PRSPs is so poor, that in effect, neither accountability nor dialogue is possible amongst the governments, the parliaments, and the citizens. Exceptions (Nicaragua) and constructive approaches (Kenya) prove the rule. Weaknesses at instrument and data level pale in comparison.

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| Findings not prepared for national stakeholders | b) Progress with the reporting to donors does not seem to result in any noticeable improvement in the reporting to national stakeholders. The challenge is to ensure that the improved information flow to donors also effectively feeds more facts and analyses into the public discussion. |
| Shortcomings with regard to the economic growth goals | c) Special problems exist in trying to observe the contribution of government administrative apparatuses in working towards the goals of economic growth. Better concepts, instruments, and related indicators are needed to assess the results, because it takes place on a level that is strongly influenced by, but not completely under the control of, the administration, and also includes elements of utilization by the target groups. |
| The integration of administrative data | d) A commonly encountered problem area lies in establishing a regular flow of meaningful information from the sectors into a comprehensive reporting system on PRSP implementation. |
| Systems generally still under construction | e) Even after two or three years of implementing the PRSP in countries such as Nicaragua and Burkina Faso, monitoring systems are still being set up. As the professed objectives of the PRSP process include a qualitative change in the political culture and a more intense dialogue between governments and civil society, considerable efforts are necessary in order to maintain the dynamics of participation that emerged during the formulation of the PRSP. |
| Long discussions delay concrete results | f) Discussions over the list of the most important indicators and the institutional set-up of the monitoring system are necessary, but in practice, they can easily become disproportionately long and costly. |

The value of PRSP monitoring for donors

Sluggish alignment of donor programs with PRSP strategies

To date, donor organizations have made very little use of the results of PRSP monitoring. This is in part because all of the systems are still in their infancy. But another important reason for the neglect so far is the very limited alignment of development projects with national poverty reduction strategies.

PRSP monitoring can provide the donors with information that is important for the design of their programs. It also provides information about the political will of the partner governments as evidenced by their actions, and about their success in reducing poverty. If budgetary assistance is being provided, then the careful analysis of the findings of the monitoring system is indispensable.

The monitoring information could also be useful in testing hypotheses about development results, adjusting strategies for country assistance to accommodate those systematic weaknesses of the partner country that would otherwise hinder the implementation of the strategy for poverty reduction, streamlining the work of the donors, and

coordinating the projects of different donors and aligning them with the objectives set jointly with the partners.

Outlook

What determines the effectiveness of a PRSP monitoring system? Above all, it must focus on the essential aspects of the strategy. It must capture primarily the level of outcomes, but also scrutinize the input side (the budget, its execution, and medium-term financial planning). It should include surveys that can assess the effectiveness of policy measures on the ground. It should be built upon the existing administrative information systems in the sectors, but critically examine and validate their results.

But what is crucial for political effectiveness is that the form of reporting be appropriate to the needs of the users, which inevitably means differentiation.

A comparison of these requirements with the observed practice results in the following recommendations:

- The stage of processing and disseminating the monitoring results should receive more attention.
- The list of information and indicators that are to be reported within the framework of monitoring must be streamlined so that important findings are not lost in a profusion of details that are not really relevant.
- Better outcome indicators are needed in the important areas of broad-based / pro-poor growth and good governance.
- Beneficiary satisfaction with government services should be assessed systematically.
- The selection of indicators is itself a political process, and therefore must be carried out as openly as the formulation of the PRSP.
- Parliaments should become the most important target group for PRSP monitoring and should be involved to a much greater extent.
- A diversity of information channels and multiple occasions for analysis impede political blockades and therefore should be included intentionally in the plan.
- Special surveys, such as results-based monitoring on the ground, can enrich the public discussion and more provision should be made for them.
- In complex situations, Poverty and Social Impact Analyses could be carried out more systematically to assess the results of planned interventions on the PRSP goals.

The following recommendations are directed specifically to donors as well as to the German development cooperation institutions:

- PRSP monitoring should be used to identify systemic weaknesses in the implementation of the given national poverty reduction program and to adjust the donor interventions accordingly.
- Opportunities should be sought specifically to support parliaments and civil society organizations in the utilization of monitoring results within the political process.
- The contributions that independent research institutions make to monitoring the implementation of PRSPs can foster the relevant public discussion. For this purpose, support to qualified institutes could be stepped up.
- The statistical departments of line ministries and administrative offices are crucially important to a meaningful PRSP monitoring. They should be targeted for support, especially in the sectors of agriculture and economic development.
- Traditional project monitoring has little to contribute to PRSP monitoring. However, projects can use their monitoring experience to support the sectoral monitoring systems at a higher level.
- Donors should ensure that the improvements in reporting to the Bretton Woods Institutions have a positive influence on the reporting to national authorities.
- Although donors should not over-load a monitoring system with new and costly methods, the principle of financial sustainability should not be over-emphasized as long as the donors are making a significant contribution to the implementation of the strategy for poverty reduction. Cost effectiveness and political usefulness are more important criteria.

1. Introduction

From PRSP to implementation

More and more, Poverty Reduction Strategies are moving from the planning phase into the implementation phase. Since the 1999 agreement on the basic concept, 39 countries have submitted finalized Poverty Reduction Strategy Papers (PRSPs) (status at the end of May 2004).¹ A number of countries, including four of the five looked at in this study, already have reported on the implementation of their Poverty Reduction Strategy in at least one progress report. So there has been some experience with implementation and there should already be some findings on the observation and monitoring of results.

Debt relief and external funding

Since their introduction in connection with expanded debt relief, PRSPs have acquired further significance in that they have been accepted by many donors as the basis not only for the forgiveness of debt, but also for the award of further concessionary credits and grants. This is the main reason why even countries that do not qualify for consideration of debt remission have, nevertheless, submitted PRSPs.

Negative experience with projects and conditionalities ...

Thus for donors, too, the PRSP has gained significance beyond its role in debt relief. In light of the disillusioning experience with conditionalities defined and agreed *ex ante*, and in view of the negative effects of too many, poorly-coordinated donor projects, donors now tend to provide financial contributions to the implementation of Poverty Reduction Strategies in the form of program aid or general budget assistance. In this way, PRSPs take on special importance: they are the key documents that define a development strategy to be jointly borne and financed by the donors.

... lead to a new partnership on the basis of the PRSP

Thus PRSPs become the basis for a three-way partnership: governments commit themselves vis-à-vis their national controlling bodies and their citizens to a clear program that, in various ways, has been agreed with their people, and donors commit themselves to help bear and support the program and to orient their contributions to it.

The concept of partnership takes on special importance. Government programs, including PRSPs, comprise a bundle of principles and guidelines for action that are spelled out in detail only in the course of implementation. The willingness, in principle, to jointly support and fund a program depends on intensive dialogue, which also can serve

¹ A further 16 countries have submitted an Interim-PRSP, but not a Full PRSP so far. In nine of these 16 cases, the Interim PRSP dates from the year 2000 or 2001, without having been followed by a Full PRSP.

to further specify and correct the strategy, if necessary, throughout its implementation.

The tasks of PRSP monitoring...

Here the PRSP monitoring system becomes very important, because both the national interest groups and the donor community want to ensure that:

- a) the political will, as expressed in the PRSP, persists and the government, in fact, implements the agreed strategy and develops corresponding programs that do, indeed, lead to poverty reduction in the medium term; and
- b) the implementation of the program then proceeds so efficiently that a reduction in poverty can be expected.

... for the different stakeholders

PRSP monitoring should answer these questions for each of the three target groups:

- citizens, so that they can use public opinion and political pressure to motivate the government to maintain the course embarked upon by truly and effectively implementing the PRSP;
- government, in order that it is able to evaluate for itself the success of its policies and, when necessary, make corrections;
- donors, so that they can determine whether the basis for the partnership is still intact, and can decide which areas require more intensive dialogue and where special support should be offered.

Here, one must differentiate within each of the three groups. For example, civil society comprises very diverse sub-groups. Even within the group "government," a distinction must be made between line ministries and planning or finance ministries, at the very least.

Participation should be continued

Monitoring systems perform a special function in regard to government transparency and accountability vis-à-vis the national populace. During the PRSP formulation phase, most countries experienced a new, improved quality of communication and collaboration between government and civil society organizations. In order to maintain and expand this dynamic, it is essential that public dialogue not be broken off when the PRSP is submitted, but that it be transformed into a critical accompaniment of the implementation processes. The form and intensity of the participation play a special role, if "participation burn out" or permanent overburdening of civil-society actors are to be avoided.

The Division for Poverty Reduction and Social Development (Division 310) of the German Federal Ministry for Economic Cooperation and Development (BMZ) initiated the present study in order to determine to what degree the systems that monitor the implementation of the PRSPs and the utilization of the findings within the political process meet the theoretical requirements. On behalf of the BMZ, the Poverty Reduction Program of the Deutsche Gesellschaft für Technische

Zusammenarbeit (GTZ) GmbH commissioned GFA Management GmbH to carry out the study. The questions that guide the study are:

- What are the framework conditions and prerequisites for an effective monitoring system?
- What elements make up an effective PRSP monitoring system?
- How have the case study countries used the monitoring findings?
- Which of the monitoring approaches seem to especially merit support?

Of special interest to the target groups are the questions:

- To what extent do existing monitoring systems increase the likelihood that public discussion influences policy and puts pressure on governments to carry out their proclaimed policies on poverty effectively?
- Do the findings of the monitoring systems allow the donors to assess whether the basis of the partnership for poverty reduction and achievement of the Millennium Development Goals still exists, and to identify points of departure for constructive policy dialogue?
- Are the systems capable of identifying the weak points in the implementation, in order that the governments can – and actually do – correct their policies and concrete measures in view of the successes and failures?

The modalities for donor support of PRSP ...

Not only the demand coming from the donor side, but also the donors' technical support of the processes have contributed significantly to the emergence of Poverty Reduction Strategies and, through the related participation and consultation, to the intensification of the dialogue between governments and societal actors. But in supporting PRSP processes, donors found themselves facing a dilemma: without their support, many PRSPs probably would have been so spineless that they could not have been taken as a serious basis for partnership, and the inclusion of the poor and other stakeholders would have been reduced to an item on a checklist. On the other hand, donors might insist on too high a quality for the PRSP or that it be too politically binding, and then might support meeting these quality standards too intensely. In many cases the results would then, indeed, be superior papers, but they would also be, once again, papers for the donors, not representations of the political will of the government and society. Donors must find the right balance.

... and of monitoring

A comparable challenge is presented in regard to monitoring systems. Of course, the statistical information being generated must be reliable and the reports must be meaningful. Nevertheless, the monitoring

systems must above all serve the political control of the government by society and critical self-evaluation, and only then serve the needs of the donors. Just as with the PRSPs, what is important here is much more the process and the dialogue than the quality of the resulting figures and analyses.

Appropriate role of the donors

The second set of questions dealt with in the present study therefore takes on the role of the donors in supporting the monitoring systems. The guiding questions are:

- Which approaches are successful in that they have supported the quality of the reporting as well as its political impact?
- Are there instruments of special interest that are particularly suited to the political domain and its requirements?
- What are the areas in which major deficiencies have been observed that could be overcome with the help of the donors?

It is important to keep in mind here that PRSP monitoring involves systems that, all in all, can only be as good as their weakest elements. Therefore, intervention must have the goal of ensuring the monitoring system functions well as a whole, and not succumb to the temptation of trying to perfect individual components.

Five country studies

During the course of this study, five countries were visited that had been selected by the client and assigned to the consultants. The countries stipulated were quite varied, and only in part belonged to the group of developing countries typically mentioned in the discussion as examples of PRSP countries.

Burkina Faso was one of the first countries to submit a PRSP. Furthermore, it is an especially poor country, receives a high influx of donor funds, and has significant foreign debt. It reached the completion point under the expanded HIPC Initiative in 2002.

Nicaragua, too, is often cited, receives a large portion of donor funding, and has a debt problem. However, a notably higher degree of organization is found within civil society there, and Nicaragua is far from being as poor as Burkina Faso. The completion point document was written in January 2004.

Kenya, in contrast, does not have a pronounced problem with debt and receives only a limited amount of external funding, because up until 2002, most donors had drastically reduced or even discontinued official cooperation due to the unacceptable corruption and small regard for human rights under the Moi regime. In order to improve relations with the donors, the Moi government drafted a PRSP that, despite the political conditions, was rated as unusually participatory. A new government took over the rudder at the beginning of 2003, revised the PRSP, and extended its scope. However, the PRSP so far

has not been accepted or submitted to the World Bank and IMF, and there is therefore no monitoring system.² Nevertheless, Kenya is an interesting case, as many good approaches can be found there that will become components of the emerging monitoring system.

Vietnam does not qualify under the HIPC Initiative, but it does have an approved PRSP and a comprehensive monitoring system. However, its cultural background distinguishes it significantly from the other study countries, as it has a long tradition of statistics and policy monitoring. The forms and intensity of public discussion on government policy in Vietnam are not comparable with those in the other countries. The PRSP for Vietnam probably has the highest degree of government ownership and is the one in which donors' conditions play the smallest role.

And finally **Albania**, another non-HIPC country: The PRSP in Albania is just one of several political agendas. No doubt, the currently most important agenda is association with the European Union and later accession. Here poverty reduction as an issue is sidelined. In addition, the political system in Albania has its peculiarities that tend to initially limit the potential for public opinion to influence policy.

The structure of the study: background ...

The ensuing Main Report of this study is structured as follows: First Section A covers the background information. Chapter 2 deals with the inception of Poverty Reduction Strategies and the resulting value placed on them as the new and more transparent basis for partnership cooperation between the governments of recipient countries and the donor community. Chapter 3 provides an overview of the voluminous literature addressing the resulting demands on a monitoring system and points out many difficulties and inconsistencies that, in part, are investigated in the country cases.

Chapter 4 of Section A describes the methodological "tool kit" and summarizes the capabilities of the most frequently used methods.

Countries

Subsequently, in Section B of the study, the experience of the five countries is presented and analyzed. Chapter 5 provides an overview of the political and social context of the PRSPs of the five countries, which to a large degree shapes the monitoring systems. Chapter 6 presents the subjects investigated by the monitoring and explains how success is observed and measured in each case.

Chapter 7 sketches out the organizational and institutional framework and illustrates especially how the different sources of information are networked and how the findings are forwarded to the potential users.

² Such was the status of affairs at the initial drafting of this study. In May 2004, Kenya submitted a Full PRSP that has been accepted by the Boards of the IMF and the World Bank.

How donors support the systems to monitor progress of the implementation of the poverty reduction policies in the five countries is the topic of Chapter 8.

Conclusions

Then in the final part, Section C, the major conclusions are drawn in response to two questions:

- a) Which strengths and weaknesses have been uncovered, and how can donors help to improve the monitoring systems through targeted interventions? (Chapter 9)
- b) In which areas do the findings of PRSP monitoring give important pointers for shaping donor assistance at the level of formulating the country programs? (Chapter 10)

In closing, Chapter 11 offers a view forward. Initially, it was to include indications of "best practices." But because the systems investigated in the five countries for the most part are still in the process of being established and are only functioning within limits, the chapter instead has become a collection of tentative suggestions that should be considered during the design process and by the donors in providing support. Suggestions for possible, further work are offered at the end.

Country cases

The country case studies are summarized in a second volume. They present the background material for the Main Report and thus are not written as stand-alone papers. But for those who have read the introduction, they make good primers that draw on concrete, perhaps familiar, examples.

Main findings

The Report arrives at the following, main conclusions:

1. The monitoring systems are **still being established** in each of the five countries.
2. Contrary to the original intention that monitoring systems deliver information primarily to national actors for domestic purposes and data needed by the donors accrue almost as a side-effect, monitoring reports are prepared in the first place for donors and play only a minor role in the domestic discussions of policy.
3. **Use of the monitoring systems in the policy process** has been under-developed so far. The systems generate too much non-specific information, so that the findings cannot be taken up effectively by the media and other discussion forums.
4. **Indicators** are not very persuasive, especially in areas requiring structural change.
5. Deficiencies are especially apparent in the decisive areas of **summary analysis and feedback** into the political processes and policy decisions. In contrast, the purely methodological level is the area that is, relatively speaking, best covered.

6. Both the design and the effectiveness of the systems are more dependent on **country-specific factors** than the consultants initially had expected.
7. Donors should support above all processing and policy applications of the monitoring results. Good approaches for this can be found in practice.
8. PRSPs often only vaguely describe the general direction of the planned poverty-reducing measures. Because a monitoring system requires a concrete definition of objectives to be effective, it is absolutely necessary that, **parallel to the development of the monitoring system, the goals of the PRSP be further specified** and, in this way, also made more binding.

SECTION A: THE FOUNDATIONS

2. The Political Context of PRSP

The political context in which the concept of Poverty Reduction Strategy Papers (PRSPs) came into being and in which the current PRSPs are being formulated, is of interest to this discussion not for the sake of completeness, but because only in this context can the interests of the various participants in the PRSP processes be understood. The interests of the different actors inevitably influence their particular attitudes towards the monitoring of the PRSPs. In tracing the development of the subject of poverty reduction within the Bretton Woods Institutions (BWI), which are the national government's main partners for a PRSP on the side of the donors, the period spanning almost the past two decades must be considered in order to understand the current role of PRSPs.

2.1 The Forerunner of the PRSP: Policy Framework Papers without reference to poverty

Closed doors, IMF programs as state secrets

In the 1980s, negotiations between the Bretton Woods Institutions and the governments of heavily-indebted economies revolved around Stabilization and Structural Adjustment Programs (SAPs). The IMF Stand-By Programs were the basic prerequisites for obtaining Structural Adjustment Credits from the World Bank and, above all, debt rescheduling in the Paris Club.

The conditions for this were set out in detail in Policy Framework Papers (PFPs), which went so far as to stipulate individual economic policy measures. Although the PFPs were formulated predominantly by employees of the Bretton Woods Institutions, they were usually agreed to by the government of the receiving country, at least officially. To what degree an actual dialogue or negotiation took place regarding the individual reforms depended on the negotiating power of the recipient country and often, in practice, on the geopolitical role it played in the East-West conflict. The PFPs normally were not available to the public, as they contained ample politically incendiary material, and certain economic policy measures (e.g., monetary policy) were not to be disclosed in advance so as to avoid triggering speculative behavior. In the best case, it was only the government that participated in drafting the reform processes. Even within the administrations, only very few individuals were involved and informed, as a rule.

PFPs also for coordination in Washington	<p>The value of the PFP, which contained numerous individual measures, did not lie only in acceptance of reforms by the recipient country, but even more in the coordination of IMF and World Bank activity at the country level. This looked different in actual practice, though, as the World Bank did not orient its operations to the PFP, but instead to its respective Country Assistance Strategy (CAS). Thus, in the 1990s the question arose of how the Bretton Woods Institutions could effectively couple debt relief and the granting of credit.</p>
Social aspects neglected	<p>However, the Bretton Woods Institutions soon came under criticism,³ because the measures prescribed in the PFPs for the most part neglected foreseeable impacts on poverty or accepted them as inevitable, because they did not even consider other economic policy strategies that were not in accordance with the "Washington Consensus" and because, in the implementation of the measures, they often did not take into account the political reality of the given country. This consensus encompassed overall macroeconomic stability, establishment of a market economy, and extensive opening of the national economy. It explicitly included the following standard recommendations for reform:</p>
Standard recipe	<ul style="list-style-type: none">• fiscal discipline to reduce new debt and the reordering of public expenditure priorities, especially in order to dismantle subsidies;• tax reform to broaden the tax base and reduce tax rates;• liberalization of interest and exchange rates;• trade liberalization and opening up to foreign direct investment;• withdrawal of the state: privatization and deregulation of markets, the strengthening of private property rights.
... with adjustments	<p>When practical implementation of the measures failed, the Bretton Woods Institutions were prepared to accept that their recommendations for reform could not be carried out fully in the respective country for <u>political</u> reasons, but not to question the economic policy prescription itself. Thus, in order to preserve political stability as a basic precondition for economic reform, cuts and concessions were made on a case-by-case basis.</p>
The human face of structural adjustment	<p>The report, <i>Adjustment with a Human Face</i>, commissioned by UNICEF in the mid-1980s, which proved that structural adjustment was correlated with a marked deterioration of living conditions and at the same time pointed out economic alternatives, guided the reorientation process of the World Bank's policy approach. Confronted by the mostly negative economic growth rates of the recipient countries (despite following the PFPs), the IMF and the World Bank could no longer avoid facing up to the poverty effects of structural adjustment. They therefore took up the Social Dimensions of</p>

³ Particularly UNCTAD, UNDP, and the Economic Commissions for Latin America and Africa expressed their doubts early on.

Adjustment (SDA) approach. Particularly the World Bank attempted to alleviate the poverty situation through social action funds and similar instruments, often sidestepping the government and state institutions.

2.2 Increased pressure on the IMF/World Bank despite inclusion of the theme of poverty reduction

The *World Development Report* of 1990, which observed that living standards in Latin American countries had sunk to the level of the 1970s, those of African countries, to the level of the 1960s, and that for the poor of the world, the 1980s had been a catastrophe, examined poverty in depth.⁴ The World Bank's suggested path out of poverty now comprised a combination of

- efficient, labor-intensive growth stimulated by market incentives, infrastructure measures, institutions, and technological innovation, as well as
- appropriate provision of social services, including primary education, basic health care services, and family planning.

Poverty studies

On the basis of one of the first poverty policy papers in 1991, the World Bank came to support Poverty Assessments (PA) in the majority of the recipient countries. With the completion of a Poverty Reduction Handbook stipulating that the performance of the World Bank as a development-policy organization was to be measured by success in sustainable poverty reduction, the World Bank systematically anchored the theme in its own organization in the first half of 1992. At the end of 1992, an internal evaluation report (the so-called Wappenhans Report) led the World Bank to reorient its project policies. Recommendations that projects should no longer be viewed in isolation, but rather in the context of the other activities in the recipient country, were accepted. Furthermore, the World Bank spoke out in favor of more attention to the quality and financial feasibility of new projects and of ensuring that the projects be consistent with the needs and the capabilities of the target groups. It also endeavored to encourage the participation of local and non-governmental organizations.

The 1995 World Summit for Social Development

The 1995 World Summit for Social Development in Copenhagen, at which the heads of 117 governments committed their governments to the elimination of poverty, also shifted poverty reduction more forcibly to the center of development policy.

The commitments made by the participants include most notably:

⁴ Poverty had already been a major topic in the 1980 *World Development Report*.

- promoting the goal of full employment as the fundamental priority of economic and social policy,
- accelerating the economic and social development of the least-developed countries,
- incorporating the goals of social development into the agreements on structural adjustment programs,
- increasing the amount and/or efficiency of resources spent on social development.

The Millennium Development Goals

Along with the results of other conferences, the MDGs, too, flowed into an actionable list of goals formulated by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) the following year. The goals were adopted and endorsed by numerous donors in quick succession, and finally ratified at the following World Social Summit in Geneva in June of 2000. At the United Nations Millennium Summit in September 2000, they were further expanded and approved by 189 countries as part of the Millennium Declaration. Since then, they have come to be recognized as the frame of reference for assessing development success.

2.3 Economic development and poverty reduction through debt relief

The HIPC Initiative

Towards the end of 1996, the IMF and the World Bank set up the Initiative for Heavily Indebted Poor Countries (HIPC I) at their annual conference, which brought together the various creditors (multilateral financial institutions, the Paris Club, other public bilateral institutions) in a coordinated strategy. The goal of the initiative is to establish a sound, long-term debt situation with a sustainable reduction of the debt burden through coordinated and conditional debt relief.

Goal: a sustainable level of debt service

Debt is presumed to be excessive when certain, politically-defined, sustainability thresholds are crossed and when this is confirmed by the results of a country-specific Debt Sustainability Analysis, which is conducted jointly by the Bretton Woods Institutions and the government of the given debtor country. The sustainability thresholds set the values for the targeted level of sustainable debt burden.

HIPC procedures

First a decision is made regarding the right to access the HIPC debt remission program. The decision point is reached after a minimum of three years of implementation of the program that has been agreed with the IMF. At this time, and on the basis of a proven track record of proper program implementation, the sustainability of the debt level is evaluated.

This must be followed by a second phase of good economic-policy performance and adherence to the respective IMF program. This phase, from the decision point to the completion point, when the debt

remission is finalized, lasts a maximum of three years. The amount of debt reduction, however, is already set at the decision point in order to provide greater certainty regarding the future level of the burden.

It is a floating completion point, because it is linked to the realization of political steps that were agreed at the decision point.

Indirect linkage to poverty

In this first debt-reduction initiative, the linkage between debt remission and poverty reduction is not very pronounced. True, measures for alleviating poverty, especially increased budget allocations to the social sectors, often are included in the IMF programs, and thus also count as indirect conditionalities for debt remission. But debt remission under the first HIPC Initiative had the primary goal of fixing debt service at its prevailing, manageable level in that debts above and beyond that would be annulled. In the end, debt service was not lowered; rather the necessity for continuous debt rescheduling was eliminated. Because no funds were released, the question of how to use those funds and whether they should be used for poverty reduction did not arise.

Uganda's experience

In April of 1997, Uganda was the first country to benefit in the framework of the first HIPC Initiative. Uganda's experience is also significant, because it anticipated the later PRSPs.⁵

At its center lies the Ugandan Poverty Eradication Action Plan (PEAP) of 1997. The PEAP was influenced by two decisive events in the mid-1990s. For one, the government recognized the issue of poverty as the central challenge, while, on the other hand, the persistent questioning of the Consultative Conference exerted considerable pressure on implementation. The political discussion in Uganda was further marked by the contrast between the recommendations of the World Bank, which besides the usual economic policy recommendations on poverty, only provided for a focus on basic health and primary education, and those of the government and other multi- and bilateral donors.

Concurrently, the Government of Uganda developed the 1996 guidelines for Public Expenditure Management (PEM), which are in line with current international concepts. In particular, it endorsed a results orientation supported by a Medium-Term Expenditure Framework (MTEF), and for the most part excluded special earmarking of individual donors' funds. Furthermore, in applying the Public Expenditure Review (PER), a World Bank instrument, Sectoral Budget Framework Papers were developed, which provided the basis for estimating the costs of the PEAP. The linkage between the budget

⁵ Uganda's success with poverty reduction (poverty declined from 56% to 44% between 1992 and 1997) was not immaterial for the positive signaling effect. The reduction already began before benefits were granted under the HIPC Initiative.

and the PEAP was formalized. Public expenditures were reported on quarterly.

The government invited non-governmental organizations (NGOs) to participate in monitoring the process. The willingness of NGOs, especially Oxfam, to assist the government in carrying out the first Participatory Poverty Assessment (PPA) in collaboration with other NGOs created a new foundation for cooperation.

2.4 Further changes at the Bretton Woods Institutions

Also in 1997, the World Bank initiated the Structural Adjustment Participatory Review Initiative (SAPRI, later SAPRIN), which was the first case of comprehensive and institutionalized communication with non-governmental organizations. Beyond this, the first independent, external evaluation of Structural Adjustment Programs was carried out to complement the internal evaluations performed by the Bretton Woods Institutions.

The procedures of development cooperation are questioned

Questions that had been widely discussed since the mid-1980s, and that have had impact on the Bretton Woods Institutions since the mid-1990s, include how to avoid:

- that assistance creates isolated projects instead of leading to national or regional development,
- the failure of projects after donor financing runs out (sustainability of invested resources),
- generating parallel structures that undermine the ones already existing in the recipient country through the personnel requirements of development cooperation,
- that cooperation is oriented more towards the priorities of the donors than the priorities of the recipient country,
- the inefficiencies created by the special allocation requirements of the individual donors (including conditions for delivery),
- high transaction costs of cooperation to the recipient countries through the various reporting, administrative, and accounting procedures required by a multitude of donors.

Even projects do not protect against corruption

Beyond this, it has been demonstrated that the amount of funding inflow from donors in many cases is not reliable for the purposes of planning, but rather fluctuates pronouncedly. In addition, independent consultants have found that, contrary to assumptions, the implementation of projects under the direct control of the donors in no way guarantees freedom from corruption.

**Fungibility
requires a holistic
view and the
harmonization of
priorities**

Finally, the phenomenon of "fungibility," too, has been given more attention.⁶ It has been recognized that, as a rule, a donor is not able to shift a government's priorities by determining where the donor's funds should flow. For whenever donor funds flow into an area that is also considered necessary by the government, budgeted funds of the recipient country are freed up and can be used in accordance with the priorities of the government, and thus the expenditure structure it desires is reestablished. An isolated view of donor funds is not meaningful, because it does not say anything about the ultimate impact of the development funds.

Consequently, expenditure priorities must be sufficiently harmonized between the donors and the government of the recipient country so that they can, in essence, be upheld by both sides.

**The transition to
program and
budget assistance
is initiated**

This situation led to recommendations to work more extensively through the budgets of the recipient countries and to improve the allocation of funds through sector programs and cross-sectoral approaches. In view of the lessons of the 1990s, the World Bank also made further changes in its strategic development vision. Above all, it recognized that:

- the Washington Consensus does not go far enough with its recommendation on liberalizing the economy, which is inadequate for establishing a functioning market economy;
- a series of successful paths to economic development taken in East Asia were not at all informed by the Washington Consensus;
- the Asian financial crisis at the end of the 1990s was to no small degree attributable to the liberalization of capital markets, which is precisely the central element of the Washington Consensus.

**Post-Washington
Consensus**

Hence a new position was formulated, which has come to be known as the "Post-Washington Consensus." Its objective is the transformation of society not only in order to increase average per capita income, but also through raising the standard of living (especially with respect to health and literacy), poverty reduction, and sustainability. The new position is based on the following principles:

- Development strategies are not blueprints, but rather set down the respective national priorities, coordinate the different state and private-sector actors, and foster the building of consensus on development matters throughout the society.

⁶ An example might illustrate this. When donors provide medications that otherwise would have been purchased at significant cost to the recipient country, then funds are freed up that the country can re-channel into, for example, ostentation or military expenditure. Although in this case, no donor funds have been misappropriated or inappropriately used, ultimately, they have enabled an increase in the military budget or showy display on the part of the state.

- At the heart of development are change processes that affect the entire society and which therefore cannot end in economic enclaves or a bifurcation of society. Projects are only of interest when they are geared towards nation-wide replication, and the government must foster societal learning as a catalyst.
- Changes cannot be imposed from outside. The imposition of hard conditionalities can even lead to the strengthening of traditional hierarchies, because they evoke opposition. Therefore, ownership and participation are prerequisites for a successful process of change. Moreover, no social group should be excluded on principle from the decision-making process.

These principles were already expressed in the *World Development Reports* of the late 1990s, especially in the 1997 report, which again cast a positive light on the role of the state in the economy and in development.

2.5 Introduction of PRSPs

As already mentioned, the first HIPC Initiative did not truly reduce the debt service of developing countries. The mechanisms of HIPC I primarily prevented further growth of the debt service and the necessity for repeated debt rescheduling. HIPC I essentially set the future debt service at the level it had been in the past, considering what export earnings and budget equilibrium would allow.

A new quality with HIPC II

This was to be changed by HIPC II. Taking up the initiative of the German government, the G7 countries, at their 1999 Summit in Cologne, recommended that debt remission for heavily indebted countries be expanded and accelerated. This was taken up in turn by the World Bank and the IMF at their next annual conference. The new, expanded HIPC Initiative, called "HIPC II," led for the first time to significant reduction of the debt service. In addition, it established an explicit link to the issue of poverty reduction.

Comprehensive Development Framework

HIPC II was initiated parallel to the introduction of the Comprehensive Development Framework (CDF) concept. The concept embraces four central principles for directing the resources of development cooperation:

- (a) a long-term time horizon and a holistic view,
- (b) ownership and participation on the part of the recipient country,
- (c) a results orientation, and
- (d) a country-led partnership.

PRSPs as a prerequisite for expanded debt relief

The expanded HIPC Initiative of 1999 linked the CDF principles with financial incentives. This is where the conclusions flowing out of a series of discussions with stakeholders, including NGOs, came together as the proposal to introduce Poverty Reduction Strategy Papers (PRSPs). They resulted from the criticism or insight that

- the refinancing of debt was not yet sufficiently linked with poverty reduction;
- plans for poverty reduction must be strengthened and become more binding for use in implementation, in order to ensure that the resources freed up by the HIPC Initiative are used effectively for reducing poverty;
- the implementation of national strategies for poverty reduction can be guaranteed only when they enjoy broad support by civil society;
- action plans for poverty reduction were not adequately linked to other policy areas.
- Transparency and accountability must be strengthened as a basic prerequisite for ensuring that public expenditures reach the poor.

Goodbye to the standard recipe

At this stage, PRSPs attempt to integrate the learning experience of the Bretton Woods Institutions into the existing practice. The resulting multitude of individual cases is intentional, since earlier, standard policy recommendations were not broadly successful.

Therefore, the processes are becoming essentially:

- more comprehensive (now embrace additional social-policy and poverty-oriented provisions),
- broader (require a greater degree of participation, not only within the government of the recipient country, but also throughout its civil society),
- more open (are no longer negotiated behind closed doors), and
- more national (based on the principle of country leadership).

All in all, the complexity (and, perhaps inevitably, the confusion) has increased.

Reasons for linking debt remission with a poverty-reduction program

The link between debt remission and poverty reduction in the form of PRSPs arises from the following considerations:

- Developing countries had regularly emphasized that they did not have the funds to finance social programs, especially the associated operating costs, because no funds were available due to the high level of debt service coupled with the need to stabilize their budget deficits. The broadened debt remission under HIPC II was meant to create some, latitude, and at the same time, the

PRSPs were intended to ensure that the resources would, indeed, be used to benefit the poor.

- A number of studies, amongst them the World Bank's "Assessing Aid," determined that the international donor community had little success with its attempts to "buy" policy changes through conditionalities. When matters of domestic policy and IMF conditionalities collided, the governments most frequently accommodated the exigencies of domestic politics. Further, the policy conditionalities were not broadly discussed in the respective recipient countries; the circle of supporters of the prescribed policy reform measures was therefore typically quite small and easy to undermine. Finally, the donors' threat of curtailing assistance should the conditions not be met was usually not credible. Resorting to the instrument of conditionality as a means for enforcing reforms can be counted a failure.

The guidelines on drafting Poverty Reduction Strategies, therefore, are designed to replace external control of government, which has proven to be ineffective, with the requirement that governments become more transparent and accountable to its citizenry. Thus the call for participation by the populace acquires special significance. Of course, consultations and the participation of those affected should also improve the quality of the strategies.

From ad hoc participation to processes of political change

However, an even more decisive feature is that, on the path towards participation, the governments must explain in detail to their constituencies how they intend to use the freed-up resources for the purpose of poverty reduction. This is meant to generate broad involvement in poverty policy and a high level of knowledge about it amongst the citizenry. This, in turn, should increase the probability that civil society and/or parliament is in the position to question government's actions in such a way as to have political impact, and so to keep the government on track.

2.6 From conditionality to strategic partnership

Because of these changes, a "partnership approach" is now often understood differently. This partnership is based on a Poverty Reduction Strategy or a similar document,⁷ which sets down the basic objectives on which agreement exists amongst the government, the citizenry, and the donors. Furthermore, it operationalizes the pathway that is intended to lead to the goals.

⁷ It could be some other, comprehensive strategy document, especially in the cases of countries that are not entitled to World Bank credits at IDA conditions, e.g. several countries on the Mediterranean Sea or in South America.

**Dialogue instead
of conditionality**

Thus, based on the strategic foundation of a PRSP, partnership replaces conditionality. Dialogue and information are part and parcel of partnership. The PRSP process seeks to include these aspects in that policy progress is recorded and reflected upon in regular intervals with the objective of adjusting the operational steps. The suspension of credit programs, then, is reserved for the exception, that is, a case where dialogue and mild pressure yield no change.

**New procedures
for donor
contributions**

In view of the tendency of the project approach to weaken governments and administrations in carrying out their basic guidance function, and considering the insights into the fungibility phenomenon, many donors are turning more and more to program and budget assistance as the preferred instruments of support.⁸

True, technical assistance, in its basic functions, remains an important component of development cooperation. But it must not undermine the political responsibility for the results or the steering capacity of governments and administrations.

⁸ Program and budget assistance are distinguished by the fact that the funds are granted to support a sector program or national strategy in such a way that it is no longer possible to attribute individual expenditures to specific sources of financing.

2.7 The role of PRSP monitoring

A PRSP monitoring system must be viewed and judged in this context. It should deliver the information that is needed for constructive dialogue. Above all, it should answer two questions:

PRSP monitoring as policy monitoring

- a) Do the strategy and its actual implementation promise to reduce poverty sustainably? Is the strategy (still) valid, and is it being carried out satisfactorily?
- b) Is the government adhering to the agreed strategy? Is the common basis of the partnership still intact?

Both civil society and the donors need this information, in order to fulfill their roles in the partnership. It may well be that they need the monitoring information in different depths and forms. But without a doubt, special attention must be accorded to the aspect of civil society control.

Continuity of the participatory political process

In a series of countries, transparency and public interest in political decisions have gained considerable importance through the intensive consultations that took place during PRSP formulation. Even though at the beginning PRSPs often were perceived as "just another paper for the donors," they have, with time, awakened considerable domestic interest and have produced a new quality of government transparency and accountability at home. In some cases, governments that at first had no serious interest in changing their policies, in the end were encouraged to take this route by the resulting public interest.⁹

It is now imperative to maintain this dynamism during the PRSP implementation phase and to further develop its quality. Here the monitoring system plays a key role, in that it gives those who were involved in the development of the PRSP the information they need to play a strong part in its implementation.

3. Demands on a PRSP Monitoring System

This chapter presents the major challenges facing a PRSP monitoring system as described and discussed in the literature. The findings of

⁹ It is often helpful not to refer to "the government," but rather to the different attitudes and trends that exist within administrations and governments. PRSPs have strengthened the group of reformers, so that, in the end, government policy and behavior have changed vis-à-vis the public.

the country cases that were conducted in the scope of this study are presented in Section B of this paper.

Sub-section 3.1 takes up where the previous chapter left off and explains the functions of a PRSP monitoring system. The extent to which monitoring is a political process – and not a purely technical one – is presented in 3.2. Sub-sections 3.3 and 3.4 are devoted to the requirements of the institutional structure and the theoretical framework. Here the point is not to draw up a blueprint, which is not even possible, but rather to emphasize important concepts and facets – especially those that tend to be neglected in practice – and to explain them in context.

The instruments and methods that are frequently used in PRSP monitoring for collecting and analyzing data are then dealt with in Chapter 4.

3.1 The function of PRSP monitoring

In general, monitoring seeks to obtain information in as timely a fashion as possible, in order to influence ongoing processes so as to improve the achievement of objectives.

The three functions

In principle, this is also true for PRSP monitoring. It serves to collect information on the implementation process of the poverty reduction policies in order that **management functions** can be fulfilled adequately. But because it deals with political and not technical processes, PRSP monitoring in practice also fills the second function, **accountability**. Accountability is primarily necessary vis-à-vis civil society, the private sector, and parliament. However, when a PRSP also provides the basis for a poverty-reduction partnership between the donors and the government of a developing country, then the duty to be accountable holds for the donors, too. They have, after all, committed to providing specified contributions towards the implementation of the agreed PRSP.

The functions of obtaining information and subsequent management go hand-in-hand with a **learning process** for the actors involved. This learning process can be planned only to a limited degree. In contrast, the function of accountability implies a mutual responsibility in regard to a stipulated framework.

These functions of PRSP monitoring, as well as the limits to their compatibility, are presented more fully below.

3.1.1 The management function and collective learning

It has been broadly recognized in evaluations that greater incentives for a meaningful handling of information exist where strategies for action are conceived as learning processes and not laid down as

blueprints. Here, one should not lose sight of past experience, and the question must also be asked as to why similar approaches might not have succeeded in the past. "Learning from experience" sounds obvious, but, in practice, it often is not.

In its *PRSP Sourcebook* the World Bank emphasizes the aspects of management and learning, thereby specifying, for example, four reasons for analyzing poverty data:

- cognitive reasons (to understand the situation),
- analytical reasons (to understand the factors that determine the situation),
- policy formulation (to develop interventions that fit the reality of the situation),
- monitoring and evaluation purposes (assessing the effectiveness of current policies and changes in the situation).

PRSP monitoring can effectively support the learning processes taking place during the implementation of poverty-reduction policies. The potential of PRSP monitoring certainly is not exhausted when it is geared solely to accountability purposes.

3.1.2 Accountability and validation of the common agenda

For many donors, the PRSP provides the basis for joint action with the government and, in part, with civil society. Therefore, PRSP monitoring in this context also serves to provide the participants with information they can use to determine whether the basis for partnership still exists and is being upheld by all parties, especially the government. Consequently, monitoring results are needed for budget and program assistance and the related dialogue on progress with PRSP implementation.

So whenever there is a connection between financial inflows and PRSP implementation, control is an important purpose of the associated data collection. In addition to the donors, the private sector or other civil-society groups might also tie their contributions to the PRSP process to implementation of specific, public measures, and could express a similar interest in control. Even within government, PRSP monitoring can serve accountability between different departments and thus play a role in the allocation of funds.

On the donor side, there is also interest in meaningfully documenting the use of public funds employed for development cooperation. PRSP monitoring should therefore also generate information that can help the donors to document the success of the government policies they support.

3.1.3 Compatibility of the different demands

Opinions diverge regarding the compatibility of the various functions of PRSP monitoring mentioned above – process management, learning, and accountability. Some argue that it is not possible for a single monitoring system to serve all purposes, because, for instance, the context of control would preclude the openness needed for joint learning.¹⁰ Learning requires a self-critical portrayal of the processes and results. Here the primary consideration is the "empty half of the glass," while a report written for accountability purposes would focus on the half of the glass that is already full.

The relationship between MDGs and PRSP goals

For some time, controversy existed about the relationship between PRSP goals and the Millennium Development Goals (MDGs) and indicators. The April 2003 joint declaration of the World Bank and the United Nations Development Group (UNDG) attempted to settle the matter. Since then, the MDGs are regarded as the overarching goals for all 189 signatory countries of the Millennium Declaration. But because the country context plays such an important role in implementation, the PRSPs are to be understood as the country-specific strategy for achieving the MDGs.

Separate MDG monitoring

Nonetheless, the question remains open as to whether PRSP monitoring should also include MDG monitoring. Currently, different countries handle this in different ways. The UNDP has devoted itself especially to MDG monitoring for various reasons, but also in order to guarantee international comparability. In any case, the joint declaration of the UNDG and the World Bank states that this should not lead to the development of parallel processes.

BWI decision-making parameters and PRSP monitoring

Questions of compatibility arise, too, in regard to the relationship between the PRSP goals and the triggers, benchmarks and performance indicators agreed with the IMF. The European Commission determined in 2000 that the PRSP goals seldom correspond with the conditions (in this case, the "triggers") for reaching the HIPC completion point.¹¹ Likewise, a study by the ODI recommends making a clear distinction between monitoring for the purpose of negotiation with donors and that done for assessing the progress with poverty reduction and the PRSP.¹²

¹⁰ See Alison Lobb-Rabe, September 2000, "Impact Assessment with a Poverty Focus in Policy Advisory Projects: Concepts, Questions and Cases," Eschborn: GTZ.

¹¹ European Commission, DG Development, "Review of Conditionalities Used for the Floating HIPC Completion Point," Paper for the SPA Task Team on Contractual Relationships and Selectivity, Brussels, 27 Nov. 2000.

¹² ODI, July 2002, "Good Practice in the Development of PRSP Indicators and Monitoring Systems," London, p.16.

In this respect, the question presents itself whether overt contradictions do, in fact, exist between the IMF conditions and PRSPs, and whether or to what degree this ought to be the case. There are certainly grounds to justify some divergence:

- The goals, and above all the strategies that are formulated in the PRSPs are quite vague in parts. Therefore, the agreements with the IMF and, for that matter, with the World Bank and the donors that provide budgetary assistance, can certainly address the specific activities that have been discussed and agreed since the approval of the PRSP. The conditions should provide the details of the PRSP, without contradicting it.
- IMF provisions could relate to conditions that are essential to macroeconomic stability, and therefore could be seen as preconditions for any sort of implementation of the Poverty Reduction Strategy. It then would be entirely legitimate to take up such aspects as explicit conditions of an IMF program, even if they had not been expressly mentioned in the PRSP.
- Furthermore, the different timeframes must be addressed. Agreements with the IMF and other donors can specify when particular actions must be completed.

But there should be no overt contradictions or incompatibilities. Checking this is surely a job not only for the bilateral donors, but also for an interested and committed civil society in the PRSP countries.

3.2 PRSP monitoring as a political process

As already mentioned, PRSP monitoring is not a purely technical process, but an inherently political one. The information requirements placed on the PRSP monitoring system are not predetermined by objective, technical criteria, but instead arise from the information needs of the actors involved.

Monitoring and the utilization of the findings

From this standpoint, the information generated by a monitoring system is anything but neutral, but in fact a highly political commodity. That is why it cannot be assumed that all participating institutions will be interested in sharing every bit of information desired for the political process. It makes a significant difference

- who receives information,
- whether this information is made available in a timely manner,
- and what the recipient is likely to do with it.

It thus cannot be expected that governments or other actors affected by the PRSP (for instance, groups that are potential losers, who are not interested in the progress of the PRSP, and who look for ways to block implementation) would automatically have a strong interest in monitoring. It can, indeed, be illusory to assume that policy takes shape on the basis of good research and information, or that it is

negotiated by the actors involved on the basis of clearly-defined options. In view of this, what holds for classical project monitoring also holds for PRSP monitoring: acceptance and participation are central factors for the successful use of a monitoring system.

The World Bank, along with many other donors, can point to numerous cases in which countries have achieved only very limited progress, despite decades of external assistance.¹³ When doing so, they point out that political will is, after all, the decisive precondition for the full effectiveness of external advice, for instance, in budget implementation or improved expenditure management.

Through transferring the overall responsibility for drafting the PRSP and implementing the related reforms to the recipient countries themselves, the Bretton Wood Institutions have taken up the keyword of participation as their own motto - a vocabulary that the Bretton Woods Institutions, in contrast to German bilateral cooperation, took a long time to master. Now no longer directly responsible for monitoring, the Bretton Woods Institutions require the participation of civil society in PRSP monitoring.

However, they describe the process whereby participation is arrived at as a sequence of technical steps according to the following pattern:¹⁴

1. The PRSP is to be developed in a participatory manner.
2. This generates a demand for monitoring and evaluation by the parties concerned.
3. Because of the demand from those involved, the national M&E system can successfully be designed as participatory.

**Political
explosiveness**

In principle, these are the correct steps, but the potential political explosiveness of the entire PRSP process and its monitoring are left out. Similarly overlooked is the fact that true demand requires that certain political preconditions have been fulfilled, such as the ability of the actors to articulate themselves, the achievement of a certain level of education, a balanced media scene, etc. (See the box "Whose reality matters?")

¹³ ODI, IMF/IDA, 2002, Tracking Poverty-Reducing Public Spending in Heavily Indebted Poor Countries, Washington, March 2001, p.13.

IDA13, May 2001, Poverty Reduction Strategy Papers and IDA13, Washington, p.5.

¹⁴ G. Prenzushi, G. Rubio und K. Subharao, 2001. "Monitoring and Evaluation," in *World Bank PRSP Sourcebook*, (Draft for Comments, April 2001).

Monitoring is critical to continuous participation

Because the PRSP concept can be successful only if the dynamic of participation is maintained and transferred to the public discussion of government policy, monitoring, conversely, can also be an instrument for advancing this public discussion.¹⁵ In any case, it can serve to shift political debate onto a more factual basis, provided the participants can agree on the validity of the information generated.

In reality, the considerable time pressure on preparation of the first PRSPs led to only a superficial or rudimentary inclusion of poor groups. As a result, only a very limited demand for poverty-relevant monitoring data can be ascertained in many areas. Interim solutions must be found that not only deal with the very real time constraints, but also create incentives for participation and demand for monitoring.¹⁶

Box 3-1: "Whose reality matters?"

The issue of "Who defines the questions?" or "Whose reality matters?" usually makes explicit the power relations in the PRSP process. But even when the survey topics and methods are defined unilaterally by one segment of the public sector, it has been possible in some countries to introduce the alternative perceptions of civil-society networks (based on other questions) into the PRSP management and learning process.

Beyond this, *there rarely are unambiguous technical criteria* for decisions about the development of a PRSP monitoring system.¹⁷ This illusion should not be entertained for even one minute. Also the choice of methods and institutional structure ultimately depends on a whole series of factors and motivations, including:

External influences – especially donor conditionalities

- methodological and technical
- institutional
- political
- particular interests disguised as reasons
- similar basic ideological convictions

This means that behind even apparently purely technical recommendations – for instance, the choice of a complex, model-based monitoring system – are often hidden institutional and research interests. The choice of an economic model,¹⁸ for example, is not free from alignment with a particular economic school of thought.

¹⁵ Development Committee, Sept. 1999, "Building Poverty Reduction Strategies in Developing Countries" (DC/99-29), Washington, p. 11.

¹⁶ ODI 2002, p. 40. In regard, also see Uganda's Poverty Action Fund.

¹⁷ See Asche 2003, pp. 4-5.

¹⁸ See, for instance, the PAMS for Burkina Faso.

Thus an important recommendation is to *consciously* weigh and make decisions, and to clearly identify these. Likewise, cut-off points should be set, when the solution can be declared obsolete or revised.¹⁹ Whether this is possible within the given political constellation is a question of the power relations and interests that the PRSP process might produce.

3.3 The institutional structure of a monitoring system

There is no universal blueprint for the institutional structure of a PRSP monitoring system. However, experience to date reveals that certain aspects deserve special attention, and are often neglected in practice:

- It is true that **institutional areas of responsibilities** usually are set down, but the actual **delineation and coordination** of tasks often receives too little attention.
- The best solution for the institutional configuration of the monitoring system is aligned with and builds upon existing structures.
- PRSP monitoring distinguishes itself from other monitoring systems through the enormous breadth of information that must be considered. Thus it is all the more important for PRSP monitoring to build upon existing monitoring systems in order to cover this **wide spectrum of information**.
- The institutional structure must be compatible with the **existing capacity**. Excessive complexity that can be realized only through an unrealistic level of capacity building is counter-productive.

These points are discussed further, below.

3.3.1 Institutional responsibilities and the division of labor

All relevant partners (donors, the government, ministries, civil society, parliament, decentralized government entities) should participate in the design of the monitoring system to the degree that they can express their interests, clarify the objectives in their given context, and come to agreement on complementary roles and responsibilities.

Similarly beyond dispute is that the **central responsibility** for PRSP monitoring should be anchored in a **high-profile position in the public sector**. Whether this is a strategic planning department of the government, the parliament, or the statistical office is less relevant than the question of how collaboration with statistical offices, line ministries, the private sector, research institutions and other civil-

¹⁹ Asche 2003, p. 7.

society groups is organized or not organized. If a tight meshing of the processes cannot be achieved, then all sorts of inefficiencies result.

In any case, good monitoring requires that the responsibilities of and relationships between government and civil-society actors in the collection, analysis, and utilization of relevant data be clarified and unambiguously stipulated. Simply to set up a special department without concrete guidance on how its work interfaces with the office of statistics, other state agencies, the media, research institutions, and NGOs is no solution.

The problems that, in practice, are generated by inadequate coordination include such phenomena²⁰ as the **parallel collection of data** by donors for controlling purposes, **multiple reporting requirements** for government agencies due to lack of harmonization or to serve particular interests, and the unrelenting generation of **"heaps" of data** that never undergo any analysis.

The anchoring of **central responsibility** does not exclude a more strongly **decentralized model**. There are examples for both: Tanzania has relatively more decentralized responsibility, while it is rather more concentrated in Uganda. In any case, it remains essential to bring the monitoring information together centrally, if for no other reason, then because PRSPs are national poverty alleviation policies that are negotiated with international partners.

At the same time, it must be clarified on a case-by-case basis whether data acquisition can be organized in a centralized or a decentralized way in accordance with the subsidiarity principle, so that either one or the other level appears subordinate in the monitoring process.

The following guiding questions can help in reaching a decision regarding a centralized or decentralized arrangement for the system:²¹

- Are there objective or technical reasons why certain information should be collected at the decentralized level for the sake of more meaningful data?
- Do political motivations indicate that decentralized monitoring should support the actual process of overall government decentralization?
- Is there an explicit division of labor within the donor community as to who focuses on which level of monitoring?

²⁰ See, among others, BMZ/GTZ, *Beyond the Review: Sustainable Poverty Alleviation & PRSP* – Conference Report – Berlin May 2002, Eschborn, 2002.

²¹ See Asche 2003, p. 8.

3.3.2 An orientation to existing structures

With all the discussion in the literature, it still should not be overlooked that the use of existing (essentially proven) reporting structures, whether centralized or decentralized, can be an important criterion for the arrangement of a monitoring system. Through them, additional information can be gained with relatively little organizational effort and investment. The question of "old versus new" could, in practice, be much more important than the search for the optimal organizational structure.

3.3.3 Covering the breadth of information

The special character of PRSPs bestows to monitoring a previously unknown significance. Never before was there such a broad-based attempt by so many actors to monitor political programs.

The spectrum of policies to be monitored and the number of recipients of the information are enormous. If the social dimensions played a secondary role, at best, during the earlier era of structural adjustment programs, the focus has been shifted through the development of the PRSP. At the same time, economic developments and reform processes continue to be observed, whether as part of an integrated growth and poverty-reduction strategy or as part of the monitoring of parallel strategies, when the PRSP does not represent the full extent of government policy.

On account of precisely this breadth of information, it is of central importance that a PRSP monitoring system not attempt to collect all the data itself. Rather, it should rely on other, existing monitoring systems.

3.3.4 Adequate capacities

The issue of adequate *capacity* is on the agenda for all areas. It can seldom be expected that the relevant institutions in the PRSP countries are sufficiently equipped with personnel and funding. It is even less common to find well-founded knowledge on the methods of empirical social research outside of statistical offices and research institutions.

But sometimes capacity constraints are used as an excuse for insufficient monitoring and to conceal a lack of political will. The institutional structure for monitoring must be built upon existing capacities, which then must be improved through further capacity building.

The call for broader civil-society participation results in the need to prepare information in different forms than is customary for the reporting practices of some institutions. This creates demand for a type of translation skill, required so that the data can be used in the

broader discussion and so that there is civil-society participation in the political process and control over the government by the populace, based on well-founded information.

3.4 The basic methodological framework

The special demands on the theoretical underpinnings of a PRSP-related monitoring system arise in essence from the complexity of the processes to be monitored, which leads to very long results chains.

Nonetheless, PRSP monitoring draws on the same theoretical basis as other monitoring systems in development projects or programs. PRSP monitoring systems, too, must observe the different **monitoring levels**, meaningfully integrate them into a **results chain**, and identify appropriate **indicators** for measurement at the separate levels.

3.4.1 The monitoring levels

In general, a distinction is made between the monitoring levels of *input*, *output*, *outcome*, and *impact*. Outcomes and impacts usually are lumped together under the term *results*. But the terminology should not disguise the fact that the transition from one level to the next is fluid, and in each case, the most useful definition is dependent on the way the question is framed.

Definitions

Inputs are resources and activities. The very diverse forms of inputs (seminars, workshops, material and equipment, work time, etc.) typically are expressed in monetary equivalents.

Outputs are the products that are produced by an institution with the help of the inputs, e.g., trained teachers, furnished schools, or serviceable streets. Outputs can be completely controlled by the responsible institution, provided the necessary inputs are available. In German project terminology, they usually are called *Ergebnisse*.

Outcomes are generated when the goods and services offered (the outputs) are used by the clients or target groups. These are not the finished roads themselves, but rather the benefits that arise for the users. Nevertheless, the outcomes still can be influenced to a large degree by the institutions that deliver the outputs. In the vocabulary of projects, they normally correspond to the project objectives.

Box 3-2: Examples of outcomes in the education and health sectors

In education, the level of school attendance is labeled an outcome. It is measured, for example, by the number of enrolled children. Such variables as learning achievement and reduced repeat rates, too, are called outcomes. What is important is that, in order to realize positive outcomes, several levels must work together. In education, for instance, schools, teachers, and

learning materials must be available in order that children can go to school. In addition, parents must be willing to send their children to school.

In the area of health, there must be health stations that are supplied with personnel and medicines, and the populace must accept the services and seek out the health centers in case of illness.

Impacts, sometimes also called "final outcomes" or "development outcomes," represent the highest monitoring level. They describe the intended result, which as a rule depends upon several outcomes. A central impact for PRSP monitoring is the poverty situation of a particular population group. Education would be a possible outcome along the way. In project terminology, impacts usually correspond to the overall objectives.

In general, various outcomes must emerge in an appropriate combination in order that a lasting reduction in poverty can be expected.

The point at which one no longer speaks of *outcomes* but classifies results as *impacts* remains open, and depends upon the questions being posed. Often, one speaks of *outcomes* as long as the results are mostly due to the activities of a single government sector, and of *impact* when the results represent the achievement of a bundle of measures carried out by all the relevant actors.

Box 3-3: An example of the connection between outcomes and impacts in the education sector

An outcome in the area of education is dependent on various factors. For instance, school attendance must persist over a longer period of time; the curriculum must correspond to the requirements of later life; the children must absorb what is taught; and time and resources should not be wasted unnecessarily by children frequently repeating grades.

For the children's improved knowledge to lead to higher incomes and thus have an effect at the impact level of poverty reduction, employment opportunities must exist. This requires outcomes from other sectors, for instance, from industrial or agricultural policy. Also, conditions that support investment must prevail.

Proxy indicators

In this connection, the term **proxy indicator** should also be explained. Proxy indicators measure something that experience has shown (or that statistics have proven) to be highly correlated with that which one actually wants to measure. If, for instance, an outcome can only be measured at great expense, one can consciously make use of the output level as long as it is plausible to assume that the outputs will also be used and results would be forthcoming.²²

²² An example: The number of vaccination doses expended can be a proxy indicator for the number of people with at least basic protection against the relevant disease, provided there is no reason to suspect that the vaccine has been smuggled out of the country or thrown away.

Observation of processes

Process monitoring relates to the systematic observation usually of those processes by which inputs are transformed into outputs – which can be quite complex. Process monitoring is especially relevant when an institution (or part of one) does not produce concrete results, but rather provides other forms of assistance. This holds not only for political processes, but also for procedures such as tendering bids or personnel administration.

3.4.2 Results chains and transmission mechanisms

In order to comprehend the entire **results chain** from policies (or their formulation in the PRSP) to poverty reduction, not only are the monitoring levels important, but also the **transmission mechanisms** between the levels. How are outputs transformed into outcomes, and, most importantly, how do the outcomes at different levels combine to achieve the actual desired result? As the Sector-Wide Approaches (SWAPs) demonstrated, it is essential to trace all of the main connections along the assumed results chains.

Even when no empirical findings are available, it is important to formulate hypotheses as to how the results emerge, in order to support a chosen strategy.²³ It is especially important to identify the factors which could interrupt the hypothetical results chain. Herein lies the main weakness of most poverty reduction programs, according to an analysis of the European Union.²⁴

The **chronic absence of medium-term goals** (what should have changed and how, in two, five, or ten years) and of a corresponding specification of the factors behind the success has been identified as a problem even with Uganda's "model PRSP."²⁵ Thus, at the level of outputs, for instance, the targeted teacher/student ratio might be specified. But at the outcomes level, the question remains open as to what the expected educational results would be or, at the level of impact, what influence one would expect this to have on the poverty profile.

²³ An example: if early pregnancies are to be prevented through the schooling of girls, this can be achieved through improved access to information on the health consequences of early pregnancy, through strengthening girls' self-confidence, and through generally longer schooling, which none of the participants want to terminate abruptly because of early pregnancy.

²⁴ European Commission (DG Development), 2002, PRSP Review: Key Issues, Brussels, p. 8.

²⁵ Arild Hauge, January 2001, "Strengthening Capacity for Monitoring and Evaluation in Uganda: A Results Based Management Perspective," Washington, DC: World Bank OED, Evaluation Capacity Development Working Paper 8, pp. 9, 17, 24.

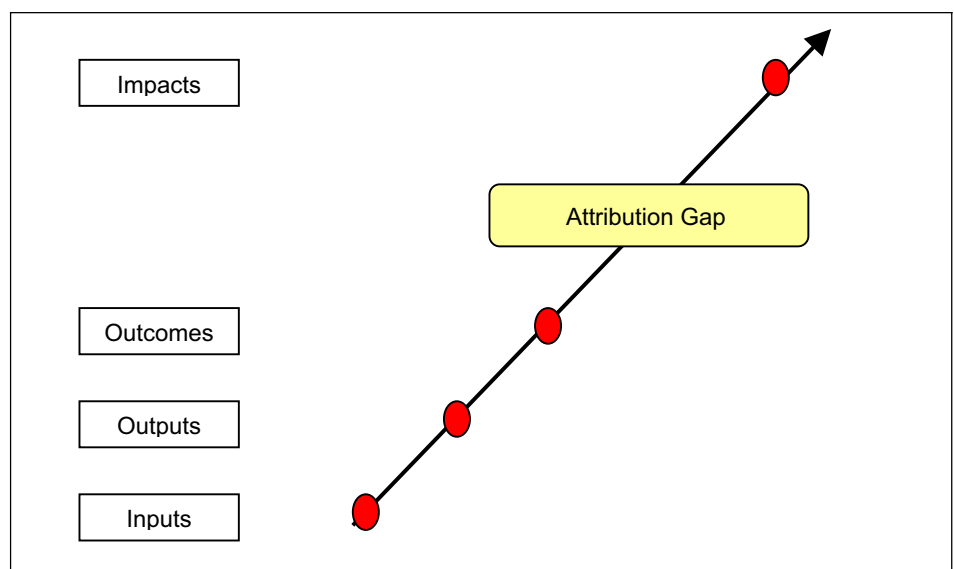
Delayed results The results chains also have a time dimension to be considered. Policies and interventions often need quite some time before the outputs that are essential to their implementation are available. Outcomes also only emerge after a long time and as a rule, many years must pass before they become fully effective. This is obvious in the education sector: time is needed to build schools and train teachers; then more time until the pupils have completed a full cycle of schooling; and even longer until economic activity translates into increased income. Other sectors, too, have similar timeframes.

Observing the interim steps Observation of the results level is not especially suited to the control and management of policy interventions, because results are separated from policy measures by too many years. What is necessary is to observe the intermediate steps and to assess the **plausibility** of positive contributions to an improvement at the level of results.

3.4.3 The attribution gap

The literature on project results often mentions the **attribution gap**. This gap is not so much the result of a poorly designed monitoring system as an intrinsic methodological problem. The attribution gap refers to the phenomenon that although a result can be observed at the impact level, it often is not clear to which outcomes (and there outputs and inputs) this result should be attributed. Difficulties with attribution can also occur already between outputs and outcomes.

The following figure, based on a GTZ publication, and the subsequent box with an example from the agricultural sector illustrate the problem.



Source: Based on GTZ / Lobb-Rabe, 2000, p. 10

Box 3-4: An illustration of the attribution gap in the agricultural sector

Agricultural research and advisory services to farmers have the final goal of increasing the production and the income of farmers. But how can one determine the degree to which the observed increase in production is the result of research and advice? What was the comparative influence of other factors, such as the availability of fertilizer and seeds, road construction, prices, and weather?

This question can be approached with the help of a plausibility check and field research tests. For instance, it would be important to know whether the farmers had absorbed the material of the advisory consultations, to what degree the advice inspired the necessary motivation to adopt new technologies, and how much the research had contributed to the development of the advisory service contents. Of course, even if these questions were answered positively, there would have been no results if weather and prices had not played their parts, or if the roads were in disrepair.

The conceptual problem of the attribution gap presents itself, too, in the monitoring of comprehensive policy packages, but in a different form. For while a project, at best, can control its outputs and influence outcomes in one area, poverty-reduction policy operates on several levels and thereby controls multiple outcomes. It is the task of policy and strategy formulation is to see to it that a package of interventions addressing the main causes of poverty is also offered in the appropriate mix and at the right time. Therefore, a monitoring system must not limit itself to investigating the effectiveness of individual policy measures, but instead must particularly examine the adequacy of the overall package.

And as the above box illustrates, the problem remains that even a principally correct policy can be ineffective when uncontrollable factors prevent the transition from outcomes to the level of final results.

3.4.4 Indicators

On all four monitoring levels, information is gathered with the help of indicators. Often, the distinction is made between **intermediate indicators**, which relate to the input and output levels, and **final indicators**, which relate to the outcome and impact levels.

Developing indicators for each of the monitoring levels is important not only to capture the complete results chain, but also because of the time delays in the results chain. The longest time-lag, of course, is from the lower end of the chain (the policy measures) to the upper end (results at the poverty level). Therefore, monitoring the outputs and outcomes also serves to determine whether the policy is on track: is it likely that poverty will be reduced in the future through the measures adopted and based on the outputs and outcomes observed?

The "missing middle"

When the indicator system does not include output and/or outcome indicators, this is often called the **missing middle**. It is a phenomenon

that can be observed frequently, and essentially has two causes. For one, it reflects the fact that the PRSPs, often having been developed under time pressure, do not portray the strategic activities required to achieve a generally accepted goal. The strategy has not been elaborated at this point, because it was operationally unclear or controversial. For another, the "missing middle" can be recognized above all in those areas, where the state has only a support function and the outputs and outcomes of government activities are, indeed, neither tangible nor measurable.

The indicator system for PRSP monitoring must include more than just the different levels of monitoring. In addition, during the development of the indicators, the **multidimensionality of poverty** must also be taken into account, so that:

- both quantitative and qualitative data are incorporated,
- monetary and non-monetary aspects of poverty are considered,
- a distinction is made between the effects, symptoms and causes of poverty.

In elaborating **quantitative indicators** for use in PRSP monitoring, it is important to put magnitudes in perspective, and not just to use absolute numbers. The following examples illustrate this:

A less-meaningful results-based indicator:

Number of children enrolled in school

Better indicators would be:

Number of children attending school as a ratio of the total number of children in a certain age group

Number of poor children enrolled in school as a ratio of the total number of poor children in a given region

A less meaningful results-based indicator:

The amount of funds allocated to certain sections of the social sectors

A better indicator would be:

The proportion of the total expenditures²⁶ represented by these allocations

Certain aspects of the poverty reduction process can scarcely be captured by quantitative indicators. Examples are objectives such as improved participation, empowerment of the poor, reduction of corruption, or law and order.

In these cases, **qualitative indicators** must be drawn up. Outputs and outcomes can then be represented in part through questionnaires

²⁶ Whether total expenditures should include debt service, pensions, military expenditures, and/or donor-financed investments depends on the particular question at hand. In many cases, total expenditures should comprise only those funds that can truly be controlled by the government.

that capture the subjective perceptions of selected population groups. With these sorts of issues, it is often necessary to limit the survey to the output level in order to determine, for instance, if an election was "fair and just" or whether certain, critical legal reforms have been carried out.

It is also desirable to gather data on **disaggregated indicators**, differentiated according to region, gender, economic status, and social group. However, this is usually only possible when corresponding data of the government administration can be drawn on. The budgets of the offices of statistics doubtless would be overstrained by this sort of survey.

In selecting any sort of indicator, it is important to pay attention to the extent of **valid data** can be collected for it. It certainly does not make sense to watch an indicator over time if its likely measurement error is greater than the expected changes in its value due to policy changes. For practical reasons, the validity of the indicator might have to be weighed against other qualities and thus a second-best solution chosen, for example, because it is faster or considerably cheaper or more complete in other aspects. However, such data must then not be over-interpreted.

Incidentally, care must also be taken with the interpretation when improved data collection procedures disclose an apparent worsening of the situation being observed. This may be attributable solely to better statistical data.

3.5 Focuses and levels of monitoring

The literature often maintains that a multidimensional approach to collecting data on the phenomenon of poverty has come to enjoy broad acceptance, thanks to the World Development Report of 2000/2001, the DAC Guidelines on Poverty Reduction, and the reports of the UNDP. It follows that only those monitoring systems that assimilate qualitative and quantitative data in reports on monetary and non-monetary aspects of poverty can be classified as advanced. But the associated challenges facing monitoring in practice are far from being overcome. And this does not refer only to such difficult issues as developing locally defined indicators for aspects of poverty like insecurity and powerlessness, but, in fact to some very basic principles. Thin et al. (2001), for instance, found that, in the I-PRSPs they analyzed, characteristics of poor people and poor regions were described without any clarity as to whether these were simply attributes of poverty or, in fact, causes of poverty (and if so, in what way).²⁷ In such cases, assignment to particular monitoring levels is quite problematic.

²⁷ Thin et al. 2001, p. 5.

Despite the justification for the approach of measuring primarily results – that which is achieved at the end of the day – this must not lead to a neglect of the input level. Simply **listing financial and non-financial inputs** can contribute to a decisive improvement in poverty policies if this information is made public. Furthermore, the efficiency of their provision is also important beyond the various administrative levels. But it often escapes any observation.

Input monitoring tends to overlook notably (a) the **executed** budget expenditures (as apposed to funding allocations made at the beginning of the year), as well as (b) the proportion of funds (having been reduced by multitudinous "leakages") that finally arrives at the implementation level (e.g. at the schools). The classic example is the Ugandan educational system during the mid-1990s, where only 13 % of the non-personnel allocation of funds actually reached the schools; a special campaign was able to increase this to 90%. But there are negative counterparts of this example that illustrate the creativity of teachers in drastically limiting, both in quantity and quality, the *services actually rendered* in comparison to official plans and allocations.

The 2002 ODI study, clearly the most thorough study of the topic, comes to the conclusion that appropriate attention should be paid to three areas in PRSP monitoring:

- poverty outcomes and policy impacts,
- intermediate outputs, their outcomes, and the implementation process itself, and
- the provision of crucial inputs of the Poverty Reduction Strategies.

4. Instruments and Types of Data for PRSP Monitoring

In part, PRSP monitoring can utilize instruments that are already being used in other contexts, but sometimes supplementary instruments need to be developed. Likewise, some of the information needed to monitor the PRSP is already being collected for other purposes.

There is no universally valid canon of instruments and data sets. Both must build upon that which already exists. The most important categories of instruments and data are listed below. Even when they cannot be assigned exclusively to a particular monitoring level, they have varying degrees of relevance for the respective levels:

- **Poverty monitoring through household surveys** delivers information on changes over time at the impact level.
- **Institutional data** that is collected by government administrations is a significant source of information at the output level and partially, too, at the outcome level.
- Data on **public expenditures** provides information about the inputs that are utilized in poverty reduction.
- Various **qualitative instruments** deliver differentiated information about results at the impact level, and also about causal relationships along the results chains.

4.1 Poverty monitoring through household surveys

4.1.1 The basic principles

Poverty monitoring attempts to express the poverty situation in quantitative and qualitative terms and thus to uncover some of the root causes of poverty. In doing this, it utilizes various data collection and descriptive instruments to capture the poverty situation.

Scope, frequency	The most important data collection instrument is the household survey . It usually encompasses between 3000 and a maximum of 15,000 households, randomly chosen for a stratified sample. Normally, the statistical bureaus are responsible for data collection. Surveys are usually repeated every three to five years in order to track changes over time.
Costly, time consuming	Household surveys are time consuming, and often tedious and costly. In many cases, it is necessary to visit households repeatedly in order to capture the situation at different times of year. After cleansing the raw data (eliminating obviously false responses and outliers)

statistical procedures are applied in order to aggregate data and to correlate different data sets.

The poverty line and the Head Count Index

Household survey data on poverty is presented in the form of the so-called Head Count Index and the associated poverty line and depth-of-poverty measurements. The **poverty line** is a threshold income value below which an individual (or household) is considered to be poor. The **Head Count Index** is the proportion of those who live below the poverty line. The **depth of poverty** is the distance between the income of the poor and the poverty line. These instruments for presenting the poverty situation are of a quantitative nature and are expressed in monetary terms.

As a rule, the poverty line is defined as an absolute poverty line and is the amount of money necessary, in the respective geographic situation, to purchase the quantity of food that provides enough calories to live, as set by international standards. Normally, additional costs are factored in for other vital goods, which are determined by questioning individuals who are just able to fulfill their minimal caloric requirement as to what their other outlays are.

Further dimensions of poverty

The poverty line helps to measure income poverty. It does not capture such factors as disease, isolation, lack of education, or exposure to crime, which also are recognized dimensions of poverty.

Further data allow for causal analysis, but with conceptual problems

In addition to quantitative measurement of income, other **socio-economic data** are collected from the households surveyed. This data allows statements to be made about different populations groups or characteristics of poverty.²⁸ In part, these additional factors can be interpreted either as causes or as attributes of poverty. Often, further investigation is required to determine what is an attribute and what is a cause.

Inter-temporal comparability is problematic

The sample selection and the definition of the poverty line are critical aspects of data collection that have great bearing on inter-temporal comparability. They have a direct impact on the measured poverty line and changes in it.

Comparability of prices

The choice of prices, too, frequently plays a special role, as the poor usually are heavily dependent on subsistence farming. Because prices often vary widely between different regions of a country, the calculation of goods consumed in monetary terms is of critical importance.

²⁸ For instance, family size, level of education achieved by adult family members, gender and age of the head of the household, possession of animals, size of agricultural land holdings, quality of housing, and accessibility of water are commonly recorded.

Usually not significant on a smaller scale

Due to the limited sample size for household surveys, the findings are, as a rule, only **representative** at the national and regional (provincial) levels, but not for smaller geographical units.

The **census** is an especially comprehensive form of the household survey. Censuses provide important information, but only in long intervals, and they cannot be carried out for special purposes.

The census registers the resident population down to small geographical divisions, and so is potentially useful in determining the poverty situation in smaller geographical areas. It captures a large number of socio-economic characteristics of the surveyed households. If these can be interpreted as typical attributes of poverty, it may then be possible to estimate the incidence of poverty within smaller boundaries to a greater extent than is possible with the normal household surveys. For instance, if both poverty surveys and the census record type of dwelling, possession of particular household goods (such as bicycles), family size, and level of education completed by the head of the household, then the poverty incidence can be estimated on as small a geographical scale as the census data allows.

Linking household surveys with census results

One instrument for presenting the poverty situation with a high degree of geographic precision is the **poverty map**. Poverty maps use a variety of colors to portray the different characteristics and degrees of poverty prevailing in different, relatively small geographical regions. The information must be interpreted with care, however, because unique local factors can override generally applicable correlations between socio-economic characteristics and poverty.²⁹

Many special forms of household surveys have been designed in connection with development cooperation. Three of the most important ones are the Living Standards Measurement Survey, the Participatory Poverty Assessments, and Health and Demographic Surveys, which are presented in the following sub-sections.

4.1.2 Living Standards Measurement Surveys (LSMS)

LSMSs are standard surveys that were developed by the Bretton Woods Institutions and have been refined over the years. They consist of a number of multi-theme questionnaires for investigating different aspects of household wealth (or standard of living) and behavior.

Standardized procedures

The major distinctions between the LSMS and other types of household surveys are the strong reliance on plausibility checks

²⁹ A graphic example: the ownership of a latrine might be a general characteristic of the non-poor. But if latrines cannot be constructed in a particular locality due to an especially high groundwater level, correlating the lack of latrine facilities with poverty here would lead to false conclusions.

(computer-supported since 1985) to test the consistency of the responses (including a quick second visit to the household to clarify inconsistencies) and the relatively swift entry and processing of data that already begins during the period of data collection. The built-in plausibility checks and possibility of repeat visits for clarification in case of doubt increase reliability and prevent cumbersome data cleansing later. A typical sample consists of 1600 to 3200 households; more than 5000 households are seldom surveyed. One of the advantages of the LSMS is its rapid implementation (the report is available about two - six months after completion of the field research). Thus, current information can flow quickly into the policy formulation process.

4.1.3 Participatory Poverty Assessments (PPA)

The PPA methodology developed out of Participatory Rural Appraisals (PRAs). It emphasizes the use of poor groups' knowledge of their living situation to develop appropriate planning and activities. Towards the end of the 1990s, the World Bank increasingly adopted PPAs to supplement their poverty studies. And for the 2000-2001 *World Development Report*, a cross-sectional study of 23 countries was produced with the help of PPAs.³⁰

PPAs document the viewpoint of those affected

The decisive advantage of the PPA is that, by using such a well-developed, participatory instrument, the norms or standards of program design that have been imposed from the outside can really be breached, because those affected are asked about their own analysis and criteria. It is also useful for determining the contents of a specific basket of goods for impoverished groups. Likewise, the PPA is well-suited to ascertaining the requirements of (poor) users of (poverty-relevant) services. Its limitations lie in the small sample sizes and the resulting lack of representativeness, but also in part in the limited capabilities of the respondents to correctly assess their own situation.

4.1.4 Health and Demographic Surveys

In many countries, Health and Demographic Surveys have been carried out as a special form of general poverty monitoring. These samples, which are also collected through household surveys, generate information in particular about child and maternal mortality,

³⁰ Nonetheless, the World Bank is criticized for its tendency to use the instrument enlist the given target group of the poor in support of an intervention that has already been determined, rather than actually using what it has learned from the PPA to inform project design, itself. See Laderchi, Saith & Stewart (2003), p.25: "There is little of self-determination and empowerment in most of this work." This does not, however, reflect on the intrinsic qualities of the method.

the incidence of disease, vaccination rates, and diverse information related to HIV/AIDS.

4.2 Institutional data

As a rule, the administrations of state agencies collect a great deal of data in their particular area of responsibility. This data represents a significant source of information for PRSP monitoring.

However, it often exhibits weaknesses in the following areas:

Data is often collected as "extra" work, with predictable results

- **Data quality:** Employees of the different administrative offices, who are supposed to provide the corresponding data by recording their services, are frequently poorly paid – they are themselves often poor – and over-worked; therefore, it cannot be expected that they exert special efforts in this task. Further, certain institutional interests could very well motivate the manipulation of figures, especially when the level of payments is dependent upon the services provided.

Non-users are not counted

- **Institutional limitations:** The administrative offices collect data on those who use their services. People who do not use the services, but should, are not counted. The degree to which the needs in a certain sector are being met by private-sector suppliers (e.g., private clinics and doctors) therefore escapes the statistics of sectoral government administrations.

Client satisfaction seldom investigated

- Usually only the amount of service provision is recorded, and not **user satisfaction**, which would give insight into the quality of services.

Even more important than this in connection with PRSP monitoring is the **choice of indicators**. For one thing, to obtain meaningful indicators, it is essential that the various agencies collect valid data. For another, the PRSP monitoring system must select a limited, yet informative set of indicators from among the sector-specific indicators.

Education and health deliver relatively good information

Generally speaking, the statistical and management information systems of the **education and health sectors** are especially well developed. They cover data on personnel levels, number and equipment of service facilities (schools, health posts, hospitals) and – although usually in less breadth and of poorer quality – availability of supplies. Internal records of the educational system provide figures on enrollment at each grade level, teacher/pupil ratios, class size, grade-level repetition and advancement ratios, age of pupils, and completion of educational levels. In the health system, information is collected on endemic and communicable diseases, deaths occurring in the institutions and their causes, number of doctor visits, occupancy of hospital beds, reasons for hospital stays, and number of births in clinics.

Unsatisfactory data on business sectors

The institutional data of the **agricultural sector** is markedly less informative. As a rule, there is data on the number of agricultural extension service contacts and on the distribution of agricultural inputs. Ministries of agriculture also collect a lot of data related to prices and estimation of harvest yields. But they typically supply little to no information about the effectiveness of their extension services. Records on land allotment are available where central government institutions are responsible for this. But where there is no cadastre, where land is allotted by traditional chiefs or by local administrative bodies, records usually do not exist or are incomplete and uninformative. In the agricultural sector, the attribution gap is especially difficult to bridge, and typically not much effort is made to fill the gap through surveys or other special data collection.

This holds even more for those sectors that regulate and promote private-sector economic activity in other areas. True, ministries of trade and tourism often have data on licenses granted, but perhaps do not systematically record how long an applicant must wait to receive the license and what payments are expected from him or her along the way. At times, it is in fact difficult to quantify the measures employed to promote broad and pro-poor growth at all levels from inputs to outcomes.

Standard questionnaires on utilization

Questionnaires on satisfaction with provided services are sometimes carried out as a supplementary instrument to improve the informational value of institutional data. One such instrument is the Core Welfare Indicator Questionnaire (CWIQ), developed by the World Bank along with tools to assist with the analysis. CWIQ surveys are carried out by the statistical offices. Short questionnaires, computer programs for their analysis, and a large number of polls are intended to yield information on the utilization of and satisfaction with public services in the health and education sectors, which can then be used by the sectors to evaluate the effectiveness of their efforts, even within smaller geographical areas.

4.3 Information on public expenditure

4.3.1 Foundations

As part of PRSP monitoring, reports on public expenditures serve to determine whether official policy is actually being implemented and is reflected in expenditures. Serious poverty-reduction policy must exhibit a disproportionate increase in poverty-relevant expenditures. This is not about results-based monitoring, but about input monitoring.

In reality, the attempt to collect information on public expenditures that have actually resulted in poverty reduction runs up against several problems:

- There must be agreement over **which expenditures have an effect on poverty**. It is even better when relevant budget lines

are ascribed to PRSP results categories. Few countries fulfill either condition.

- Often, **existing budgetary systems** do not differentiate between functions, and so it is not possible to determine which proportion of funds arrive at the actual service providers (schools, health stations). Administrative costs are not accounted for separately from the cost of providing the service to the beneficiary.
- There are often large discrepancies between the original budget as passed by parliament and the **actual outlays**. Budgets are therefore seldom good indicators for how much money actually flows into the priority areas of a PRSP. However, it often takes several years before the data on actual expenditures are complete, verified, meaningfully aggregated, and finally made available to the public.
- **Donor reports** on their disbursements often are incomplete and, because of different reporting schedules and classifications, are difficult to integrate into the data on payments directly compiled by the ministry of finance.

Financial and budgetary reform

In order to make the budgetary process more rational and to make it possible to direct expenditures in accordance with policy, a large number of PRSP countries are reforming their public financial management system. The goal is to change the budget system in such a way that it is easier to juxtapose expenditure packages and policy objectives. At the same time, this should increase the transparency of the public budget while reducing the opportunities for misappropriation of funds. Under these two conditions, donors are willing to fund poverty reduction and development by way of the budget and through national channels.

The introduction of computerized systems plays an important role here. Such systems promise to provide more reliable data on actual expenditures more quickly, and to organize the entries according to type and purpose of expenditure.

Reforms underway in many countries

The most important instruments that are being introduced in many countries to improve public financial reporting procedures – usually with donor involvement – are presented below.

4.3.2 Medium-Term Expenditure Framework (MTEF)

A convincing concept, but ...

The introduction of the Medium-Term Expenditure Framework (MTEF) plays a key role in the reform of public financial systems. Because the expenditure structure usually cannot be restructured in the short-term and decisions on policy changes should be made under consideration of the associated costs, MTEFs attempt to plan expenditures along sector and program lines for at least three years, based on realistic assumptions about funds available in the medium term. The results to

be achieved by particular outlays are entered next to the appropriate budget lines.

A difficult undertaking in practice

MTEFs are intended, above all, to be a instrument for decision making and political coordination of priority setting. They are supposed to provide sectors with a more reliable basis for planning, which is an important precondition for rational expenditure management. However, in practice, there are very few examples of successful application of the idea. Common problems are overly optimistic estimations of revenues, the inability and unwillingness of sector managers to quantify the expenditure results, incompatibilities in the classifications used for the MTEF and the annual budget, and insufficient capacity, especially in the finance ministry.

4.3.3 Public Expenditure Reviews (PERs)

PERs piece together the development of the expenditure structure over several years and, for instance, analyze the congruence between policy and expenditures, investigate the efficiency of expenditures in selected sectors, or take a position on incorporating donor funds in the budget sheets. In Ethiopia, a recent PER attempted to estimate the amount donors would need to contribute in order to achieve the MDGs in selected sectors only.

The PER is not just a flexible analytical instrument, but also can be designed to be so participatory that it can be used for the public expert discussion of the government's expenditure conduct in view of the PRSP goals. The PER is the instrument traditionally used by the World Bank for budget analysis; therefore, it typically is carried out by or under the leadership of the World Bank.³¹

Up until the 1990s, PERs mainly included an evaluation of fiscal developments and the analysis of inter- and intra-sectoral funding allocations and current needs for more thorough analysis of special expenditure policies and programs or of public financial management as a whole.

³¹ It is important to note that, in addition to the MTEF, the PER and Expenditure Tracking Surveys (see below), there are a whole series of other instruments that are used in this connection under the leadership of various donors: Country Financial Accountability Assessments (CFAA, World Bank); Country Procurement Assessment Reports (CPAR, World Bank); Reports on the Observance of Standards and Codes of Fiscal Transparency (Fiscal ROSC, IMF); System Audits (European Commission); Country Assessment in Accountability and Transparency (CONTACT, UNDP); Diagnostic Study of Accounting and Auditing (ADB). In the PRSP countries, they usually are carried out with somewhat different focuses (and, unfortunately, with a lot of overlap), which often leads to many independent recommendations that are completely incongruous. A more in-depth discussion is, however, beyond the scope of this study.

Since then, PER analysis has extended to many other areas (efficiency and effectiveness of government expenditures, corruption, capacity building in budget management, etc.), and PERs are carried out more and more frequently. They have thus become the comparatively most comprehensive instrument of budget analysis. In some cases, the PERs are now being carried out under the leadership of the recipient country itself.

4.3.4 Expenditure Tracking Studies und Facility Surveys

Expenditure Tracking Studies attempt to determine, in certain sectors, which proportion of allocated budgetary resources are used up along the way by the different layers of administration, and how much actually arrives at the point of service provision.

Facility Surveys begin at the other end, and explore the amount of funds and supplies received by schools and health stations in comparison with the amounts allocated to the sector.

Analysis of
resource flows to
the lowest levels

Expenditure tracking is an approach that actually only came into being through the HIPC Initiative. Starting in 2000, the boards of the Bretton Woods Institutions tried to find a way to monitor the use of the funds freed up under the HIPC Initiative. To this end, the first, potential HIPC candidates were evaluated on their capability to effectively track the additional expenditures made possible by the HIPC Initiative. Thus, the purpose of the first Public Expenditure Tracking Assessments was an evaluation of the capacity of the existing systems, and not an extensive analysis of all aspects of expenditure management. The evaluation determined that, in the majority of cases, tracking by way of the country's own systems would not succeed without external support. So the World Bank and IMF decided that these gaps must be closed, with external assistance if necessary, and action plans had to enable the countries to carry out the tracking, themselves, in the medium term.

4.4 Additional qualitative instruments

In order to bridge the gap between output data and results, additional qualitative instruments have been developed, some of which are being applied in the countries visited for this study.

Results-based
hypotheses

The first to be mentioned here is **qualitative results-based monitoring**, which is the observation of the results of policy measures on the level of the ultimate intended beneficiaries. In the first step, policy interventions are carried out and hypotheses regarding their effects on the target group are formulated. Next, representatives of the target groups are visited in order to determine to what degree the effects of these policy changes have been able to unfold. Special attention is given to possible, unintended side-effects.

Grass-roots control

This is a very flexible instrument that adapts to the given inquiry. It can investigate the following types of questions:

- Has the access to credit by small enterprises improved?
- Which factors still impede grade school attendance, even though some of the major hindrances have been eliminated by policy (such as costs of learning materials and school fees)?
- What factors determine the choice between going to a private or a public health facility?
- How do farmers appraise the benefits of the public agricultural extension network? Do the advisory services provided correspond to the farmers' problems? What factors hinder implementation? Does the advice have any result at all, or is it ineffectual because other factors are lacking?

Such investigations can generate especially interesting findings when they are repeated under similar conditions at certain intervals. In this way, they can determine whether policies have led to change.

Methods from Participatory Rural Appraisals often are applied in connection with results-based monitoring. Their open-ended questioning techniques can capture side-effects and obstacles that otherwise might not be clearly recognized. This sort of survey can stimulate discussion that provides insight into the reasons why target groups are not reached or desired results are not achieved.

Citizen Report Cards constitute a structured instrument that allows quantification and aggregation. They can, for example, capture the extent to which the use of private, public, or no health facilities depends on the degree of impoverishment, as estimated by the respondents themselves. Results of policies can be measured, but the reasons for the possible lack of policy results are very difficult to ascertain.

Since 2002, **Poverty and Social Impact Analyses (PSIAs)** are being carried out more and more often. Inspired by the Environmental Impact Analysis, PSIAs attempt to assess which results and side-effects major reform policies are likely to have on the social equilibrium, and especially on the poverty situation and vulnerability to impoverishment (evaluation of policy results). A typical case for a PSIA consists of planned IMF conditions that threaten negative social effects, which cannot, however, be estimated quantitatively without further investigation. Examples could be: planned trade liberalization, which is associated with a major reduction of import protection; the broad introduction of user fees in the social sectors; the decontrol of prices for staple foods or of water and electricity tariffs; extensive reform of the tax system; or considerable devaluation of the currency.

A toolbox that may also be useful for monitoring

The PSIA is primarily a concept and a toolbox, not a practical instrument. Because the PSIA is supposed to estimate and quantify the results of policy changes, ex ante, it does not, strictly speaking,

belong to the set of PRSP-monitoring instruments. But it can contribute to a better identification of critical assumptions, which can then be observed by the monitoring system. The PSIA approach can also be used ex post to capture and measure the results of an intervention package, and thereby investigate the individual results chains in detail. Thus, PSIAs can support the monitoring of PRSP implementation in a meaningful way.

SECTION B: ANALYSES AND OBSERVATIONS FROM FIVE COUNTRIES

5. Context, Origin, and Substance of the PRSPs

5.1 Country context

Global indicators The five countries visited for the study vary significantly in their level of development, size, and recent history. The following table presents some basic data on population size, per capita income, and the country's ranking according to the UNDP Human Development Index.

Table 5-1: Population, income, and Human Development Index for the five countries

Country	Population (millions)	Per capita income (2002)		HDI rank (2001)	HDI score (2001)
		US\$	PPP – US\$		
Albania	3	1380	4040	97	0.735
Burkina Faso	12	220	1010	173	0.330
Kenya	31	360	990	146	0.489
Nicaragua	5	--	--	121	0.643
Vietnam	81	430	2240	109	0.688
Low income countries		430	2040		
Low/middle income SSA		450	1620		

PPP = purchasing power parity using methods of the World Bank *Atlas*

Sources: *World Development Report 2004*; *Human Development Report 2003*

Motivation and political system are decisive

However, two other factors seem to have more influence on the character of the monitoring system than the development status of the countries: the motivation behind the development of the Poverty Reduction Strategy and the political system.

Kenya, ridden with corruption...

Kenya does not qualify for debt remission under the HIPC terms, because its debt service is considered to be sustainable. The main reason the KANU government under President Daniel arap Moi undertook the development of a PRSP was to normalize relations with the Bretton Woods Institutions and the rest of the donor community and to gain access to foreign sources of finance. Most of the donors had reduced cooperation significantly, due to endemic corruption.

... produced a PRSP with broad participation

To the amazement of many observers, the PRSP was formulated in a process considered exemplary for broad civil-society participation.

Moreover, the resulting PRSP identifies corruption and poor governance as two root causes of poverty.

The Full PRSP was completed in 2001 and was released to the public along with the very next budget speech. The foreword to the PRSP stated that, in view of the PRSP, the government would announce its response, visions, and priorities. However, it became clear that not even a PRSP would suffice to normalize the strained relations, so it never was submitted to the boards of the World Bank and the IMF.

From PRSP to ERSWEC	In the elections at the end of 2002, the opposition "National Rainbow Coalition" won with a landslide. Since the beginning of 2003, a government is in office that seeks above all to fight corruption and stimulate the economy. The Moi-era PRSP has been merged into an "Economic Recovery Strategy for Wealth and Employment Creation" (ERSWEC). The ERSWEC was presented to the IMF and the World Bank as the document to fulfill the role of a PRSP. However, these organizations requested that the ERSWEC be made more specific. In response, the government, in November 2003, submitted an Interim Investment Program that was to operationalize and cost out the ERSWEC. Both documents were discussed at a meeting of the Consultative Group (CG) in November 2003. In early May of 2004, the IMF and the World Bank recognized the revised ERSWEC together with the Investment Program as a good basis for development cooperation. The IMF had already granted a PRGF credit in November 2003.
No monitoring system as of January 2004	However, when visited in January 2004 for this study, Kenya still did not have an approved PRSP, and therefore did not have a monitoring system aligned to one. But conceptual preparations have been made, and it is being discussed.
An active press	Kenya has an animated and independent press and a sophisticated civil society. It has a culture of discussion, but also a historical tradition, stretching back over many years, of neglecting monitoring and evaluation, which is evident for most strategies and policies.
Debt remission as primary motivation	The situation in Burkina Faso , the poorest of the countries in the study, distinguishes itself in that the prospect of debt remission was without doubt <u>the</u> major motivation for drawing up a PRSP. It was also one of the first countries to reach the HIPC decision point and, in March 2002, the completion point under the expanded HIPC Initiative, as well. Two progress reports on PRSP implementation have been produced. Currently, the successor PRSP is being elaborated, which, in turn, will have a three-year lifetime.
Little organization of civil society	In contrast to Kenya, civil society and the press are not significant players in the politics of Burkina Faso. It is very doubtful that the government is serious about reducing poverty, but this seems to trouble only the donors who have supplied a great deal of budgetary assistance.

Debt remission as motivation, but civil society takes up the issues	<p>Nicaragua represents a striking contrast to Burkina Faso and has the most active civil society of all the studied countries. As with Burkina Faso, the prospect of debt remission was initially the driving factor behind developing a PRSP. But civil society seized the issue, and the administration seems to be relatively well equipped to be able to respond to it. Nicaragua reached the HIPC decision point in December 2000, and the completion point document is dated January 2004.</p> <p>Despite having been motivated by the prospect of debt remission, poverty reduction seems to have become an essential element of the domestically-driven agenda in Nicaragua. Local stakeholders take an active part in the discussions on progress and mechanisms for implementation.</p>
Little dependence on foreign assistance in Vietnam	<p>The situation in Vietnam is completely different. While the three other countries mentioned so far depend on development assistance to a relatively high degree, Vietnam funds its public expenditures predominantly from its own revenues. Nor is Vietnam a HIPC country. True, it is interested in favorable sources of financing, but this certainly was not the leading factor that led to preparation of a PRSP.</p>
Tradition of planning and participation, but Vietnamese-style	<p>The country exhibits very high rates of economic growth, and the government seems very earnest in its endeavors to prevent disparities in income from becoming too large in the course of the growth process. The country has a long tradition of detailed planning, which greatly influences the conditions under which the PRSP was created and is now being carried out, and under which the monitoring system is reviewing its effectiveness. Participation of grass-roots groups, too, has a tradition in Vietnam. But this does not hold for the public discussion of policies and strategies, and here, civil society barely emerges in any organized form.</p>
Poverty reduction and EU association in Albania	<p>And finally Albania: It is the wealthiest of the five countries studied, and is not a HIPC country. Some doubt currently exists amongst the donors as to the earnestness of the government's implementation of the PRSP. However, the donors do not act as a group but have different priorities, whereby poverty reduction is not always very prominent. Association with the European Union plays an important role. In effect, neither the donors nor the populace seem to be really effectively calling for the PRSP to be implemented.</p>

5.2 The PRSP in relation to other strategies

The example of Albania quite clearly points to a further source of tension that has a significant influence on the monitoring system for the Poverty Reduction Strategy. What is the relationship between the PRSP and other strategies or agendas in each of the countries?

In **Burkina Faso** and **Nicaragua**, the PRSPs are certainly the most comprehensive strategy paper and describe the most important

official government agenda for the respective governments and the donors. In both countries, the donors are providing budget assistance on the basis of the PRSPs.

Less clear are the circumstances in **Kenya**. The top issues for the Kibaki government are, as already mentioned, economic growth and the containment of corruption. Both goals, of course, have a lot to do with poverty reduction and are the most frequently named reasons for the undeniable fact that the poverty situation has so drastically worsened. Thus, it is completely understandable that the Kibaki government expanded the PRSP inherited from the Moi era and supplemented the Poverty Reduction Strategy with a strategy for resuscitating the economy. However, this changes the primary orientation of the strategy. A strategy focused on poverty reduction has been transformed into an economic strategy that considers factors of poverty, and in which poverty reduction can no longer be recognized as the central focus.

Vietnam has consistently been pursuing development policy aimed at growth, poverty reduction, and broad social development since the beginning of the 1990s. This policy is anchored in a number of corresponding planning documents: five-year plans, various sector strategies and development plans, the ten-year socio-economic development strategy for 2001-2010, and the Hunger Eradication and Poverty Reduction Program (HEPR) of May 2001. The Poverty Reduction Strategy unites the different strategies and plans, formulates a schedule that clearly delimits the periods within which specific steps are to be taken toward defined goals, and draws up a comprehensive action plan that makes inter-sectoral connections transparent, and is suitable for guiding the planning of the Vietnamese as well the donors. The different strategy documents cohere into a largely consistent frame of reference for economic and social policy.

In **Albania** the PRSP is called the National Strategy for Socio-Economic Development (NSSED) and is the country's first comprehensive development strategy. Recently, Albania has been increasing its efforts to align itself more closely with the European Union. These efforts have led to a Stabilization and Association Agreement (SAA) with the EU. The agreement does not explicitly take up the issue of poverty alleviation.

At the initiative of the prime minister, a National Government Action Plan was drafted, which takes into consideration the NSSED and the SAA. Parallel to the submission of the Interim PRSP in 2001, medium-term financial planning was initiated that has the character of a strategy, not just an instrument. In addition, Albania has committed itself to the Millennium Development Goals. The hierarchy among the different plans might be clear in principle, but in practice, they compete with, overlap, and contradict each other and it is not completely clear which agenda plays the leading role.

Donor behavior reflects the competing agendas. While the World Bank and the IMF are oriented to the poverty program, the strategy for

eventual EU accession naturally carries greater weight with the European countries. The latter – according to the consensus achieved after extensive discussions amongst the donors – builds upon the Poverty Reduction Strategy, although without explicitly mentioning it, and sidelines the PRSP in practice.

5.3 Substantive commitments of the PRSPs

Strategies also quite vague in these five countries

The observation that, despite their extensiveness, all the PRSPs are quite general runs as a leitmotif throughout the literature and through the country studies, as well. In some cases, practically everything is a priority; a true ranking by importance has not taken place. Often, sector goals are listed that promise to eliminate one of the causes of poverty; but either the associated indicators are not specified so as to be measurable, or no values are provided for the goals. This holds for the output level and even more so for the input side. Typically the PRSPs call for some unspecified shifting within the budget.

The introduction of monitoring requires more specifics

The attempt to superimpose a monitoring system onto this sort of a strategy paper is correspondingly complicated. Basically, the goals must first be operationalized, before goal achievement can be measured. The question arises whether a monitoring system can contribute to specification of the goals of the given strategy. So far, none of the countries visited has managed to do this in a satisfying way. But attempts have been made, which will be described in the following chapters.

5.4 Focal points of the PRSPs

Despite all of the differences in prerequisites, the focuses defined by the PRSPs are all relatively similar. Education, health services, and agriculture play a big role everywhere. Fighting corruption and transparency of government action, too, are prominent in all of the PRSPs.

But there are also clear country-specific focuses and other distinctions. Notable in Kenya are the abolishment of all school fees for primary education, the promotion of the poor arid regions of the north, and privatization of public services; in Albania, the improvement of infrastructure and the provision of electricity, water, and waste disposal, and increasing the rate of school enrollment at the secondary level.

Each of the PRSPs name economic stability and high rates of growth as important preconditions or goals. Similarly, they each contain plans for the reform and improvement of public financial management, in order, on the one hand, to be able to guide expenditure in accordance with the goals, and on the other hand, to improve transparency and reporting. Especially the PRSPs of Kenya, Burkina Faso, and Nicaragua particularly emphasize this.

6. Areas of Investigation and Instruments Used

After looking at the origin and core areas of the five PRSPs in the previous chapter, this chapter takes up the technical questions of how to observe and measure the implementation of the Poverty Reduction Strategies and the achievement of their goals.

This chapter's topics

The following questions are explored:

- Which goals and activities will be monitored? By which means?
- Are there any key areas in which results are not being monitored, although they are priorities of the respective PRSPs?
- How is the problem of the attribution gap being handled?

A snapshot of a process

This analysis, however, is a snapshot of a process. The monitoring systems are still being developed in each of the countries visited, whereby Vietnam lags perhaps the furthest behind. Because on the whole the PRSPs do not offer sufficient operational detail on how to construct the monitoring system, it typically took a long time before one could even talk about systems in the process of development.

So far, none of existing systems in the countries studied are completely ready. Like the PRSP, monitoring too should be understood as a process. Nonetheless, it is remarkable how far implementation of the systems is lagging behind.

6.1 Poverty monitoring

Surveys carried out in all countries

Statistics and studies on the incidence and causes of poverty are available for each of the countries visited. The figures are sufficiently recent (meaning not more than 3-5 years old), with the exception of Kenya, where a new household survey currently is underway. Each country's statistical office is deeply involved in producing the poverty statistics. In some cases, though, the social ministries or departments of the ministry of planning were intensely involved.

Frequently, the LSMS methodology of the World Bank was used to collect the data. The surveys are usually repeated every 3-5 years, with the initial inquiries dating mostly from the middle of the 1990s. The exception is Albania, where the first national survey dates back to the year 1998, and also exhibits serious methodological weaknesses (for instance, failure to consider subsistence consumption), which were not rectified until the 2002 survey.

Comparability over time is problematic	<p>Comparability between the findings of the surveys of different years often presents a problem, which has been especially well documented in the case of Kenya.³²</p>
Poverty maps	<p>Kenya tried to get around the problem that household survey findings usually are significant only to the provincial level by combining these poverty statistics with census data, thus making it possible to produce poverty maps. However, they first must be verified empirically before being used for deriving basic rules of thumb for policy interventions in particular regions. Nicaragua also has poverty maps, and although they have methodological weaknesses, they evidently are being used by many agencies.</p> <p>Statistical surveys on living standards and poverty should continue to be carried out in regular intervals. In Vietnam, plans are for a two-year rhythm; no information is available on the planned frequency in other countries.</p> <p>During the country visits, the question of the appropriate degree of data disaggregation was not addressed in any depth. Therefore, information is not available as to, for instance, whether there is much difference in the causes of poverty for relatively homogeneous sub-groups of the poor, or which particular factors play a role in distinguishing the poor from the very poor.</p>
MDG monitoring being developed	<p>The monitoring of Millennium Development Goals (MDGs) is only now being developed. Kenya has the first appealingly presented publication on progress and setbacks in MDG monitoring. Also in Burkina Faso, the first report on the development of MDG indicators was submitted in December 2003. In contrast, all that exists in Albania to date is a thorough UNDP report on the Albanian response to the MDGs; it emphasizes that the PRSP goals do not yet reflect the MDGs, and that MDG monitoring is not yet in place. In Vietnam, prevailing opinion is that the MDGs have already been achieved, so that special "Vietnam Development Goals" were formulated, the achievement of which will now be monitored in an integrated way along with the PRSP. In Nicaragua, an analysis of the progress towards the Millennium Development Goals is part of the PRSP progress report.</p> <p>As a rule, the UNDP takes on a key role in reporting on the progress in MDG achievement.</p>
Frequent use of PPAs	<p>Participatory Poverty Assessments have been carried out in all countries except Albania. But none of the countries has made them a part of the agreed monitoring system or of the scheduled observations of the results of current policy.</p>

³² World Bank (2003): Kenya: A Policy Agenda to Restore Growth. Report No. 25840-KE, 18 August 2003, p. 19 ff.

Health and Demographic Surveys (HDS) have been carried out in Kenya, Burkina Faso, and Nicaragua.

All in all, poverty monitoring quite good

Despite the differences, poverty statistics is certainly the best developed area in the five countries, and poverty monitoring is therefore the least problematic area.

6.2 The social sectors

Lists of indicators drawn up

As mentioned above in Chapter 3 of Section A, the health and education sectors, as a rule, collect detailed statistics on direct service provision, especially at the level of outcomes. In most countries that have agreed indicator lists, the indicators on education and health then also flow into the reports on PRSP progress. The annexes of the country studies provide an impression of the indicators chosen.

The summary of the most important indicators for Kenya illustrates the problem of missing process indicators. Raising the gross rate of primary school enrollment and reducing the disparity between girls' and boys' enrollment are mentioned as operational goals. But specific goals for dismantling regional disparities or for the level of outputs (school construction, teacher training) are missing.

User surveys only in Kenya and soon in Burkina Faso

There are no reports in any of the countries on the use of special instruments that systematically capture user satisfaction. The CWIQ surveys propagated by the World Bank, which comprise this type of inquiry, are only in the introductory phase in Burkina Faso, and play no role in the other countries. In Kenya, Citizen Report Cards attempt to capture the aspect of acceptance of and satisfaction with public services. Efforts are being made in Vietnam to introduce Citizen Report Cards.

Composite indicators

Likewise, few examples were observed of entirely plausible methods for summarizing different quantitative and qualitative indicators of a given area, with the help of special weighting techniques, into a comprehensive indicator on the progress in a sector. Vietnam is the only country where composite indices or indicators, such as the HDI, are used. Nor were indicators found that focus particularly on underprivileged groups or areas (such as the rate of girls' enrollment in the ten worst districts). This would be entirely possible, as the health and education sectors collect regionally disaggregated information.

Uncritical adoption of sector data

There is a generally observable tendency to uncritically transplant results from the existing sectoral information directly into the monitoring systems of the poverty reduction programs. This holds even for Vietnam, which currently has one of the best systems. The study consultants concluded that Vietnam lacks any sort of inquiry into the suitability of sectoral monitoring systems as instruments for the systematic investigation of policy and program management. Nor were they assessed as to how well they would fit into a PRSP

monitoring system. The authors of the Albania study found that a large number of indicators refer to the sector strategies and general sector data. But the sector strategies had not been critically examined from the point of view of poverty reduction, while the sector data was incorporated into the monitoring lists regardless of whether it related to poverty reduction or not.

6.3 Agricultural and economic development

Each of the countries viewed the promotion of broad and pro-poor growth as a key ingredient of successful poverty-alleviation policy. This is perhaps especially true of Kenya, for historical reasons. But in the other countries, too, poverty-reduction policy, as defined by the PRSP is also, to a large extent, growth policy.

The PRSPs often include general economic growth rates (expressed as a percentage of gross domestic product) and rates of increase for certain sectors or for agricultural production, and these are also incorporated into the indicator lists of the monitoring systems.

The attribution gap

However, the policies that are supposed help achieve such goals are seldom formulated in any way that even approaches thoroughness. Which sections of the government administration are to make which contributions are questions that remain vague from the outset, at the strategy and policy levels.

Therefore it does not come as a surprise that no satisfying indicators for the contributions to be made by the government sectors have been formulated in any of the countries.

Agriculture

The example of agriculture: designated core indicators are:

- rate of increase of agricultural exports (Kenya),
- self-sufficiency in grain production at the provincial or regional level (Burkina Faso),
- per capita grain production of farming households, differentiated by province or region (Burkina Faso),
- chronic undernourishment of children under the age of five (Nicaragua),
- ratification of the environmental plan (Nicaragua),
- vaccination rate for the bird epidemic "Exotic Newcastle Disease" (Burkina Faso),
- growth of agricultural production (Burkina Faso),
- growth rate of the value of agricultural production (Vietnam),
- gross productivity and per capita productivity of grain (Vietnam),

- investment in the renovation of water and waste water systems (Albania),
- degree of mechanization: number of tractors (Albania),
- amount of inputs used: fertilizer, pesticide (Albania),
- growth in the number of animal products (Albania),
- number of credit unions and savings associations (Albania),
- total investment in agro-industry (Albania),
- number of diseased animals identified (Albania),
- number of animals destroyed due to disease (Albania),
- number of land registry offices at the regional level.

The question of how to evaluate the contribution of the agricultural administration remains open.

Trade, business

The example of trade and small-scale industry:

- growth of gross domestic product (several countries),
- increased growth rate for the trade and tourism sectors from 1.3 - 1.5% in 2002 to 8.7 - 9.6% in 2007 (Kenya),
- creation of 500,000 jobs per year (Kenya),
- unemployment rate (Burkina Faso, without a set goal),
- marginal tax rate (Burkina Faso, without a set goal),
- number of participants in vocational training (Burkina Faso),
- annual total of the newly-employed, including the proportion of women (Vietnam),
- total number of employees and newly-employed in the non-government sector (Vietnam),
- number of business start-ups (Albania),
- employment in the private sector (Albania),
- contribution of the small and medium-size enterprise (SME) sector to employment (Albania),
- contribution of the private sector to GDP (Albania),
- contribution of SME sectors to GDP (Albania),
- value of direct foreign investment (Albania),
- increase of exports (Albania),
- private credit to the SME Sector (Albania),
- private credit to large enterprises (Albania).

Here, too, the contributions of the relevant state agencies remain unclear. But this only reflects the fact that these contributions typically are kept very vague in the respective PRSPs.

Almost no surveys on results foreseen

Investigations of the results of the corresponding government interventions are not foreseen as elements of the monitoring systems in four of the five countries studied. Only in Kenya will they be conducted through KePIM (Kenya Participatory Impact Monitoring), if it is defined as part of the monitoring system and continued.

6.4 Governance

Particularly the PRSPs of Kenya and Burkina Faso identified poor governance and endemic corruption as one of the essential causes of the poverty observed. Fighting corruption, transparent governance, and accountability are also prominent features of measures planned as part of Nicaragua's PRSP.

In comparison to its importance, this area is reflected only very rudimentarily in the respective monitoring systems. Admittedly, it can be very difficult to define appropriate indicators that capture the results of the measures in their entirety. Nevertheless, enterprises or citizens could be regularly surveyed as to their subjective perceptions on the rule of law; this is not the case in any of the five countries.

Monitoring of governance poorly developed

Monitoring progress in the area of governance is based on ad hoc observations. If past heads of state or members of government are prosecuted because of corruption, or if whole groups of judges are suspended from service, as happened with the Kenyan Supreme Court, then this is naturally a topic for the press and an important factor for judging the corruption-fighting efforts of a government. But whether this is an expression of populist activism or whether there is improvement in the overall situation is almost never determined.

The lists for the monitoring systems of the respective PRSPs include the following indicators for the area of governance (without public finance, which is dealt with later in this chapter):

- percentage of corruption cases that lead to conviction (Kenya)
- number of criminal violations of law reduced from 75,352 in 2001 to 65,000 in 2006 (Kenya).

Explicit reference is not made to the work of Transparency International, although this certainly would be possible.³³

³³ Transparency International regularly publishes a ranking of countries according to the degree of corruption there.

6.5 Public Expenditures and Finance

The allocation of public funds is the starting point for an analysis on the input level, including the resource endowments of the ministries and the activities implemented. Expenditure data, particularly on sectors that especially contribute to poverty reduction, are in most cases the first indication as to whether any attempt is being made to carry out the agreed policy. Public expenditures, particularly in the sectors of health, education, road construction, possibly agriculture, social affairs, and justice, where interventions necessarily require large investment, are of special importance. The value of the information is lower in sectors that primarily deal with regulatory functions or define general framework conditions, but provide few public goods or services.

How important is expenditure monitoring (input level) for monitoring PRSP implementation in the five countries visited?

Focus on financial management In several countries, improvement of public financial management is an explicit component of the PRSP. In some cases, there are also related indicators. In **Burkina Faso**, there are plans to increase allocations to lower administrative levels and to decentralize service provision.

Progress in Burkina Faso Hence the following indicators appear in Burkina Faso's indicator list:

- local expenditures as a percentage of total government expenditures;
- ratio of actual outlays to authorized outlays in priority sectors;
- proportion of expenses audited ex post.

Parallel budgets remain in Vietnam In **Vietnam**, many donors (although not the World Bank) still hesitate to supply budgetary assistance, because reporting on public expenditures is too fragmentary, in part due to numerous parallel budgets. However, the government is attempting to enlist the assistance of the World Bank, the IMF, and other donors in order to make improvements. The PRSP indicator system itself explicitly foresees the monitoring of budget lines, for instance:

- total funds that can be mobilized by the PRSP (revenues),
- total allocations to the results-oriented National Program of Hunger Eradication and Poverty Reduction (expenditures),
- total funding for job creation and support to poor municipalities (expenditures),
- PRSP funds allocated to the regional and local administrative bodies (down to the level of the municipality) (expenditures),
- funds mobilized for each program in comparison to the goals for each program and each regional and local administration (revenues),

- proportion of funds mobilized in accordance with the timeframe for each program and regional and local administration (revenues).

It can be assumed that earnest efforts are being made to actually substantiate these indicators.

Only broad indicators in Albania

In **Albania's** underdeveloped indicator list, budget data appears at different positions, but only as a few, sporadic entries. Particularly total funding of the respective sector budgets is conveyed in one form or another (for instance, as the total amount or as a portion of GDP). This limited set of figures provides information only about funding allocations at the sector level, not at the lower program or sub-sector levels. On the other hand, efforts to improve the budget system already began some years ago.

Burkina Faso receives a significant amount of budgetary assistance, and a group of donors that provide this also supports reforms in public financial management and tracks expenditure figures. Although the Finance Ministry's reports on public expenditures have improved in recent years, the donors who supply budget assistance still complain about the lack of transparency and conflicting figures.

Nicaragua: a positive example

Nicaragua provides a positive contrast. Currently, computer-assisted, networked systems are being introduced for public accounting, through the implementation of investment programs. These should make it possible to access current data over the internet in the near future.

Finally, the **Kenyan** monitoring system will certainly track public expenditures. The most important building blocks are already in place: medium-term financial planning is in place, core poverty expenditures have been internally defined, and a computer-assisted financial information system is already far enough along in its implementation that timely reporting on actual expenditures will be possible very soon. However, little use has been made of this potential so far, because the information is not compiled in a form appropriate for the purposes of political decision making or opinion shaping.

Core poverty expenditures

In order to facilitate expenditure monitoring and reporting, especially in those areas that are particularly important for the respective PRSPs, several countries have defined a "poverty expenditures" category. In Kenya, such expenditures enjoy special protection, so that the sectors still receive the budgeted funds even if there is a liquidity problem when funds are allocated during the course of budget execution. But the definition of the budget lines that are included in the category of poverty expenditures frequently changes, with the result that an inter-temporal analysis is not meaningful.

Medium-term financial planning

All countries mention in their respective PRSPs that public finances must be restructured, in order to be able to finance poverty-reduction activities. Therefore, the introduction of medium-term financial planning is usually a good idea, because there is only very little room

to make fundamental changes in the expenditure structure from one year to the next. The so-called Medium-Term Expenditure Framework (MTEF) is the instrument promoted by the World Bank for this purpose and employed in some developing countries. The allocations it foresees for the individual sectors and sub-sectors are, in principle, a suitable instrument for determining the government's concrete intentions.

However, MTEFs are, for the most part, still in the development stage. Practical problems exist primarily in two areas:

- A MTEF should list expenditures according to programs that are defined in such detail that the strategic goals can be assigned to them and the results of the expenditures can be presented within the MTEF with the help of indicators. But often, the breakdown remains so general that not even the poverty-relevant expenditures are recognizable in the MTEF. This is the case particularly when budgets are not strictly broken down by function.
- MTEFs should provide a reliable basis for sectoral planning. However, assumptions in the MTEFs about receipt of revenues were often too optimistic, so that the instrument has been discredited as irrelevant.

The advent of the MTEF

A MTEF is being implemented in **Kenya**, and the budget tables display the expenditures for the coming year and two successive years for every single budget position. The expenditures for the first year are authorized by parliament, the last two years are only indicative. The abundance of detailed information, however, makes juxtaposition of the expenditures planned for the medium term and the poverty and growth goals almost impossible without subsequent adjustment – strategic options become blurred behind copious details.

While **Vietnam** does not have medium-term financial planning, the government is currently discussing how it would like to use this instrument in the future. Nor has **Nicaragua** implemented this instrument so far, but it plans to do so in 2005.

In **Albania**, the first steps towards introduction of a MTEF were taken in February 2000. In the same year, the results already flowed into the guidelines for the 2001 budget preparation. The relatively crude first attempt barely had any effect on the allocations. But there have been efforts to improve it since then, especially to break it down further. However, despite the MTEF, it is still not clear how budget cuts (due to lower revenues than expected) are to be translated to cuts on the expenditure side (priorities).

At a point where decisions must still be made, the preparation of budget figures and also MTEFs for public discussion could be a useful instrument in support of the public discussion about the government's implementation intentions. This is done in **Kenya** in that an independent economic institute advises parliament about the pressing

issues it faces. However, in the five countries, inclusion of the public in the budget discussions remains far behind that which is common in South Africa or even in Zambia.

Public Expenditure Reviews

Analyses of public expenditures (Public Expenditure Reviews – PERs) can deliver information on the structure and efficiency of expenditures that is also useful for the national discussion. In the past, they were mostly an instrument of the donors, and particularly of the World Bank. More recent PERs tend to be more participatory. The general PERs are augmented by sector analyses.

The Public Expenditure Review in **Kenya** is especially noteworthy in this context. It is led by the government. Donors contribute personnel, but apparently without taking over the leadership. Kenya's Economic Recovery Strategy holds that PERs are to be conducted annually, in order to generate information that helps to monitor the strategy's implementation.

Sectoral PERs in Burkina Faso

Between 1999 and 2002, four sectoral PERs were carried out in **Burkina Faso**. The World Bank implemented a PER in **Vietnam** in 2000.

No accessible monitoring of donor contributions

Surprisingly, there is almost no explicit reporting on donor contributions to the implementation of their common agenda, the PRSP. Even in the lists of data to be regularly observed, there are no indicators such as "the ratio of donor disbursements to their pledges" or "donor contributions to the poverty-relevant sectors."

6.6 Special solutions for the "missing middle"

Sub-section 3.4.4 demonstrated that often the span between (financial) inputs and changes in poverty are captured by the monitoring systems only at each extreme. This phenomenon was described as the "missing middle."

The consultants have found a few approaches in practice that attempt, amongst other things, to capture the effectiveness of public-administration activities in a more timely fashion.

Impact Monitoring

The most important is **Participatory Impact Monitoring**, which was introduced in **Kenya**. Three rounds of KePIM (Kenya Participatory Impact Monitoring) were carried out from 2001 through 2003, two of which so far have resulted in printed reports, numerous short information brochures, and several workshops. The first round, KePIM 1, dealt with the health and education sectors. KePIM 2 investigated access to state assistance in the areas of small businesses and agriculture. In 2003, KePIM 3 limited itself to three urban areas and examined access to credit and implementation of the new policy of free primary education.

The question as to whether participatory *impact monitoring* is the right name for this instrument is left open.³⁴ But the questions of to what extent policy changes reach and are felt at the grass-roots level, and what prevents the intended beneficiaries from actually drawing on services are not studied in a comparable way in any of the other countries with any other instrument. The comparison of the stated intentions of the government program, the measures employed, and the perceptions of the target group is very suitable, both for exercising control over the political process and for identifying factors that might prevent or limit the planned results.

So far, KePIM in Kenya has been funded exclusively through German development assistance, and it is not clear whether this financing will continue. The instrument is considered to be relatively expensive: approximately EUR 60,000 plus external experts are the variable costs required for one round, according to the project manager.

Citizen Report Cards

Kenya is also the only one of the five countries where the instrument of **Citizen Report Cards** is being employed. No comparable instrument for investigating the utilization of and satisfaction with public services is known to exist in any of the other countries. However, such activities are being prepared in Vietnam with German support.

Multiple **Poverty and Social Impact Analyses (PSIAs)** of planned policy measures have been carried out in **Nicaragua**. Three PSIAs looked at tax reform, changes in primary education policy, and the public investment program.

In **Burkina Faso**, a German development cooperation project is concerned with special aspects of estimating results. It is implementing a computer-supported model with the firm name PAMS, which is supposed to estimate and quantify the effects of policy measures. Findings on whether an instrument like PAMS can be used for effective policy advisory services and how it can contribute to monitoring are not yet available.

Estimating effects of policy (PSIA)

Strictly speaking, PSIAs do not belong directly to the field of PRSP monitoring, but rather to the field of policy planning; however, they identify factors that can be tracked and perhaps measured by the monitoring system. Nevertheless, the consultants were not informed of any cases where this actually occurred. Thus, the PSIAs in **Nicaragua** have been useful in preparing policy decisions, but have had no influence so far on the monitoring systems.

³⁴ The World Bank mentions in that section of its PRSP Handbook that impact monitoring attempts to compare a situation "with" and "without" certain, defined policy measures. This did not happen in Kenya.

6.7 Overall assessment of the instrument base

What are the general shortcomings in the instrument base? The consultants' overall impressions can be summarized as follows:

Outcome indicators mostly found only in the social sectors	<ul style="list-style-type: none">• Apart from the health and education sectors, the sector level lacks summarizing indicators or a few meaningful partial indicators at the levels of outputs and outcomes. This might be connected to the fact that line ministries, especially in the sectors of trade, industry, tourism, and agriculture, have not adequately recognized or defined their contributions to poverty reduction.
Little focus	<ul style="list-style-type: none">• PRSP indicators focus too little on problem areas within individual sectors, as do their goals. Hence, indicators are seldom found that record, for instance, actual changes particularly amongst the worst-served regions or population groups. But this is more a problem of data processing than data collection.
User satisfaction	<ul style="list-style-type: none">• In only a few cases is user satisfaction an issue taken up by the monitoring system. The consultants did not encounter a single case in which, for example, a private company was engaged to routinely analyze a random sample of clients of public institutions as to their satisfaction.³⁵
Public expenditures	<ul style="list-style-type: none">• Reporting on public expenditures under the aspect of the implementation of poverty policy is making notable progress in several countries.
Poverty monitoring	<ul style="list-style-type: none">• Poverty monitoring is the area that has received the most attention and has been standardized to the greatest degree. Work is being done to organize the data in such a way that it can be more easily utilized in the political process.
Sector data	<ul style="list-style-type: none">• Administrative data are, of necessity, by far the most important sources of information on the operational levels of outputs and outcomes. Despite their enormous significance for a functioning and meaningful PRSP monitoring system, processing data within the sector administrations and the question of the degree of traditional independence of the statistic departments seems to be issues that have not been addressed much, so far.
Problematic information flows	<ul style="list-style-type: none">• Quite often, the country study consultants noticed that line ministries collect a lot of data, but are very reluctant and slow to make them available for external processing.

³⁵ The surveys on the satisfaction of railway clients in Germany serve as an example.

7. Organization, Dissemination, and Utilization of the Findings

The previous chapter described how the five countries, which this study investigated in depth, monitor the implementation of partial aspects of the strategy. But how are the individual images united into a total picture, and how is this total picture analyzed and discussed? This chapter examines these issues. It covers the following aspects:

- responsibility for data collection and analysis,
- responsibility for the comprehensive presentation and analysis of the findings, and their evaluation in view of the goals documented in the poverty policy,
- the form in which the analyses are organized and conveyed to those who have or should have a voice in the policy discussion,
- the forums in which such discussions and the subsequent decision making take place.

7.1 The supply of information

Quantitative

Offices of statistics...

In each of the countries investigated, the office of statistics plays an important role, particularly for the various forms of poverty statistics that are based on household surveys. Naturally, the capabilities and capacities of the statistical offices are important factors for the scope and quality of the data collected. The comparatively advanced monitoring systems in **Vietnam** and **Nicaragua** are also the result of the well-developed statistical bureaus in these countries. The more strongly the statistical offices can be involved in data validation, the higher is the probability of acceptable measurement. Therefore, overall strengthening of statistics typically enjoys donor support.³⁶

... sometimes have institutional weaknesses

The institutional weaknesses of statistical agencies are most evident in the case of **Burkina Faso**. Personnel and professional competency is very limited both in the line ministries that deliver the data and in the national statistics institute. On the one hand, data is closely guarded by the line ministries and, on the other, is passed on with practically

³⁶ This is laid out within the framework of Paris21. However, strengthening poverty statistics is not a new goal. Already during the times of the SDA Programs, strengthening poverty statistics was one of the key fields of activity.

no verification. Unclear responsibilities, a large number of participants, dysfunctional working relationships, and the absence of implementing regulations all lead to the fact that, although the number of indicators to be reported has been reduced to 50, there is no efficient structure through which to make them available.

The finance ministry

Data on public expenditures is, by necessity, always delivered by the ministry of finance. Its preparation, however, implies large problems for the finance ministries, which pay attention to detail, and rightly so. The data collected by PRSP monitoring is often not broken down precisely enough or is so detailed that it is difficult to use for monitoring purposes.

Qualitative

As a rule, statistics bureaus do not design or carry out the qualitative surveys that are specially geared to PRSP monitoring, even though they often make some contribution. As statistical offices usually count and measure, responsibility for qualitative surveys frequently is located elsewhere.

The solutions found in each of the five countries studied vary greatly.

Qualitative data collected by ministries

For instance, in **Kenya**, the qualitative impact monitoring instrument "KePIM" and the Citizen Report Cards are the province of national government institutions. Responsibility for them lies with the department of social sectors in the Planning Ministry, which also contributed significantly to the earlier poverty analyses. In **Vietnam**, such methods are being prepared by the Ministry of Labor, Invalids and Social Affairs. The Observatory ONAPAD in **Burkina Faso** is also part of the administration, but unfortunately has not generated any truly qualitative information.

Little recourse to independent research institutes

Qualitative surveys could also be carried out by research institutes or private firms commissioned by the line ministries or the units responsible for compilation of the progress reports. However, this type of solution was not found in the five countries. Likewise, civil-society organizations would be an option, in principle. But they were not given the chance to do this in any of the five study countries.

In the countries studied, most of the information is compiled by the government units that deal with implementation and by the statistical offices.

7.2 The compilation and processing of information

Despite all the participation, PRSPs are government strategies. It follows that the governments are also responsible for the summary reporting. How are these responsibilities assigned in the five countries?

In **Albania**, processing of monitoring and evaluation findings takes place primarily in the relevant department of the Finance Ministry. But so far, there has been no intensive processing of the findings to speak of, because, in the end, the few indicators available (which the department receives from the M&E departments of the different line ministries) have not been processed further – with the exception of general editing of the progress report.

In **Nicaragua**, institutional responsibility for PRS monitoring lies in equal parts with the Office of the President and the Finance Ministry. According to the distribution of tasks so far, a staff unit in the Office of the President organizes the high-level coordination and reporting. This unit is charged with compiling and reconciling the information from the line ministries, regional administrations, central bank, etc., and then processing it for the progress reports. The staff unit can request additional data or studies from other ministries and government units as needed.

In **Vietnam**, the Ministry of Planning and Investment has the responsibility for monitoring. The Finance Ministry and the line ministries must supply the data relative to the implementation. The office of statistics plays a very important role in the evaluation of current monitoring approaches, development of methodology for the new monitoring system, and development of corresponding reporting formats.

In **Burkina Faso**, an inter-ministerial monitoring committee, which is chaired by the Ministry of Economy and Finance and reports to the cabinet committee that oversees the PRSP, is supposed to be responsible for monitoring and evaluation. In **Kenya**, a PRSP steering committee is planned at the national level, under the leadership of the planning ministry and supported by a PRSP monitoring and evaluation unit.

Special units in the central ministries compile the information

The finance ministry often constitutes the lead institution (Albania, Burkina Faso, Nicaragua), which is due especially to its role in negotiations with the Bretton Woods Institutions. But other solutions are also possible, for instance, the lead being taken by the ministry of social affairs or the president's office. These units have the authority to demand data (exceptions: Burkina Faso, where this is still unclear, and Kenya, where there is no monitoring system yet).

New, special monitoring and evaluation units are being established at the top level in each of the countries, sometimes also at subordinate levels (line ministries, regional authorities), but not necessarily. In some cases, however, they are in the process of being planned or developed.

Internal government analysis is unclear

Nothing can be said about the mechanisms for cooperation and joint evaluation within the government apparatus. In general, it appears that the data, sometimes statistically verified, is passed along from the different departments without any special assessment taking place.

7.3 Dissemination of the findings

When, as provided for in the PRSP concept, governments are accountable to stakeholders with regard to implementation of the agreed Poverty Reduction Strategy, it must be asked, to whom the findings are conveyed and whether the findings have been processed and presented in such a way that the stakeholders can make use of them. How are preparation and dissemination carried out in the five countries? Who is actually on the distribution list for the monitoring reports?

Reporting primarily to the donors

In general, reporting to the group of donors is taken much more seriously than reporting to the general public of the respective country. This is where the most pressure is, because often the disbursement of further funding tranches depends on the submission of the PRSP progress report. The progress reports available on PRSP implementation were written above all for the donors.

But in Nicaragua, public discussion

Although the progress reports are public documents, in principle, they are seldom a topic of public discussion. The notable exception is Nicaragua, where an umbrella organization of civil-society actors, with donor support, has submitted a critical assessment of the government's PRSP progress report.

The study consultants did not notice any arrangements for the inclusion of civil society in the discussion of early drafts in sector or thematic working groups.

Parliaments barely involved

Apparently, the PRSP progress reports were not discussed in the parliament of any of the five countries, either.

Progress reports are certainly available to the interested public once they are completed. In Albania, for instance, both the progress report on the PRSP and the MTEF can be accessed by internet. Moreover, plans exist in Nicaragua to make monitoring data available to a broad public, in part via the internet. This system is currently being developed.

Internet use minimal

The GTZ project in Kenya's Planning Ministry, mentioned above, has set up a website that contains a lot of information about the country's poverty-reduction policy and makes available the studies that have been supported by the project. However, it was not possible to integrate this website into the internet site of the Kenyan Planning Ministry, nor is there any reference to the GTZ Social Policy Advisory Services project website there. The GTZ SPAS website has links to the GTZ homepage on each screen, but only sporadic links to the website of the Government of Kenya. Therefore, the website, as informative as it is, unfortunately remains a project website.

Little or no processing of findings for national stakeholders

The elaborate progress reports on implementation of the PRSPs are not especially suitable for the national discussion, perhaps because of their length and the language used. They must be supplemented by versions prepared specially for the national discussion. But in practice, there are few good examples of this.

Only in **Kenya** were short brochures prepared for each of the above-mentioned surveys supported by the GTZ project. These were distributed, perhaps not systematically, but certainly in large numbers. Policy Briefs were produced on each of the interesting conclusions, and distributed. The information is available in part (although no longer updated) through the internet site of the GTZ project.

Worthy of mention is the position paper written by a Nicaraguan civil-society organization that criticizes the official PRSP progress report. Unfortunately, no further information was found about its form or distribution.

7.4 Overall impression

National discussion barely developed...

It is quite astonishing to ascertain how little information makes its way to the public in a form that would permit an assessment of how seriously the government is carrying out its poverty program, and with what degree of success. But it would be rash to conclude that this is the result of disinterest or a lack of influence on the part of civil-society organizations. Those governments that take seriously the participation of and accountability to their citizens have the duty to provide their populace and the national authorities with relevant information. This obligation is not being adequately met. Publicity work related to the implementation of poverty reduction can be significantly improved almost everywhere, to state it positively.

... even when governments can demonstrate success

Governments that make sincere efforts to fight poverty (e.g., in Nicaragua or Vietnam) could clearly strengthen their own position through regular information and inclusion, because the reports would document that they do good work.

Without a doubt, the least viable aspects of PRSP monitoring are reporting that is in tune with the needs and information habits of the different users, and frequent information on the findings of studies, partial statistics, and sector reports. The following must be improved and further developed:

- preparation of information for the media,
- information materials for schools, political work at the local level, and the work of political parties,
- the frequency of reporting on individual aspects of PRSP monitoring.

**No visible
participation in
analysis**

In addition, national stakeholders are usually not included in the discussion of rough drafts of the yearly progress reports. Mixed advisory boards that could analyze progress before and during the completion of the progress reports are lacking. There do not seem to be any sort of scientific advisory boards or think tanks.

8. Donor Support of PRSP Monitoring

In all five countries visited, PRSP monitoring receives a large degree of support from those donors who are attempting to orient their programs to poverty reduction. This comes as no surprise, considering that the donors understand their work as a contribution to the overall program. They therefore are prepared, as a rule, to also contribute to the development of a system that allows the progress of the whole program to be tracked and, in the final analysis, to be evaluated.

Quality versus ownership

The dilemma facing the donors was mentioned in the introduction. Just as the PRSP is supposed to be a national program that is supported, but not managed, by the donors, so, too, is the M&E system supposed to remain primarily an instrument of the respective government and national stakeholders. Donors therefore must take care not to distort its focus or undermine national ownership. Donor support should, as much as possible, foster the PRSP process and avoid diminishing the respective government's responsibility to render an account to its populace and national interest groups on the successes and failures of its interventions.

Nonetheless, the PRSP monitoring systems are important to the donors beyond the national process, in order that they can document the extent to which the funding they have provided for the PRSP has been appropriately used. Here, investigation of the fiduciary risks represents simply the basic precondition for supplying budget assistance. The substance of the policies, however, can only be determined through PRSP monitoring.

Topics of this chapter

So much for the theory. What has occurred in practice? This chapter looks into the following questions, in particular:

- a) Which aspects are typically supported?
- b) Have any interesting, innovative instruments or forms of support for processes introduced by the donors been found?
- c) What experience has there been with different forms of support?
- d) How sustainable are the interventions?

8.1 Support of central institutions and reforms

Statistics

A tradition of promoting statistics

Since the beginning of the 1990s, donors have promoted the generation of poverty statistics and analytical studies on the causes of

poverty. Originally this transpired, above all, through grants or soft credits and technical assistance for the implementation of household surveys on income levels and socio-economic characteristics of the population. Later, these were joined by participatory, qualitative poverty studies.

Changing forms of support

Donors continue to support these studies. However, the form of promotion is undergoing a change. Instead of measures to support individual studies or surveys, donors now prefer programs for the institutional strengthening of the statistical offices. Hence the PARIS21 Consortium was established in November of 1999, in order to serve worldwide – but especially in developing countries – as a catalyst for the promotion of policy formulation practice based on facts and subject to ongoing monitoring.³⁷ In view of the increased challenges raised by the PRSP and monitoring of the MDGs, its activities, originally scheduled to be carried out for three years, were extended last year.

The roles of the World Bank and UNDP

Typically, the World Bank assumes a significant portion of the costs. But increasingly, other multilateral and bilateral donors are participating in the financing of the program. UNDP, especially committed to the Millennium Development Goals by its mission, contributes in part to the program's design. Statistical offices of various donor countries have their own programs of cooperation with the statistical offices of various developing countries.

Poverty observatories in West Africa

A particular path was adopted in **Burkina Faso** and several other West African countries. There, "poverty observatories" (*Observatoire de la Pauvreté*) have been set up especially for the collection of poverty-relevant data. In Burkina Faso, the observatory is a unit of the statistics bureau, but maintains closer relationships with civil society than do the other departments, and also carries out qualitative studies, which normally lie outside the standard programs of statistical offices.

Public finance

Support to budget system reform

A second general field of institutional strengthening concerns support of reforms in the area of public finance. The products of such reforms are more timely and meaningful reporting on actual public expenditures, a budget in a form that is better suited to the public discussion on spending priorities, and medium-term financial planning that allows expenditures to be aligned with the strategic goals of the government's program. Such reforms can be observed in Burkina Faso, Nicaragua, Albania, and to some extent in Kenya.

³⁷ Members of the Consortium are governments, international organizations, professional associations, and academic institutions that have relevant, practical experience in the field and are interested in improvement. A small secretariat within the OECD supports the work. Representatives from developing and transition countries as well as from bi- and multilateral donors sit on the steering committee.

Practically all donors view the reform of public financial management as an important contribution to the implementation of the PRSP.

GTZ and DFID involvement

DFID is almost always involved in promoting budget reforms, most often as the leading donor. Other donors participate, too, in those countries where several donors supply budgetary assistance and coordinate intensively as a group. German development cooperation is involved in budget-related projects in Kenya, Burkina Faso, and Vietnam; intensive participation is planned in Nicaragua.

Little focus on sector statistics

In contrast, little is reported on donor efforts to improve sector statistics in those areas that could be used for monitoring poverty policy.

8.2 Support through new ideas and innovative approaches

Common study topics

Many studies have been carried out to provide technical support for the formation of a monitoring system that provides meaningful information. As a rule, they are financed by donors. Common topics are:

- lists of suitable indicators,
- the institutional framework of the monitoring system,
- diagnostic studies on the design of support programs for statistical systems and institutes.

Our consultant team often heard the comment that many of the resulting recommendations have never been implemented. Time did not allow, however, for systematically determining which conditions must be fulfilled in order to refashion studies and expert opinion papers into more effective instruments.

Special studies

In several cases, donors promoted innovative instruments within the given context. Especially to be mentioned are the following:

- PSIAs, which were carried out in Nicaragua,
- Participatory Impact Monitoring and Citizen Report Cards in Kenya,
- approaches in Nicaragua for expanding decentralized government monitoring of projects into monitoring of poverty-reduction policies.

These approaches were introduced by donors, including German development cooperation.

Support for civil society organizations

In Nicaragua and in Kenya, donors have played an important role in supporting non-governmental research institutes and NGO umbrella organizations. In Kenya, GTZ, DFID, and the German political foundations have supported the capacity of organizations to critically accompany the government's efforts to implement poverty reduction programs. Especially noteworthy are:

- in Nicaragua, the funding of a critical assessment by civil society of the government's report on implementation,
- DFID's systematic support of a non-governmental research institute in Kenya on the basis of a partnership contract, and
- also in Kenya, multi-donor support for the NGO Council, the umbrella association of non-governmental organizations.

8.3 Forms of support

Even though our sample of five countries is not representative, certain trends in the ways donors support the formation of monitoring systems can be discerned.

Coordination of donor contributions	For one thing, donors clearly are on the path to intensified coordination also in the area of PRSP monitoring, which then usually leads to forms of joint financing. Such approaches are preferred over uncoordinated, individual interventions – and rightly so. The approach that has now become common with sector programs is here being carried over to institutions on a lower level, such as statistical offices.
Trust funds	The joint approach could also be carried over to monitoring as a whole, and could lead to a program of support for PRSP monitoring borne by several donors. This step, however, has not been taken so far; although in Albania, the beginnings of a trust-fund solution are apparent.
Suggestions...	Most donors support monitoring systems by financing studies and seminars. They provide suggestions and facilitate discussion forums, but it is left up to the national administration and the interaction between state and civil society to determine to what extent the suggestions will be adopted.
...and experts "in the system"	The GTZ diverges from this trend, in that it is practically the only development-cooperation organization that seconded personnel to government institutions that have a key role in PRSP monitoring. However, other donors, too, have rediscovered the value of long-term advisors in government structures. In Albania, DFID will be supporting the PRSP monitoring and evaluation unit through long-term advisors, and Vietnam is negotiating with SIDA on the same subject. The support of long-term advisors can effectively inspire the development of internal ideas and foster discussion within government institutions. But at the same time, there is pressure to continue working with the same partner institution, once selected. Options for partnerships with other government or non-governmental institutions and partners tend to be limited, and often must be bolstered through project designs that explicitly foresee cooperation with additional organizations, or through close coordination with other donors in complementary measures.
Partnership contracts	Donors also finance civil-society organizations and independent research institutes in their PRSP monitoring activities. In part, this occurs through support to defined activities and, in part, through

grants or partnership contracts. The Institute for Economic Affairs (IEA) in Kenya, which is co-financed by DFID, represents a good example of how successful this type of cooperation can be. This form of support has the advantage that the partner institution sets the agenda and is compelled to further develop its internal control and steering mechanisms. This form of financing seems to be especially interesting from the point of view of ownership and sustainability.

Special problems of synthesis

In contrast, the government agencies that are responsible for producing the PRSP progress reports usually do not receive external assistance – and rightly so, because this is an inherent task of government. Also, there is the danger that the reports become overly "polished," thereby reinforcing the tendency that they are written more and more just to satisfy the donors, and less and less as statements of account to their own populace. In individual cases, support might well be appropriate. But in all the countries visited, with the possible exception of Burkina Faso, there are enough competent staff members in the finance ministry and the scientific community to perform this work. Therefore, technical assistance cannot replace political will.

Support and demand

A method to support the monitoring of poverty-reduction policy that should not be underestimated consists of donors requiring analyses and statistics. This is legitimate, of course, because PRSCs, PRGFs, and many contributions of bilateral and multilateral donors (such as the EU) make explicit reference to the fact that the support is intended to be used for the demonstrable strengthening of poverty-reduction policy. But where civil-society organizations have little influence, the result is that progress reports and other types of reporting on the implementation of the PRSP are prepared primarily for the donors.

At this point, the original intent should be called back to mind: governments should be encouraged to be accountable principally to their citizens and to the national, democratically legitimized controlling bodies. Donors should primarily see to it that internal control mechanisms and political steering are operational. This is still quite far from being the case in practice, because, for one thing, the progress reports on PRSP implementation are not a topic of debate in the respective parliaments of the five countries studied.

Insistence on the dissemination of information

Donors certainly could be more strongly engaged in raising the demand for monitoring information from non-government institutions, and could call for governments to support this by making information available regularly and in appropriate forms.

8.4 Aspects of sustainability

Financial sustainability, meaning lasting capability to fund the procedures and instruments that have been introduced by the donors, is for good reason a constant topic of discussion, also as regards support to PRSP monitoring. However, financial sustainability is not present in most cases.

Statistics	<p>Programs to strengthen the institutions responsible for statistics are only financially sustainable when they are adequately funded in the medium term through the national budget and with national resources. Considering the amount of financing provided by donors, it is rather doubtful that it will be possible in the future to fund this increased quality and volume of generated statistics solely through national resources, especially the very costly household surveys for observing developments in the incidence of poverty. In particular, intelligent solutions must be found for carrying out the necessary statistical inquiries in a timely fashion and with lean staffing.</p>
Civil society	<p>Nor does the financial sustainability of the support to civil-society organizations or non-governmental research institutes seem assured. In order to be able to carry out the activities without external funding, it would be necessary either that civil-society interest groups anchored at the grass-roots level take over the funding, or that state grants be made available for this purpose. However, few of the lobby groups or institutes supported have notable connections to the grassroots level. They typically are consulting firms in the guise of non-governmental, non-profit organizations. If civil society is only weakly organized – and this is usually the case – it cannot be expected to raise the resources to support its umbrella associations.</p>
Sustainability?	<p>Nevertheless, the study consultants believe that financial sustainability should not be an important criterion for assistance at this stage. The instruments should be effective and capable of being assimilated. But beyond this, the costs incurred through supporting the monitoring instruments should be comparable to the costs for project monitoring, which they are partially replacing in the medium term. Project monitoring has been and will naturally continue to be financed through donor funds. Now that government activities are being co-financed long term within the framework of partnership with a PRSP as the central pivot, this should hold equally for monitoring the results.</p>
Monitoring as a joint task	<p>Monitoring systems should be effective, cost-efficient, and balanced. They should be set up in such a way that they can continue running for the most part with national personnel. But as long as donors are co-financing poverty-reduction programs, monitoring systems need not be financed solely through national funds.</p>

SECTION C: CONCLUSIONS

9. County Experiences and Lessons Learned

9.1 A myriad of divergent expectations

Systems for tracking the implementation of poverty-reduction strategies are faced with divergent and not completely compatible demands:

- a) They are supposed to enable the populace and the donor community to exercise some political control over the government, but at the same time foster joint learning.
- b) Results of monitoring should allow a timely assessment of whether the implementation of the poverty program is moving along the right track towards the achievement of the Millennium Goals. But little investigation has been done to determine which agency must deliver what services to what extent in order to reach a given Millennium Goal (with the possible exception of the goal for education). Thus, trying to determine whether a country is on the right path on the basis of the results of administrative activities is problematic.
- c) Of course, a monitoring system can only build upon consistent and specific planning. But the planning that is apparent in the PRSPs is typically quite vague; objectives often are defined imprecisely. Thus, no choice remains but to formulate more exact goals during the process of developing the monitoring systems.
- d) Donors must demand sound monitoring, as they understandably must account for the effectiveness of the resources invested. But the duty of governments in PRSP countries is, above all, to be accountable and report to their own people and democratic control bodies. Ensuring ownership, on the one hand, and the same degree of quality and significance, on the other hand, remains a challenge.
- e) According to the ideal concept, PRSPs are supposed to be the predominant strategy document of the respective government for comprehensive, multidimensional poverty reduction and ultimately for achieving the national Millennium Development Goals. However, so far many PRSPs have taken up primarily short-term objectives in the area of social policy and often do not

sufficiently consider the economic dimensions of broad-based and sustainable poverty alleviation. Moreover, they are not always the governments' main agenda, but exist side by side with other plans, which often date from previous years and have not been integrated into the PRSP, or have emerged due to conflicting sets of goals. In such cases, it is difficult to monitor the overall process of poverty reduction in a PRSP country.

- f) Details are needed to monitor the implementation modalities of strategies and policies. On the other hand, the political process requires a few, results-oriented indicators that make meaningful statements about overall achievement. Ideally, a monitoring system should provide information for both purposes. But is this possible with a single comprehensive report?

The following passages discuss these and other aspects based on the impression of the experiences in the five countries visited. Lessons are drawn that, on the one hand, are directed to those responsible in the PRSP countries and, on the other hand, provide advice on how donors can constructively support the development of monitoring systems that meet the diverse demands mentioned above.

9.2 An overview of strengths and weaknesses

Should one want a pithy (and therefore unavoidably simplified) summary of the consultant team's observations in the five countries, the following statements emerge:

Disappointing internal effectiveness

- a) The involvement of the parliaments and civil society in the discussion about the achievements and successes in implementation of the PRSPs is so poor that there is, in effect, neither accountability nor dialogue amongst the governments, the parliaments and the citizens. Exceptions (Nicaragua) and constructive approaches (Kenya) prove the rule. Weaknesses at the instrument and data levels pale in comparison.

Findings not prepared for national stakeholders

- b) Progress with the reporting to donors does not seem to result in any noticeable improvement in the reporting to national stakeholders. The challenge is to ensure that the improved information flow to donors also effectively feeds more facts and analyses into the public discussion.

Shortcomings with regard to the economic growth goals

- c) Special problems exist in trying to observe the contributions of government administrations towards the goals of economic growth. Better concepts, instruments, and related indicators are needed to assess the results on a level that is strongly influenced by, but not completely under the control of, the administration and that includes elements that benefit the target groups.

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|---|---|
| The integration of administrative data | d) A commonly encountered problem area lies in establishing a regular flow of meaningful information from the sectors into a comprehensive reporting system on PRSP implementation. |
| Systems generally still under construction | e) Even after two or three years of implementing the PRSP in countries such as Nicaragua and Burkina Faso, monitoring systems are still being set up. As the professed objectives of the PRSP process include a qualitative change in the political culture and a more intense dialogue between governments and civil society, considerable efforts are necessary in order to maintain the dynamics of participation that emerged during the formulation of the PRSP. |
| Long discussions delay concrete results | f) Discussions on the list of the most important indicators and the institutional framework of the monitoring system are necessary, but in practice, they can easily become disproportionately long and costly. |

These aspects are explained in more detail below.

9.3 The strengths and good approaches identified

Poverty statistics relatively furthest advanced	In each of the five countries, the reporting being done on the poverty situation is technically the furthest advanced. On all sides, regular poverty-related household surveys are being carried out, as well as periodic Health and Demographic Surveys (HDS). Regular reporting on progress in achieving the Millennium Development Goals is emerging. The efforts in the areas of methodological precision and user-friendly organization should be continued.
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Input monitoring on the basis of actual expenditure requires reforms – and these are often underway	Because poverty reduction requires the restructuring of public expenditure in many areas, it is essential that budget drafts are organized and prepared such that the linkage between policy and outlays is recognizable and can be discussed. In Kenya, Nicaragua, and to some degree in Burkina Faso, efforts to improve the steering and management of public funds have borne the first fruits. But the necessary changes require several years. When reasonably structured reporting can be made on <u>actual</u> expenditure, reports on planned and actual outlays can significantly enhance the public discussion on the implementation of the Poverty Reduction Strategies.
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In practically all of the countries, budget information is still not prepared in a manner suitable for the public.

Good approaches, but civil society still needs further support	Active civil society organizations are a necessary precondition for constructive societal dialog that can keep governments "on track." Approaches to supporting such organizations that appear reasonable and promising are found in Nicaragua and Kenya. Partnership contracts with independent research institutes have proven their worth, as long as they are combined with intensive, substantive support by local donor offices. Even when the civil-society
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organization's criticism might appear not to be objective (as in Nicaragua), it is, in the first instance, important that it be expressed at all. Helping civil society to steadily raise questions and make contributions on the basis of facts remains a challenge.

Monitoring user satisfaction only beginning

In general, approaches that investigate the use of public social services and the satisfaction of users are not being applied extensively enough to also allow assessment of implementation effectiveness. Special studies are necessary that juxtapose the intentions, the measures, and the users' appraisals. This is why KePIM in Kenya is a sensible approach that has no other equivalent.

9.4 Common deficiencies and weaknesses

Sector administrations receive too little attention

The consultants frequently observed that information from the sector administrations on activities and especially on results does not find its way into reporting on PRSP implementation in a focused manner. Sector administrations tend to withdraw from external control and so miss the opportunity to make information about insufficiently-met demands a point of discussion with the respective central ministry. The consultants also at times had the impression that line ministries had not truly internalized the Poverty Reduction Strategies and, taking a "business as usual" point of view, continue to report primarily on activities and use of resources, and not on results.

Apparently, the structural relationships between the ministries of finance or planning and the sectoral administrations are also in need of improvement. Sector working groups, in which civil-society organizations, private providers of the same services, and special users are represented, could be better developed in many cases.

Progress reports just for the donors?

The annual reports on progress with the implementation of the respective poverty programs are frequently criticized by donors for containing too many details and too few well-founded statements at the level of results. The reports are compiled for the donors, in general, and for the Bretton Woods Institutions, in particular. They seldom are a topic of public discussion and are not presented to the parliaments, not even for information purposes.³⁸

Improving the preparation for internal discussion

Probably for want of a generally understandable treatment of the findings, PRSP monitoring so far remains a field for specialists. In order to satisfy the latent demand for monitoring information in the (expert) public discussion, and thereby just to begin to make social

³⁸ However, the question as to whether this means that parliaments are not involved requires some differentiation. As a rule, parliaments receive economic reports in connection with the introduction of the budget. The consultants were not able to check whether these make reference to the PRSP reports. It is also conceivable that the PRSP reports are forwarded as information to the responsible parliamentary committees.

control of government action possible, the preparation of the monitoring information for a broad public must be given more attention. Journalists must be in the position to turn data and facts into "stories" that can be told. Governments and civil-society organizations, too, could support this through the preparation of attractive brochures and regular discussions with the press.

Better use of the internet

So far, the internet is scarcely being used for making information available to the public. The study consultants did not find a special PRSP website anywhere. In an age in which many civil-society organizations have access to the internet, and the networking of government offices is making quick progress, this means of communication is interesting and should be used more.

Transparency on the donor side

Donors could set an example by presenting more information on their contributions to PRSP implementation through joint websites. In addition, donors' financial contributions to the implementation of the PRSP are conspicuously lacking, as a rule, from the indicator lists of the monitoring system. Here too, donors as a group could demonstrate what transparency and accountability might look like in practice.

9.5 Special risks

The studies of PRSP monitoring in the five countries also reveal a series of risks.

Governments that are not truly committed

The most important are situations in which governments apparently do not pay much attention to the Poverty Reduction Strategy or even do not take it seriously. In Burkina Faso, the donors have growing doubt about the government's earnestness and decisiveness in implementing the agreed policies systematically and comprehensively. In Albania, several political agendas exist side by side, without being adequately linked. Public opinion and civil society are not functioning sufficiently as controls over the government in either of these countries.

But because PRSPs are a prerequisite for receiving soft credits and grants from many donors, the very most is made of successes, and reports are prepared that quickly pass over critical aspects.

Complexity can disguise

In these cases, a debate on completeness or about indicator lists is probably misguided, because it would only obscure the true issues and lead to delay. In order to mobilize public opinion, a much better recommendation is proper dissemination of the findings of studies that take up especially revealing components of the poverty-reduction program and compare the goals, activities, and results. As much as possible, representatives of civil society with strong connections to the grassroots level (for instance, a business association or the churches) and academic institutions (which tend to be critical by nature) should be incorporated in this. Here it could be especially helpful to improve

public access to information on national finances and the budget, in order to give non-governmental organizations the opportunity to contribute greater consideration of poverty-reduction issues to the budget debates.

The danger of "talking it to death"

A second risk is that of too much talk. Kenya is a vivid example, where (because of political upheaval) planning and re-planning has been going on for years, where the goals are constantly being changed without it particularly attracting attention, and where many workshops and studies have been carried out on the monitoring system without reaching consensus and without work being started on the implementation.

Demand a short list of essential data

It could be helpful if donors would offer advantageous terms of financing only when at least a minimal list of meaningful actions and goals, a short list of indicators as the primary focus of observation, and a basic structure for the exchange between government and society on the results of implementing poverty policy have been submitted. The monitoring instruments then could be refined over the course of time.

A third risk consists of the responsibility for monitoring being too concentrated. In principle, there are many advantages to bundling the monitoring together within one unit – a department in the ministry of planning or finance, or an inter-ministerial working group in the office of the prime minister or president. Because poverty is multidimensional and can be reduced only through concurrent improvements of the services of several government agencies, it basically is necessary to view the planned interventions in their entirety as well as the relationships between the individual measures. Moreover, although poverty policy might be agreed with the populace and the donors, PRSPs necessarily remain programs of governments, who should therefore report on the implementation and be accountable.

The danger of blockades

But centralized systems are also susceptible to blockades and "adverse circumstances," such as a change of government. This speaks in favor of a certain degree of parallelism in the structures for compiling and interpreting the data on the implementation of poverty policies, and for the frequent publication of individual findings, e.g. of surveys and studies or statistics on a single sector. The legal right to information and grass-roots funding of non-governmental agencies that can do this sort of work and historically have done so in a politically-effective way are essential to keeping their analyses factual.

Publicize partial findings

Even within centralized systems, the monitoring system should help to maintain the discussion of poverty-relevant policy and interventions. The publication and discussion of the annual PRSP progress reports is certainly an opportunity for intensifying it; they represent the yearly "highlight," so to speak. But it is advisable – especially in those countries that do not have a tradition of transparency in government activity – to view the different instruments for monitoring outputs and results not merely as input for the annual reporting, but instead to

report their findings separately and, again, publicly. So it definitely is sensible that in Kenya, for instance, reporting and discussions on the findings of a Health and Demographic Survey, on public expenditures, and on the KePIM studies take place when the reports are published.

What role does progress with the PRSP play in credit decisions?

Finally, it can be observed that progress with the implementation of the poverty-reduction programs fades into the background when the IMF and the World Bank make decisions on further credits. As always, the policy matrix, with the mostly procedural activities it defines, plays the decisive role. It therefore is completely understandable when countries and governments tend to regard the PRSP reports as a compulsory exercise that, in the end, remains without consequences. True, placing special value on processes and renouncing conditionalities that are defined *ex ante* comply with the notion of partnership. But the practical result seems to be that progress of the processes is not given the attention it should receive, either.

The solution could consist of keeping the process conditionalities typical of the IMF to the minimum necessary to create transparency and the macro-economic preconditions for effective poverty reduction. At the same time, progress with the implementation of the Poverty Reduction Strategy should be assessed on the basis of a reduced and agreed list of core areas and suitable indicators, as in the case in Mozambique, for instance. Although this does not lead to complete curtailment of the program, there are clear consequences for the intensity of continued cooperation, nonetheless.

9.6 The substance and modalities of donor support

What can and should donors do in order to establish transparency of government action, but also in their own behavior and work? What are suitable modalities for this?

According to the observations of the consultant team, donors mostly are on the right track when they:

- support **basic functions**, such as statistics, public expenditure management, and budget planning;
- promote **civil-society organizations** in the long run, so that they can create capacity on the basis of predictable funding and can develop professionalism;
- make clear, through **persistent inquiry** and dialogue with governments, administrations, and non-governmental stakeholders, that they value decisions based on facts, and the public discussion of basic policy options and the results of government policy.

Program funding

The trend towards program funding seems suitable for supporting monitoring systems without the danger that the particular interests of the respective donors involved are the dominant motivation for providing the support. A positive example of this is the joint funding of

programs to strengthen official statistical institutes. Trust funds for the broad support of monitoring tasks are also suited to fostering the dialog between donors and governments with the inclusion of civil-society users of the information. They can help to operationalize a "well-rounded" system, instead of improving one aspect, while neglecting functions that are essential to effectiveness.

Long-term advisors

The question of whether it is wise to place long-term advisors in important institutions that deal with monitoring cannot be definitively answered on the basis of the experiences of this study. The GTZ is just about the only institution that provides technical support through projects. Other donors tend to grant funds and to enhance the discussion through qualified personnel in the country offices. Both approaches can certainly demonstrate success. An appropriate mix of both is probably best.

It should be noted as positive that the study consultants did not encounter any cases in which donors, through blatantly exaggerated preoccupation with details, detracted from implementation of the entire program and observation of its global results.

Integration of advisors into appropriate structures

The necessity of integrating technical support, whether in the form of long-term experts or of study missions, into the appropriate institutional structures – those with a mandate corresponding to the assignment of the advisors and the subject matter of the study - was generally taken into account.

"Seminaritis" can be very expensive

Conversations with donor representatives on site give the impression that "seminaritis" is rampant and that significant sums are being spent on it, because most often meeting allowances must be paid. The study consultants cannot offer a pat solution for this; however, there must be serious attempts to organize monitoring and the discussions of monitoring findings in a more cost-efficient manner. Otherwise, the attempt will fail to establish monitoring as a normal government task.

10. The Benefits of PRSP Monitoring for the Donors

10.1 Reasons for the neglect so far

Donor organizations have made very little use of the findings of PRSP monitoring, so far. Fundamentally, there are three reasons for this:

Systems for the most part still being assembled

a) In the five countries investigated, as in probably very many other PRSP countries as well, the monitoring systems are still quite unfinished. For the most part, they still are being set up.

Unsatisfactory implementation

b) When a PRSP is being implemented incompletely and not very extensively, then a progress report based on a monitoring system is not to much avail, either. Monitoring findings become interesting when one wishes to determine whether activities that clearly have been carried out have had any results, and whether the complementarity of executed activities was taken into account. But where little effort has been undertaken, the monitoring system can only confirm what is already surmised – and usually is not needed to do this. Such is the situation in Albania and Kenya, and to some extent in Burkina Faso, as well.

A continued focus on projects

c) PRSPs policy packages and monitoring systems to check their effectiveness are of interest to donors primarily when they align their support measures with them. In many cases, this has not yet been systematically put into practice. Therefore, donors ultimately are more interested in observing the results of their own projects than in the entire picture.

Hence, the benefits for the donors cannot simply be deduced from practical experience.

Nevertheless, the attempt should be made to identify the benefits of PRSP monitoring, as PRSP processes have developed into the current standard for cooperation with a relatively broad group of countries.

10.2 Potential benefits

Benefits cannot be universally defined

The (potential) benefits of PRSP monitoring for the donors cannot be defined universally, because donors pursue different interests. For example, Japan and France are not engaged in Vietnam primarily to support the PRSP process, but because regional political considerations and historical ties motivate stronger cooperation. The involvement of the EU countries in Albania is similar. In this sense, an

institutionally anchored interest in PRSP monitoring at this point can only be assumed for the Bretton Woods Institutions, which have set this process in motion and review it, along with the recipient country – at least so far as the interests of the Bretton Woods Institutions in the respective country are free from other influencing factors.

Donors also committed to the MDGs

All the same, most bilateral donors have committed themselves to the MDGs and view PRSPs as the national strategy with which to achieve the MDGs in the given country. Therefore, based on their commitment to the MDGs, they should be immanently interested in learning how successful the national strategy is in achieving the MDGs, and to what extent those interventions actually carried out contribute to poverty reduction.

PRSP monitoring is indispensable where budgetary aid is provided

In the recipient countries, PRSPs represent the substantive counterpart to the budget processes, provided they in fact fully and completely reflect the countries' policies; however, this is not the case everywhere (contrary to the original vision). They explain which poverty-relevant goals and measures should be politically implemented with the budgetary resources in the recipient country. Donors who are prepared to change their course from project assistance to budget assistance in order to reduce the recipient country's transaction costs of international cooperation and to foster the recipient country's ownership of its policies require PRSP monitoring in order to track the overall use of budget funds and the effectiveness with regard to the poverty alleviation goals.

Budget transparency and risks

Improvement of the transparency of the national budget and the limiting of fiduciary risks through the monitoring of disbursement flows and audits are pre-conditions for initiation of budgetary assistance. There are a series of instruments that attempt to bring about improvements in this area (MTEF, expenditure tracking, system audits, etc.). Remarkably, donors so far have concentrated their efforts chiefly on the issue of budget transparency as a prerequisite to budgetary assistance. But the substantively important question of the use of funds (With which measures do we achieve which goals?) is fixed through the PRSP process and checked within the framework of PRSP monitoring. Failure to participate in the PRSP or its monitoring is therefore practically tantamount to not being interested or involved in the use of the funds.

Of course, the PRSP process is set up so that the government of the recipient country seeks to develop the PRSP independently, and no longer blindly accepts the policy matrix of the Bretton Woods Institutions. Thus donors' restraint during the formulation of the PRSP is completely appropriate, unless technical support is requested by the recipient country. This also holds in principle for PRSP monitoring, although with the (legitimate) exception that documentation of success or at least efforts to implement the PRSP is an important element for determining whether the donors can invest resources for support. Therefore, donor responsibility for the respective resources they make available can be fulfilled only through effective PRSP monitoring on the expenditure side of the recipient country's budget.

Beyond these essential points, effective PRSP monitoring also yields other benefits:

Testing hypotheses on development results

PRSP monitoring helps to test hypotheses on development results.

PRSPs are perhaps the most comprehensive way to deal with development in a programmatic manner. Unlike earlier decades in which development strategies were expressed in relatively simple formulas (from Harrod-Domar and Stalinist industrialization on through to the Washington Consensus), the variety and breadth of the models has increased through the explicit recognition by the Bretton Woods Institutions of development achievements that are not based on such strategic models. Thus the introduction of PRSPs has yielded certain basic conditions for the definition of development goals on the one hand, and for the development of strategies to achieve them, on the other.

Recipient countries should be able to formulate their own strategies relatively free of ideology and development dogma, and should no longer be bound from the outside to a development consensus that has originated elsewhere. This increases the potential for a variety of possible, alternative development strategies and for consideration of the respective national starting point and framework conditions.

PRSP monitoring thus can further the learning process for all participants (including the donors) through deepening knowledge about viable development strategies in various environments. This is an unbelievable opportunity for putting the collected knowledge of development theory and practice to the test and for identifying promising patterns for development under the new conditions of globalization.

Country strategies adjusted to accommodate weaknesses

PRSP monitoring serves the adjustment of donors' country strategies and programs.

It is not only important to the recipient country that external assistance is in line with their needs. The donors, too, have an interest in their resources being used for priority purposes. The findings of PRSP monitoring therefore will be very valuable for the orientation of donor support. PRSP monitoring can provide information that helps us determine to what degree goals are successfully achieved and deliver indications about what needs to be changed in order to increase the degree of goal achievement.

In Vietnam, it is already apparent that bi- and multilateral donors have used the PRSP process to make adjustments to their own country strategies and project portfolios.

Rationalization

PRSP monitoring serves rationalization.

An increase in the rationalization of cooperation is made possible to the extent that the focus of donor support shifts from the project level to the program and sector levels, and finally to the macro-level. Individual experts carrying out monitoring for their projects will no longer predominate, but instead, development results will be measured on a highly-aggregated level.

To the extent that such a "rationalization spurt" occurs, knowledge management, which is necessary for the successful steering of all processes, assumes greater importance. PRSP monitoring is in the position to generate a significant flow of information, which a rationalized system can use as a basis for its work.

In this context, it is in the donors' interest that the PRSP monitoring systems reliably report the information that they need for their decision making. Thereby it should be ensured that the information flow is not restricted to the most highly aggregated level, but also that sector-specific information is accessible in order to look into the results chain; otherwise, there is the danger that the knowledge remains too shallow. In the ideal case, PRSP monitoring delivers all the information required by the external donors, so that donors' time and expenditure on their own surveys can be minimized.

Networking

PRSP monitoring serves networking.

Networking with other donors is promoted to the extent that the different donor contributions are oriented to the PRSP. There is explicit recognition that development is not based on single interventions or individual initiatives, but that development results ultimately can be achieved only in combination with other projects, policies, and framework conditions. Thus, only the networking of various participants guarantees that development success will result. The basis for discussion is provided by (neutral) PRSP monitoring, which supplies the information so that the participants have a common foundation for making use of the linkages.

Projects of individual donors then become components of joint activity towards the effective implementation of the PRSP. They should be identified with the goal of strengthening national capacity for implementation, and therefore focus on weak points that could hinder effective implementation if not removed. Of course, projects then must be evaluated differently. The question of what the project has achieved must yield to the question of whether the partner organization was capable of making the contribution to PRSP implementation that is part of its area of responsibility. Only then can the question be asked of how useful and perhaps essential the individual projects were. The direct attribution of results of the team (the partner and all of the donors) to individual projects is neither sensible nor possible.

Accordingly, DANIDA has already stated that in Vietnam project results are at the center of current monitoring, and that ideally the contributions within a sector will be verified on the basis of a single indicator. In this way, DANIDA consciously accepts that attribution to the individual interventions it has organized is no longer possible.

A precondition for the use of these PRSP potentials is the active demand for and use of PRSP monitoring by the various donors, as well as its integration with existing (parallel or competing) monitoring systems (the policy matrix of the Bretton Woods Institutions, the MDG monitoring by the UNDP, other government monitoring systems). Likewise, technical input (be it in the form of technical dialogue) into the compilation of the indicators is necessary, so that the legitimate information interests of the donors can be served; in the current situation, one cannot count on anything happening automatically.

11. Outlook

11.1 Characteristics of effective PRSP monitoring

The country studies that were carried out in the context of this study have revealed that, so far, none of the five countries has a truly fully-developed, functional, and tested monitoring system to speak of. This is due primarily to the fact that the PRSPs normally were drawn up under time constraints, and therefore monitoring was not given the attention it deserves. It also is connected with the fact that PRSP goals have often been formulated in terms that are not sufficiently specific or binding and that, in many countries, the new transparency and inclusion of the public need time to consolidate.

Nevertheless, some recommendations can be formulated as to how an effective PRSP monitoring system should be set up.

What is "good" in this context? The most important criteria should be:

- simple and understandable,
- effective in fostering and more continuously shaping the national public discussion,
- despite this, complex enough to capture the entire PRSP packet.

To do this, the following elements are necessary:

- a) PRSP monitoring must **focus** on the essential areas that contribute directly or indirectly, but clearly, to poverty reduction.
- b) PRSP monitoring should concentrate primarily on **outcomes**. Outputs can serve as approximate measures (proxies) for outcomes, where these are difficult to define or costly to measure.

Of course, what ultimately matters is the effect on poverty and social solidarity within the society. But the effects of government activities on these are so complex and require such a long time that a focus on the impact level alone is not suitable for political monitoring and steering.

Output monitoring, on the other hand, normally is not suited to capturing results or probable results.

- c) In addition, PRSP monitoring must regularly track **inputs** at the level of **public expenditure** in a suitable structure.

When planned outcomes are not realized, the question immediately arises as to whether the administrations actually received the resources they needed to provide services and achieve results (i.e., the question about the upstream resource level). The sum of financial allocations for important programs within the sector budgets provides the best and most quickly available indication of whether the implementation of the strategies and programs agreed in the PRSP is being taken seriously.

- d) But at the same time, PRSP monitoring should also include **surveys on policy effectiveness at the grass-roots level** as an integral component.

First, these should help to determine whether policy changes are felt at the grass-roots level, at all; second, they check whether the package of policies and interventions is adequate from the perspective of the target groups. The findings might vary from locality to locality, thus the results cannot be expected to be representative. However, such - mostly qualitative - surveys are absolutely necessary in order to test the plausibility of the linkages assumed to exist between the outcomes and the poverty and development results (i.e., the plausibility of the downstream results chain).

The basic idea behind the path taken in Kenya with KePIM and the Citizen's Report Cards, therefore, should be furthered. Here it is especially important to pay attention to how the results of such methods can enrich the public discussion.

- e) For its information, the PRSP monitoring system should – as much as possible – draw on other, especially **sectoral monitoring systems**, but without absorbing or duplicating them.

The point is to monitor policy, not procedures. In this respect, the sector administrations have the responsibility of assessing how efficiently they have structured their internal processes, which usually conclude in the provision of services. To do this, of course, they require their own monitoring system. But, the political level ultimately is interested exclusively in the effects at the end of the day – that is, in the results at the level of outcomes.

- f) In many areas, it is simply unavoidable that those who provide the services are those who also produce the essential monitoring data. But more use should be made of the possibility for having these **validated externally**.
- g) The **boundary** between a **monitoring system** and the **participation of experts and citizens** in finding solutions and making decisions is blurry, but it is wise to differentiate between the two aspects.

Governments and administrations should incorporate their "clients" (target groups) into fundamental decisions in a form that is appropriate for them. In addition, the monitoring system should make available the processed data required for this.

- h) Inevitably, the **form of reporting** must be more diversified. Nonetheless, it must be consistent, overall.

The annual progress report should therefore be designed to summarize the monitoring information in a more user-friendly way for donors and the formal, national steering entities (e.g. budget committees and parliaments). The national populace, on the other hand, requires diversified reporting on well-prepared information that allows, for instance, journalists to turn facts into stories worth reading or listening to on the radio, and that foster discussion and critique.

The government has the duty to make information public and also transparent for these purposes.

**Concurrently
make goals more
specific**

In practice, monitoring systems and indicator lists must almost always be defined in a situation in which the goals of the respective PRSP have been formulated too vaguely to allow the measurement of the extent of goal achievement. Building a monitoring system upon vaguely-formulated goals is not methodologically correct, but is unavoidable. Therefore, during the course of monitoring, the space and opportunity must be provided for feeding not only the findings, but also the issues, back into the political system. In case of doubt, the monitoring system must offer a selection of indicators that correspond to the various, concrete goals, in order then to ask what one wishes to achieved.

**The most
common problem
areas**

In practice, the three rules that are broken most often are:

- avoid an excess of details that are not very useful for the evaluation;
- focus on the outcomes level;
- prepare results for the broader political discussion.

11.2 Donor support

PRSP monitoring is the observation of the implementation and the review of the effectiveness of a policy that is jointly borne by governments and donors, and that has been agreed with the populace of the countries in its basic outlines. "Jointly borne" also means "jointly financed." Monitoring and evaluation should be viewed as an integral component of the jointly supported package for poverty reduction.

**Postulate of
sustainability not
to be over- valued**

This has consequences for the standpoint from which one discusses the sustainability of monitoring systems. As long as the poverty-oriented policy is jointly financed, the M&E should also be understood

as a joint program; governments should not be required to be able to defray the costs for M&E single-handedly in the short and medium terms. Suitability and cost-effective design are more important criteria.

Of course, ownership is an important aspect and, ideally, when external support for poverty-reduction programs is increasingly channeled through the respective public budgets of the recipient countries, it should be possible to finance the monitoring systems through the budgets, too. Donors must press for this.

Professional civil-society contributions must be funded

The PRSP approach does not apply to government activity, alone, but also to the manner in which governments and administrative units are accountable to their citizens and constitutionally-established controlling bodies, and include them in decision making. But the professionalism of civil-society organizations costs money, and the grass-roots structures are only seldom in the position to mobilize the required services. Thus reliable, long-term funding for increasing the professionalism of civil society must be provided at first by donors and in the medium-term by governments.

Here, too, the requirement of financial sustainability is problematic. The costs of including civil society are, to some degree, the costs of the transition to more participatory political processes. Professionalism, inclusion of non-governmental stakeholders in the political process, and the relationships of umbrella organizations and research institutes to civil society at large seem to be more important than considerations of sustainability. Therefore, the arrangements for donor funding of civil-society organizations should go hand-in-hand with efforts to strengthen the anchoring of non-governmental organizations. Partnership agreements between donors and these organizations, which also strengthen the controlling bodies, therefore represent a meaningful approach.

Experts "in the system"

It has often been observed and deplored or criticized that the new orientation of the donors to the macro and central levels has resulted in the neglect of implementation problems. Therefore, the strengthening of the government institutions that are concerned with monitoring PRSP implementation is recommended wherever a lack of capacity has been identified. However, the placement of experts where there is no apparent political will to make policy achievement verifiable can be a good idea, if they can help to tip the scales of opinion making within the administration in favor of the reformers. Then ownership can emerge, even when it was not present initially.

Experts are especially to be recommended where technically sound examples can generate positive experiences that then can be internalized by the institution. But here projects should avoid enabling units to monopolize monitoring tasks for which they have no basic mandate – and rightly so – within the administration.

Possible applications for the public political discussion

If one generalizes from the five country examples (which should be done only with great caution), then support appears to be necessary above all at the system level and much less so at the level of instruments. PRSP monitoring as a political process has had only limited influence on policy within the countries not because of the lack or questionability of figures and instruments, but because these have flowed only minimally into the political processes. Despite all the question marks surrounding the issue of institutional anchoring, approaches whereby donors introduce new instruments seem reasonable to the study consultants when they produce information that represents an enrichment of the broader discussion about poverty-policy approaches and the effectiveness of administrative action. Thus, it even could be useful for donors to introduce approaches that perhaps do not deliver truly new knowledge to the experts in the respective administrations, but that do arouse and deepen the interest of the informed and politically active public.

Donor coordination is especially important in monitoring

Finally, donor coordination is essential in the area of support for the monitoring systems and demand for the findings. So much would be possible if there were enough money and capacity. But as the reality is quite different, donors should jointly focus on weak points and help to ensure the functionality of the system. This is a task that only can be sensibly fulfilled in a joint and coordinated way.

11.3 Recommendations

Only exceptions, no rules?

Within the scope of this study, five countries were investigated, in which the respective PRSP histories and the political and administrative cultures are very different. Is it at all possible to draw general conclusions or derive recommendations from the knowledge gained, when it seems that there are only exceptions and special circumstances, not normal cases?

Recommendations in the form of a checklist

Nevertheless, the authors have made an attempt. All the same, the following recommendations basically represent a checklist which can be used to review whether the need to take action or make adjustments exists in the context of a given country.

General recommendations

The first set of recommendations is directed to all those who are or who could be involved in the design of a monitoring system; e.g. governments and administrations as well as civil-society organizations and donors.

PRSP monitoring should be understood as policy monitoring

1. The PRSP monitoring findings must be better prepared in such a way as to be accessible to a broader circle of users.

First of all, governments have the duty to be accountable vis-à-vis their parliaments and their citizens. Monitoring systems should enable

above all national stakeholders to understand what has come of the agreed poverty-reduction program. The systems should provide the information needed by national stakeholders to be able, through their active interest and critical public contributions, to keep the governments "on track."

To accomplish this, the findings must be prepared in a user-friendly way and actively brought to the public's attention. Governments should commit themselves to this, while donors and national stakeholders should actively request information in an understandable form.

PRSP monitoring is policy monitoring with a technical dimension, not primarily a technical problem.

**Less is more –
with good choices**

2. Less meaningful information and indicators should not be watered down through a profusion of detailed data.

National stakeholders and donors therefore should actively participate in defining the fields of observation and the indicators, and should urge that especially those PRPS aspects they find to be relevant or critical be entered in the catalog of indicator lists. Which indicators are "right" is subjective and depends on the situation. Monitoring performed at the sub-national level, but that also relates to the central government's measures, can accommodate this, as long as it, again, does not lead to a disproportionate glut of information.

**Outcome
indicators for pro-
poor growth**

3. The areas for observation and analysis must be sensitive to policy and quickly accessible. Creativity is especially needed with the definition of outcome indicators for economically-relevant administrative units.

Pro-poor growth takes a prominent position in almost all PRSPs. In comparison, the indicators related to the contribution of government action towards this goal are often unsatisfactory, all the more so because the strategy offered by the PRSP frequently remains vague. In view of the importance of the topic, monitoring should receive special attention here.

**More efforts to
track client
satisfaction and
client benefits**

4. Regular investigation of client satisfaction with and utilization or non-utilization of sector services could supplement administrative data in a meaningful way.

The data that administrative bodies routinely collect for their own management purposes usually represents a good starting place for sifting out the aspects that are important in the context of the PRSP. But surveys of those intended to use public services or who are affected by regulations are often neglected. Such information would be especially interesting both for self-evaluation in the sectors and for general PRSP monitoring.

The selection of indicators is itself a political process

5. The choice of suitable indicators is itself a political process. It should be shaped accordingly.

PRSPs frequently suffer from the fact that they are still insufficiently operationalized. True, agreement exists on the goals at the impact level, but it often remains unclear as to which interim results are required to meet the goals or even how the overall path to them should be configured. Especially those measures intended to foster pro-poor and broad-based growth often remain diffuse in the PRSP. The definition of the indicator lists, which should be the basis for the monitoring systems, offers the opportunity for making improvements.

At this point, the discussion inevitably must turn to the strategies. This usually is not a matter of technical fine-tuning and final polishing, but instead the fundamental question of what, exactly, needs to be done in order to achieve the PRSP goals often remains to be clarified. This process therefore needs to be just as open and transparent as was the preparation of the PRSP itself. This is why the issue of suitable indicators (and this also means, for instance, the choices made in the "Performance Assessment Framework" of the World Bank) is a topic for the press and for public involvement, too.

Include parliaments

6. Parliaments should be more intensively included in the discussion of PRSP monitoring results in order to increase political control. This requires measures to support parliaments just as much as it requires governments' commitment to report to their parliaments in an appropriate fashion on the progress in and results of the implementation of the poverty-fighting policy.

The cases are rare in which parliaments seriously discuss the results of PRSP implementation. How the results can be integrated meaningfully into existing government reports to parliament in the respective countries needs to be looked into, even when this must happen at the expense of the depth of analysis of the PRSP monitoring.

The strategy described in a PRSP is often a more carefully formulated component of a comprehensive government program. Reporting to parliament on the overall government program should also integrate PRSP reporting, as much as possible.

Multiple information channels and analytical instances

7. Those involved in the design of the monitoring system should make sure that there are a diversity of information channels and multiple occasions for analysis.

Policy monitoring must be able to become uncomfortable in order to be effective. In order to guard against blockades, it is advisable to avoid relying on a single chain for the generation, preparation, and dissemination of information. There should be room for counter-analyses and divergent opinions. This requires that the right of public access to information (including, for instance, administrative data) be set down in law.

Suitable means for capturing results on the ground

8. Special investigations such as results-based monitoring at the grass-roots level using participatory methods should be set up as a supplement to, and perhaps even independent of, the "official" monitoring system.

Impact monitoring, Health and Demographic Surveys, and similar investigations are suited to stimulating the public discussion and making data available for it. They can influence the discussion, perhaps even more so because they do not get lost in a summary report, but are publicized and discussed separately, and thus provide the opportunity for reviewing official evaluations.

Donors should consider including more such empirical inquiries about the results at the grass-roots level in their catalog of support measures.

Increase the use of PSIA

9. In complex situations, Poverty and Social Impact Analyses (PSIAs) could be employed more systematically as a tool for considering in advance the effects of planned interventions on the PRSP goals.

PSIAs are used to analyze the expected results chains, which allow the identification of those points where hypotheses are explicitly made about the effectiveness of important poverty-reduction policy measures. Checking whether the results chain then runs the expected course can deliver interesting findings within the framework of PRSP monitoring.

Recommendations for donors, in general, and for German development cooperation, in particular

PRSP monitoring can point out critical weak points and the need for advisory services

10. Even donors that are not engaged at the macro-level should evaluate the findings of PRSP monitoring, especially in order to be able to assess the significance of their project contributions to the poverty-reduction program.

The alignment of donor contributions with the PRSP also means that support is provided most especially where the implementation is "stuck." Here, PRSP monitoring can deliver the first indications of where donors should strengthen the government's implementation capacity in order to enable the complete implementation of the PRSP and to effectively reduce poverty.

Support the users

11. Donors can go a long way in promoting the demand for monitoring information by supporting civil-society organizations and parliaments in processing monitoring information and organizing it to suit their own purposes. Good approaches exist that could and should be extended.

Promote independent research institutes

12. The involvement of critical and independent research institutes in PRSP monitoring tasks has proven useful. Donors should financially support this involvement.

Partnership contracts with such institutes seem to be a suitable instrument for allowing the donors to promote monitoring without becoming inappropriately dominant. In such arrangements, donors do not commission particular studies, but instead support the overall research program, while making sure that reliable oversight structures are set up in the institutes.

NGO umbrella organizations could be supported in a similar way. Here, it is important to ensure that their relationship to their constituents is strengthened through the support, not undermined.

Projects should support monitoring at the sectoral level

13. Development projects that are executed directly by the donors should actively support monitoring tasks for the sector in which they operate and view this as an integral component of their work responsibilities.

Classic project monitoring, as it has been established in most development-cooperation projects, will produce findings that are useful for policy monitoring only in the rarest cases. But when the inquiry looks not only at what the project has achieved, but much more at what the partner has achieved and the degree to which the project supported the partner, then project monitoring also becomes useful for monitoring the success of policy implementation.

Even when projects wish to continue to achieve direct results by themselves, they still often have contact with the statistical departments of the relevant ministries. The opportunity to use these contacts and work relationships to strengthen sectoral monitoring systems should be taken advantage of more intensely and consciously.

... especially with outcome indicators

14. In doing this, the projects can be especially helpful when they support their partners with the definition and measurement of direct results (outcome level) of sector activities.

Often, those sectors not involved in social services are at a loss simply to explain how sector activities pass through to the "outside world" and what sort of effect the activities should have – they do those things that are listed in their job description, but have only a vague idea about how this should alleviate poverty or promote growth.

Results-based monitoring is an area in which projects often have experience and fundamental conceptual knowledge. Employing these within the partner organization in order to make the goals more precise and to measure results would be a worthwhile task in many cases. This can also help the projects to become clearer about the significance of their own contributions with respect to the challenges of a poverty-reduction program.

Reporting to the national authorities not to be sidelined, but brought along side

15. Donors should make sure that the reporting for donors who provide budgetary assistance and for the Bretton Woods Institutions does not sideline the reporting on PRSP implementation to the national stakeholders.

It was observed in each of the five countries that the PRSP progress reports were prepared almost exclusively for the donors and especially as an input for the Joint Staff Assessment of the IMF and the World Bank. There were few signs of national discussion before or after. This turns the sequence of accountability that the PRSP attempts to achieve upside-down.

Donors should make sure that their contributions to PRSP monitoring do not serve their own needs exclusively, but that the governments' duty to report to the donors has a positive effect on their ability and willingness to inform the national authorities as well and to submit to a national discussion about the resulting poverty reduction. Here, donors could insist that the PRSP progress reports be translated into the official national language and that simplified or popular versions be prepared for the public. They should also leave sufficient room in the time schedule to allow for internal discussion prior to submission in Washington, without endangering the next tranche in the case of budget assistance.

Appropriateness and cost-effectiveness instead of sustainability

16. In PRSP monitoring, the criterion of sustainability (to be understood as financial sustainability) should yield to the criteria of appropriateness and cost effectiveness.

The costs of PRSP monitoring must be commensurate to the poverty-relevant expenditures and the contributions of the donors. But they do not necessarily have to be financed through the national budget without donor contributions as long as the donors fund a significant portion of the poverty-reduction activities. And because the increasing use of budget assistance (which also indirectly includes debt remission) means that project monitoring is being replaced by PRSP monitoring, the amount that donors usually spend on monitoring their resources should be used as the more applicable measuring stick.

This is especially true for individual measures intended to place government action under stronger civil-society control. Because civil society organizations typically have a very weak financial basis, while the strengthening of civil-society control is an essential part of the PRSP approach, the criterion of sustainability must necessarily retreat to the background for quite some time.

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