

School of Oriental and African Studies

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**Centre for Development
Policy and Research**

Poverty Reduction Strategy Process
and
National Development Strategies in Asia:
A Report to DFID



SYNTHESIS REPORT

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Note:
This document is the responsibility of the authors.

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Preface

The Terms of Reference (TOR) state that the aim of the study is:

...to inform DFID of the complementarities and contradictions between PRSP processes and existing National Development Strategies. It assesses whether the introduction of PRSP is enhancing the poverty reduction processes and whether over the medium term the process of preparing, implementing, resourcing, and monitoring a PRSP is likely to lead to stronger, more pro-poor, more accountable national planning processes.

As a result of dialogue with DFID, the overall objective of this study was broadened, to inform DFID about poverty reduction strategies in Asia with the purpose of making recommendations for DFID practice in the case study countries, and, when relevant, for practice in other Asian countries and other regions. In its coverage of India, Nepal and Vietnam, the study concentrates more on strategic and institutional issues than on the political background for poverty reduction planning. Also, it does not analyse the instruments by which development assistance is delivered. Other studies commissioned by DFID treat these issues.

It must be kept in mind that this is a report on the Poverty Reduction Strategy process in two countries, Nepal and Vietnam, and on the poverty strategy of India, whose government chose not to fully participate in the PRSP process. Three case studies do not provide a basis for drawing general conclusions. Also, and central to understanding this report, it must be recognised that the PRS process is in its early stages. While many governments have initiated PRS programmes, few have reached the implementation stage, so this is very much work in progress. For this reason, emphasis is placed on the dynamics and potential of the process, rather than static outcomes. The current report observes the 'first round' of PRSs in what is an unfolding process. Lessons from these observations should be interpreted as guidelines for the future rather than definitive commentary on the past.

We shall use the term Poverty Reduction Strategy (PRS) to refer to the design, implementation and monitoring of the process of the development and subsequent use in policy of the Poverty Reduction Strategy Paper (PRSP); in other words, PRS refers to process by which this specific policy framework unfolds. This is to be distinguished from the document that emerges during the process, to which we always refer as the PRSP. For emphasis, we shall frequently use the somewhat redundant term, 'PRS process', as synonymous with PRS.

Of particular interest to DFID are the conclusions of the study for its work in Asia. In the executive summary these are placed first, and in the text at the end, for they follow logically from the preceding analysis and presentation of findings.

Executive Summary

The recommendations for DFID practice derive from the characteristics of Asian countries that we discuss in some detail: lack of aid dependency (Nepal is an exception), long-established planning institutions, and strong government ownership of development policy (again, Nepal is an exception). Derivative from these characteristics come the following recommendations. These refer to practice in Asia, and would not typically apply to DFID operations in other regions, especially in the sub-Saharan.

1. DFID's influence on national policy in Asia is more likely to come through patient support for institutional change over a long period than via direct policy advice at the highest levels of government.
2. There are levers for change at the sectoral and provincial/state levels which can be successfully used. Entry points would be:
 - a. working with line ministries to impact on sectoral plans, such as supporting the formulation of an education policy in Vietnam;
 - b. collaboration at the state level in India in the development of PRSs, and with provincial administrations in Vietnam; states and provinces should be carefully selected for their demonstrated pro-poor commitment, and should lead to long-lasting partnerships.

The assistance modalities for sectoral and provincial/state would include:

1. capacity building with a direct pro-poor outcome, for design of PRSs, MTEFs, improvement in implementation, and poverty impact monitoring; and
2. information dissemination, to bring international 'best practice' to the attention of ministries and provincial/state officials.

Following these general principles should position DFID to engage in a long term process for institutional change, including more effective budgeting, improved implementation, and more effective monitoring.

The government of Nepal has demonstrated extremely limited commitment to poverty reduction, as evidenced by a general failure of project and programme implementation and the on-going civil war. The PRS does not provide a solution to these issues. Serious consideration should be given to scaling down DFID involvement in Nepal. Justifiable interventions would be limited to ones that have a clear and direct impact on poverty reduction and to conflict related issues.

The Dynamics of the PRSP Process

The PRS is a partnership-based approach to reducing poverty in low-income countries that seeks to empower country stakeholders through national ownership. Nationally owned poverty reduction strategies involve an explicit rejection of the previous 'donorship' approach. When successful, the PRS process promotes strategies that are country driven, comprehensive, that set clear priorities, are partnership based, and framed within a long-term perspective. The PRS process has the potential to change the relationship between government and donors & lenders, and between governments and civil society. It has a dynamic that is particular to each country, determined by the existing political institutions and the strength of civil society.

Emphasis should be on the *process* by which the PRS document is produced, and the ongoing planning, implementation and monitoring that flows from it. In this process, the engagement of civil society creates its own dynamic, which is influenced but not controlled by governments and international agencies. The dynamics within governments are altered as a result of the participation by civil society.

Our assessment criterion for the PRS begins with the following necessary condition:

A PRS contributes positively to the formulation of a national policy strategy for poverty reduction if it results in a more poverty focussed policy framework than would have been the case in its absence.

If this criterion is met, the analysis moves on to the following questions:

1. Was the process nationally owned *and* country driven, which are essential to commitment to implementation?
2. Is the PRS integrated into the strategic planning framework, including links to fiscal instruments? And
3. Is the PRS consistent with and does it improve national capacity to implement programmes and monitor outcomes?

In addition to the above, we consider the contribution of the PRS process to the understanding of poverty in each country, and the extent to which the process was consultative, participatory, and raised public awareness of poverty issues.

Main Findings

With few exceptions, Asian countries are not aid dependent, and donors & lenders have limited influence on government policies. Therefore, in most Asian countries, donors would need to look at the dialogue with governments in a different way. Attempts by external agencies to influence policy based on their priorities could be and have been counter productive, by provoking a strong nationalist reaction. It is more productive to speak of external agencies 'contributing to' or 'having an impact on' the policy process through indirect means such as capacity building, technical advice, knowledge sharing and innovative programmes and projects.

Another characteristic of many Asian countries is a tradition of institutionalised medium and long term planning through agencies created explicitly for this purpose. These exist in all three of the case study countries. As a result, there is both considerable expertise (less so in Nepal), and considerable institutional vested interest in the design, implementation and monitoring of policy.

Development Partnerships

1. The most important contribution of the PRS process to development partnerships has been its tendency to foster government ownership of development policy.
2. In cases when governments have national poverty strategies in place before the PRS process, government ownership is strengthened when donors & lenders accept these as the basis for the PRSP document, adapted as necessary.

The PRS process has generated a policy dialogue between development agencies and governments that is more partnership-based and consultative. National ownership does not require DFID or other agencies to suspend all judgements; it implies that those judgements arise out of an interactive process with national stakeholders. This approach to partnership admits the possibility that national policy makers and representatives of civil society have knowledge of the country that can complement and in some circumstances supersede that of external agencies.

Failures of implementation raise important issues for donors & lenders. It is consistent with national ownership that funding agencies would wish to see their funds used effectively. In the context of effective use of funds the terms 'political will' and 'political commitment' can be considered. In the absence of specifying the political context, the term 'political will' has limited meaning. The problem may not be a lack of will by the government, but lack of effective power. Further, political will is not static; it is determined by the political and social context. With few exceptions, it is invalid to ascribe the presence or absence of political will to governments in general; partly because governments are not monolithic structures, and partly because the political and social context is dynamic.

The term 'commitment' is essential to the analysis of effective use of development assistance. Like political will, it is dynamic rather than static. Commitment to a project or programme implies that the stakeholder will devote resources to it. Since resources are scarce, it is rational for stakeholders to ration commitment. If DFID anticipates a problem of stakeholder commitment, this can be managed, by identifying the constraints to increasing commitment. If these are concrete resource constraints, then it may be possible to address them within the country assistance programme, for example, through capacity building.

We judge that the national governments of India and Vietnam have shown political will for and commitment to the design and implementation of poverty reduction programmes. Judgements about commitment at the state and provincial levels are more difficult to make, especially in India where political circumstances vary across states, from a high degree of commitment to little if any. In Vietnam, problems of administrative capacity and analytical skills have a strong impact on the ability to design and implement programmes. It follows that while there is considerable scope for work below the national level, selectivity by DFID is necessary to have successful programmes at the state and provincial levels. In Nepal, there has been no political will to end the civil war and to implement pro-poor policies. In these conditions the PRS is of little use, and DFID should concentrate on initiatives which points towards a solution of the conflict, and on initiatives which will benefit poor people directly.

Planning Coherence and Coordination

Principle conclusions:

1. When the PRS process enfolds within, or is clearly complementary to, national planning institutions, it tends to facilitate coherence and coordination in the policy process. This tendency is strengthened if a country has effective

planning institutions, and a national poverty reduction strategy preceded the PRS process.

2. Improvements in implementation, which in the context of political will and commitment, can be fostered through capacity building and transfer of knowledge, are more important in the short and medium term than seeking integration of the current and capital budgets, the potential for which at the national level is limited.

3. Planning coherence and coordination must be linked to the implementation of pro-poor policies. In extreme cases where other political and military considerations override the commitment to pro-poor policies the value of increased coherence and coordination is doubtful.

The necessary condition for the PRS process, or any new policy initiative, to foster coherence and coordination is that be integrated into the existing policy making structure. The creation of new institutions, or the assignment of the PRS process to agencies or ministries without previous poverty remit, creates debilitating duplicate and competitive lines of management and responsibility.

It is a mistake to respond to the weakness of existing planning institutions by creating a PRS unit outside of these. Using the existing planning institutions creates the likelihood that the weaknesses of those institutions will undermine or substantially alter the goals of the PRS process. However, the same weaknesses are likely to manifest themselves in alternative institutions, with the added problem of institutional duplication.

As part of improving planning coherence and coordination, the Medium Term Expenditure Framework (MTEF) offers a mechanism to link the programmes in PRSPs to annual budgets. However, not all governments would endorse this fiscal management mechanism at the national level. The situation in Vietnam is more open, but donors & lenders are unlikely to have an impact on fiscal management. There is some scope for encouraging greater transparency in the national budget. Nominally, the government of Nepal has adopted the use of the MTEF, but the impact on controlling fiscal practice related to implementation is minor, if not nil.

Contribution to Poverty Analysis

Principle conclusions:

1. The PRS process is an effective mechanism for transferring analytical and empirical information about poverty reduction across countries.

2. Donor & lender support for data collection, including technical advice, can substantially contribute to the quality of poverty diagnosis, especially when the support is closely linked to on-going national data collection.

The transfer of international expertise on poverty analysis has been the most successful aspect of the PRS process. An extremely fruitful lever of change available to DFID is to devolve this transfer to the state level in India and to provincial administrations in Vietnam. The impact of international expertise and 'best practice' can be found in the Nepal PRSP (Five Year Plan), but this has not substantially affected policy design or improved implementation.

Consultation and Participation

1. The involvement of civil society in the PRS process, including the poor, should move beyond consultation to interactive participation.
2. The participation process should be nationally owned, managed and evaluated from beginning to end.
3. Mechanisms are needed to translate participation into impact on policy.
4. The participation process should reinforce each country's formal representative institutions, and close links to national parliaments is especially important.

While Participatory Poverty Assessments (PPA) rarely meet the criteria enumerated above, they can provide quite useful information as inputs into analysis and diagnosis of the multi-dimensional nature of poverty. DFID's support of these assessments enhanced the PRS process in Vietnam, and made a substantial contribution to subsequent policy discussions. Such assessments should not be confused with the participation process mandated by the World Bank's PRSP guidelines.

One way to deepen and make more effective participation exercises would be to link them directly to the role of parliament in the PRS process. One advantage of this approach is that it opens a legitimate capacity building role for donors & lenders that can strengthen representative institutions with minimal interference in national politics. Lessons can be learned from the Indian Five Year Plan preparation model which includes the participation of non-government experts and activists, and which involve the government and the parliament directly in the process.

Poverty Monitoring

Principle conclusions:

To foster credibility in poverty reduction policies, DFID support should be given to PRS monitoring, at the national and provincial/state levels, and to independent research organisations of civil society, as well as governments.

The PRS process seeks to create a planning framework that will reduce poverty faster, more effectively and in a sustainable manner than would be possible in its absence. Therefore, a central element is monitoring of processes and outcomes. Monitoring within the PRS process should not be viewed within the static project/programme cycle of conceptualisation, formulation, implementation, and evaluation, but as activities that crosscut each of these phases.

If the PRS process achieves its goal of broad-based participation of civil society, then monitoring becomes a joint exercise of governments and civil society to foster credibility. Organisation of the PRS process in which the government has final decision over policy design and implementation, *and* monitors the outcome would result in a conflict of interest, since governments typically seek to demonstrate the success of their policies. Therefore, monitoring policy outcomes by civil society organisations is a necessary complement to similar work within governments.

Reform of the PRS Process

Looking to the Future

Anticipating the future trends and impact of the PRS process remains speculative. We consider two ‘scenarios’: 1) the ‘minor impact’ scenario in which the changes fostered by the PRS process are minor, limited to technical aspects of the planning process; and 2) the ‘major impact’ scenario, in which the tendency is for basic principles of the PRSP guidelines to be realised.

In the **minor impact scenario** the major parties to the PRS process, the government and donors & lenders, emphasise and interpret the principles to conform to the institutional interests of each. The positive results of this scenario would be: 1) the acquisition of useful information from Participatory Poverty Assessments (PPAs); 2) poverty impact monitoring of government programmes and projects; 3) improved aid coordination; 4) a more sophisticated definition and approach to poverty reduction; and 5) some degree of improved integration of annual budgets with medium and long term expenditure plans. These positive outcomes would not constitute a fundamental change in national ownership, because the basic policy agenda would remain driven by donor & lenders priorities, albeit adjusted at the margin for national circumstances. The PRS goal of ‘broad-based’ participation would not be realised, and the design of poverty reduction programmes would remain a technical exercise by experts. Donors & lenders and recipient governments would find themselves playing familiar roles.

In the **major impact scenario** the behaviour of the principle parties to the PRS undergoes fundamental change. All parties interpret national ownership to mean that the recipient government has final decision over policies, which donors & lenders accept, and participation means active engagement of civil society with government for a national debate on development priorities. This mandate from civil society makes it inappropriate for donors & lenders to go beyond discussion and consultation. In some countries this strategy would include policies which donors & lenders previously refused to support. The change in development partnerships would go beyond administrative coordination to create a more effective form of donor-government dialogue. A multi-dimensional approach would lead to less reliance on income measures of poverty, and greater commitment to the type of targets found in the Millennium Development Goals.

Which of these scenarios will occur will depend on three principle factors: 1) the approach adopted by donors & lenders; 2) the political commitment and administrative capacity of recipient governments; and 3) the political will of governments to implement pro-poor policies. For DFID, the broad policy question is to which scenario it seeks to influence the dynamics of the PRS process.

Process Changes to Enhance Value Added

We have stressed positive aspects of the PRS process arising from the case studies.

- 1) The PRS principles are sound, and can provide a value added to poverty reduction. The weaknesses of the PRS process primarily result from the inflexibility of its formal guidelines.

- 2) In all three countries donors and lenders accepted established planning institutions as the management units, rather than seeking to create new institutions or processes. The PRS process built upon existing planning experience and procedures.
- 3) The potential for the PRS process to improve the relationship between recipient governments and donors and lenders is being realised, albeit slowly and incompletely.

To deepen these positive developments, several framework changes are required in the PRS process:

1. As currently designed, the PRS framework is excessive in its standardisation ('one size fits all'), and should be adapted to each country's political circumstances;
2. PRSPs should primarily be national documents aimed at the domestic audience, and secondarily documents to attract development assistance; and
3. Among donors & lenders the framework of PRSPs should be reformed to be consistent with equal partnership among donors and lenders, which may imply delinking it from direct multilateral funding.

These framework changes imply procedural changes:

1. Parliaments should be intimately involved in the PRS process, including drafting and approving the final document;
2. When a poverty reduction strategy exists, this should be treated by donors as the basis for the PRS process, without requiring a separate exercise;
3. All programmes proposed in a PRSP should be justified by an assessment of the capacity to implement them (though this need not be part of the document itself); and
4. Because it is essential that the participation process be country owned and sustainable, external agencies should avoid becoming involved except through indirect support. This reform would not rule out PPAs that are primarily information gathering exercises.

1. Context of the Report

1.1 The Purpose of the PRS Process

The PRS is a partnership-based approach to the challenge of reducing poverty in low-income countries that seeks to empower country stakeholders, both in government and civil society, in designing their strategies. Nationally owned poverty reduction strategies are at the heart of this new approach, with an explicit rejection of the previous ‘donorship’ approach.¹ At the World Summit for Social Development (WSSD) held in Copenhagen in 1995, heads of state and representatives from 180 countries committed themselves to ‘formulating or strengthening national poverty eradication plans to address the structural causes of poverty’. In its response to the commitments taken at WSSD, a multi-donor & lender initiative was launched in 1996, the Poverty Strategies Initiatives (PSI) programme in 1996. This programme supported country efforts to develop national and local anti-poverty strategies, and to identify and monitor the causes and nature of absolute poverty. The programme, offered in more than 100 countries, had two main goals: 1) the establishment of the technical, institutional and political basis for policy action, and 2) civil society mobilisation to broaden public discussion of poverty.

Following its mandate to integrate the objectives of poverty reduction and growth more fully into its operations in its poorest member countries, the IMF established the Poverty Reduction and Growth Facility (PRGF) in 1999, replacing the Enhanced Structural Adjustment Facility. Programmes supported by the PRGF and IDA (International Development Association, the World Bank's concessional window) must be framed around a comprehensive, nationally owned PRSP prepared by the borrowing country. The PRSP is then reviewed by the Boards of the IMF and World Bank, in their respective areas of responsibility, as the basis for the institutions' concessional loans and for relief under the enhanced HIPC Initiative. The PRS approach also stresses the underlying principle that national poverty strategies should foster domestic and external partnerships that improve the effectiveness of development assistance. Many bilateral donors have joined the partnerships in support of the PRS approach.

When successful, the PRS process promotes poverty reduction strategies that are country driven, comprehensive, set clear priorities, partnership based, and framed within a long-term perspective. Major features of the PRSP are that it should contain an analytical framework, integrating macroeconomic, structural, sectoral, and social considerations. At the end of 2003, over thirty countries had completed full PRSPs and over fifty had in place Interim-PRSPs.² As this evaluation points out, the expectations about the nature, scope, and thrust of PRS have been partially realised.

¹ We define a donorship approach as characterised by some or all of the following: 1) the determination of the amount and composition of assistance is primarily a unilateral decision on the part of the donor or lender; 2) most assistance is for projects rather than programmes; 3) programme assistance is accompanied by performance conditionalities primarily determined by the donor or lender; 4) the composition of development assistance is treated as technical exercise for experts with minimal consultation with civil society; and 5) the donor or lender defines a set of ‘sound’ against which the policies of the recipient government are judged.

² Source: World Bank Web site. Since the preparation of full PRSPs proved a complex process taking longer than a year, and some countries were in need of interim debt relief, Interim PRSPs were created.

The many roles played by PRSPs are summarised in the *PRSP Sourcebook* of the World Bank. After listing 'six key outcomes' that a PRSP should achieve, the document adds four areas that they should cover:

1. Macro and structural policies to support sustainable growth;
2. How to improve governance, including public sector financial management;
3. Appropriate sectoral policies and programmes; and
4. Realistic costing and appropriate levels of funding for the major programmes.

Within this broad agenda, point one above raises the possibility that PRSPs might become macroeconomic frameworks largely determined by the conditionalities associated with a country's prevailing or anticipated IMF and World Bank programmes. However, the PRS's potential advance on previous, donor-driven assistance is that such conditionalities would be derivative from the poverty reduction strategy in the document. This change is of central importance, because in the past macro programmes have tended to be short term in nature, with emphasis on stabilisation. The PRS philosophy explicitly revises this emphasis, and calls for the macro policies to 'support sustainable growth'.

A review of completed PRSPs indicates that this change of emphasis is a work in progress. In the PRSP handbook itself, one finds relatively little discussion of how growth might be promoted, with the exception of a preference for so-called structural reforms such as trade and exchange rate liberalisation (World Bank 2001). If the past emphasis on macro stability were unchanged, an inherent tension would be created in the documents, since their short term character would not correspond to the long term nature of poverty reduction.

1.2 The Dynamics of the PRS Process

The PRS process has the potential to change the relationship between government and donors & lenders, and between governments and civil society. It is a political process aimed at empowering governments to set their own priorities in the dialogue with donors & lenders; and facilitate civil society groups in influencing those priorities. Therefore, it has a dynamic which is particular to each country, determined by the existing political institutions and the strength of civil society.

While the PRSP concept arose first in the Fund, in practice it is considerably more important to the operations of the Bank. For the IMF, only loans under the Poverty Reduction and Growth Facility depend upon a country producing a PRSP. The more familiar stand-by loans and their conditionalities found in Letters of Intent are unaffected by the existence or contents of PRSPs. For many countries, the PRGF loans will be considerably less important than other IMF lending. In any case, all IMF lending goes to supplement a government's foreign reserve position. The role of the PRSP is quite different for the World Bank. A government must have a PRSP or an Interim Poverty Reduction Strategy Paper in place in order for the Bank to initiate a

These are short documents that describe a country's poverty situation, and present a plan for preparation of the PRSP. I-PRSPs qualify countries for the decision point under HIPC.

country programme, with these constructed on the basis of civil society consultation or participation (this distinction is discussed below). As a result, there is potential, not always realised, for the PRS process to be led from the donor and lender side by the World Bank.

The great importance of the PRSP to the institutional mission of the World Bank might give rise to conflict of interest. This potential conflict has two aspects, internal to the Bank and in its relationship to other donors & lenders. An internal conflict of interest may arise because, after participating in the formulation of a PRSP at the country level, the Bank then reviews the document critically at the Executive Board level. In its relationship to other donors & lenders, the Bank at the country level may find criticisms of the PRSP drafts as obstacles to completion rather than as constructive contributions. This potential conflict of interest has important implications for DFID, which we elaborate in the case of Vietnam and DFID's co-funding with the Bank.

Pressure to complete PRSPs may result in the process of drafting the document creating or exacerbating tensions among government ministries and agencies. In order for the PRS to contribute to effective policy making, it must incorporate priorities. Reaching consensus on priorities among ministries requires a sometimes lengthy process of negotiation. Intervention by an outside agency in this process can alter the relative balance of influence among ministries in an unpredictable manner not necessarily to DFID's benefit in its dialogue with governments.

Evidence of these difficulties can be found in a number of countries (UNDP 2003), and we report examples in Nepal and Vietnam. In themselves they need not seriously affect the PRS process, but they can substantially affect the extent to which PRSPs enhance or weaken the national strategy process. Quite important for DFID, they affect the extent to which bilateral donors & lenders are able to pursue their institutional goals within the PRS process.

The difficulties arise in the context of the improvement in the relationship between donors & lenders and recipient governments that PRSPs can and have brought about. While various donors & lenders, notably DFID, have for some years stressed the importance of country ownership and stakeholder participation in developing national poverty strategies, the PRS process gives these principles added legitimacy, and creates more space for recipient governments to set national development agendas. This new and greater emphasis on national ownership, and especially participation, implies that the PRS process has 'a life of its own', in that it fosters a debate whose outcome is inherently dynamic and non-predictable. It also implies that donors & lenders, and also governments, have implicitly relaxed some of their control over national strategy design. Space is created for the institutionalisation of a broad policy debate over national priorities.

We can conclude this discussion with the following summary. When considering the PRS framework, emphasis should not be placed on the document that is generated, but rather on the process by which that document is produced, and the ongoing planning, implementation and monitoring that flows from it. The document itself is the pivot on which planning, implementation, and monitoring turn. In this process, the engagement of civil society creates its own dynamic, a 'life of its own',

which is influenced but not controlled by governments and international agencies, though control may be attempted. At the same time, the dynamics within governments are altered, partly due to the formal organisation of the process, but, more importantly, as a result of the participation by civil society.

The PRS emerges from a long and purposeful international process that began at least as early as the *Human Development Report* of 1990. It is not merely the latest fad in the donor and lender community. The PRS has created a new dynamic in the national strategy process, which potentially will be participatory and country-driven. The principle issue is what DFID can do to aid the realisation of the considerable potential of the PRS process to achieve poverty reduction and more effective policy formulation. In our view, to realise the positive potential of PRS, several characteristics of the process should be adjusted or reformed, and DFID can play an important part in fostering these.

1.3 Analytical Approach

There is no consensus in the policy literature as to how the PRS process should be evaluated, though agreement is emerging that evaluations should focus on process rather than outcome. Our approach considers the extent to which a PRS altered policy; and whether it did so in a manner that made policy more pro-poor. However, we do not judge the PRS process by the yardstick of improvement in the well-being of the poor (i.e., poverty reduction), because it is too early to do so, and because this criterion would impart a strong negative bias to the assessment.³ A variety of factors impact upon poverty reduction, including ones over which the government may have little influence via policy. For example, sorting out the effect of policy from influences such as the terms of trade, or political instability and conflict, is difficult enough, and attempting to identify PRS effects within policy would be impossible. In light of this, our assessment criterion begins with the following necessary condition:

A PRS contributes positively to the formulation of a national policy strategy for poverty reduction if it results in a more poverty focussed policy framework than would have been the case in its absence.

If this criterion is met, the analysis moves on to the following questions, which if answered positively provide sufficient conditions to judge a PRS to have added value to the national policy process:

1. Was the process nationally owned *and* country driven, which are essential to commitment to implementation?
 2. Is the PRS integrated into the strategic planning framework, including links to fiscal instruments (annual budgets and medium term expenditure reviews)?
- And

³ In a recent contribution to the discussion, Levinsohn sets the following criterion:

To really evaluate the PRSP approach, it is necessary to compare outcomes to what would have happened but for the PRSP's implementation...whether the PRSP process is really addressing the concerns of the poor...[and] changes in their well-being... (Levinsohn 2003, vii)

3. Is PRS consistent with and does it improve national capacity to implement programmes and monitor outcomes?

In addition to the above, we consider the contribution of the PRS process to the understanding of poverty in each country, and the extent to which the process was consultative, participatory, and raised public awareness of poverty issues.

It is important to clarify the distinction between the PRS process being nationally owned and country driven. The term 'nationally owned' is typically used to refer to whether the contents of a PRSP were written by and under the direction and supervision of the government. Such could be the case if the primary reason for the production of the PRSP were to meet donor conditionality and curry donor favour. As a result, the PRSP could be essentially a donor document, making no substantial contribution to national policy even if it were entirely the work of the government. Some might object to the forgoing on the grounds that it does not matter why a government writes a PRSP as long as the outcome is a greater policy focus on poverty reduction. This instrumentalist argument places emphasis on the document rather than the process. If a government writes a PRSP primarily to obtain donor and lender funding, it is unlikely to have a serious commitment to the policies in the document; or, the policies will be ones the government would have implemented in the absence of a PRSP. The PRS process is country driven when is initiated and pursued by a government in order to bring a significant change in the debate over national policy, policies themselves, and the effective implementation of those policies.

A PRS can be nationally owned and country driven, but fail to contribute to an effective poverty reduction strategy because it is not integrated into the national budgetary system. This would be the case if the government gave its support to the process, but did not adjust administrative structures to achieve its integration into the policy process. In the absence of this integration, the PRS could make national policy less effective, by undermining the overall coherence of the policy process. The PRS process might create parallel and competing policy making units, with different priorities and uncoordinated budgets. Third, even country driven and integrated into the overall planning system, a PRSP must be consistent with national capabilities in order to contribute to effective policy. Innovative and pro-poor programmes undermine policy making if they cannot be effectively implemented or their outcomes cannot be closely monitored.

Using these analytical guidelines, we review the PRS process in Nepal and Vietnam. For India, the guidelines are different, but closely linked. The government of India and the World Bank have agreed that the present Five Year Plan *is* the country's PRSP. In many respects the Plan differs from other PRSPs, but it incorporates the key PRSP principles. For India the questions are as follows: first, to what extent did the PRS approach influence the present Five Year Plan; and second, if the government of India had formally entered into the PRS process, would the national poverty reduction strategy be enhanced?

In addition to the evidence from the three case studies commissioned by DFID, the discussion will draw on the experience of other countries that were evaluated by one or more authors of this study (see table in Annex 1). Review of the countries suggests that there are two national structural characteristics that

have a major impact on the dynamics of the PRS process. These are: 1) the degree of government ownership of its development strategy prior to the PRS process, which is related to dependency on donors & lenders; and 2) the existence of a national poverty strategy prior to the PRS process. These cross-cutting issues are treated throughout the discussion of major findings.

2. Main Findings

2.1 Introduction

This is a report on three Asian countries. One must be cautious about making generalisations for any region. However, the inclusion of Nepal with India and Vietnam may give the impression of a larger incidence of aid dependency than is typically the case in the region. With few exceptions, Asian countries are not aid dependent, and donors & lenders have limited impact on government policies. Therefore, in most Asian countries, donors such as DFID which typically seek to influence overall development policies based on their strong financial, political and professional position, would need to look at the dialogue with governments in a different way. Indeed, attempts by external agencies to influence policy based on their perceived position of strength could and have had an effect opposite to that intended, by provoking a strong nationalist reaction. It is more productive to speak of external agencies 'contributing to' or 'having an impact on' the policy process through indirect means such as capacity building, technical advice, knowledge sharing and innovative programmes and projects.

Another characteristic of many Asian countries is a tradition of institutionalised medium and long term planning through agencies created explicitly for this purpose. These exist in all three of the case study countries. As a result, there is both considerable expertise (less so in Nepal), and considerable institutional vested interest in the design, implementation and monitoring of policy.

The level of poverty in Asian countries is less than in Sub-Saharan countries, and Asian poverty is often related to social segregation and elite rule. This poses specific challenges to the implementation of PRSs in Asia. Nepal is case in point, with a country-wide Maoist armed struggle against the government adding to already existing implementation problems.

With these points in mind, we move to the major findings of this study, reported under four broad topics. The impact of the PRS process on relations with donors & lenders is considered first in order to assess the central issue of government ownership of programmes. Also considered in this discussion are 'political will' and 'commitment' to poverty reduction and policy implementation. This leads logically to the second major topic, the extent to which the PRS process contributed to greater coherence and coordination in planning. The adequacy or otherwise of administrative capacity is a key part of this coherence and coordination, as is the effectiveness of national planning institutions. Third, the contribution of the PRS to poverty analysis is assessed, which is strongly influenced by whether a country had a national poverty

strategy prior to the PRS process. Finally, the discussion turns to consultation, participation, and public awareness, in which the effects of conflict arises.

This report cannot pass judgement on the ‘success’ or ‘failure’ of the PRS process, because the process has not had time to manifest its principle tendencies in each country, much less to warrant a cross-country conclusion. At most, one can identify tendencies within the process, strengths and weaknesses as it has unfolded in each concrete circumstance. In this approach, we can use the phrase ‘value added by the PRS process’ in more than a purely metaphorical sense; i.e., the relevant question is the extent to which the PRS process has added value, or enhanced, an on-going exercise in the production of policies for poverty reduction.

2.2 Donor & Lender Relations with Governments

Principle conclusions:

1. The most important contribution of the PRS process to development partnerships has been its tendency to foster government ownership of development policy.
2. In cases when governments have national poverty strategies in place before the PRS process, government ownership is strengthened when donors & lenders accept these as the basis for the PRSP document, adapted as necessary.

The PRS process incorporates the judgements that national ownership of development policy is a desirable goal in itself, and results in greater effectiveness of policy. National ownership of development policy, within the PRS process and in general, requires supportive behaviour on the part of both governments and donors & lenders. Thus, a brief analytical discussion is necessary prior to elaborating on our principle conclusion.

An essential characteristic of the ‘donorship regime’ was judgementalism by donors & lenders. The donor or lender reserved the right to pass its judgement on the appropriateness of and commitment to recipient government policies. In a national ownership regime, assessment of policies passes to the recipient government, with consultation with the donor. The donor presumption of a unique set of sound policies rests on the following logic:

1. There exist a set of sound policies that the donors know and recipient governments do not (the recipient is ignorant);
2. That recipient governments must not only be informed of the sound policies of which they are ignorant, but require convincing of the need to implement these (in the absence of donor advocacy, the recipient lacks the judgement to distinguish good policies from bad ones); and,
3. In the past development failures arose from the mistakes of omission or commission of recipient governments, not in whole or part the result of unsound policies of the donors (development failures are recipient government failures).

While such an attitude does not change quickly, we find considerable evidence that the PRS process has generated a policy dialogue between development agencies and governments that is more partnership-based and consultative, rather than unilaterally judgemental. National ownership does not require DFID or other agencies to suspend all judgements; rather, it implies that those judgements arise out of an interactive process with national stakeholders. This approach to partnership admits the possibility that national policy makers and representatives of civil society have knowledge of the country that can complement and in some circumstances supersede that of external agencies.

A more subtle variation on the sound policies criticism of recipient governments is that they may be aware of the policies, and aware of the need for them, but fail to implement them because of special interests within or outside of the government. In such circumstances, the argument goes, donors & lenders are justified in their criticism of policy choices, and the criticism may strengthen domestic supporters of sound policies. This argument is also in the tradition of donorship, for it implicitly suggests that institutional, political, and economic interests do not motivate donors.

The ownership equivalent of the ‘sound policies’ statement would be: ‘donors and recipient governments should engage in dialogue to identify sound policies on the part of each, and each should be convinced of the need to implement these’. It is our impression that such a statement represents DFID’s approach to development assistance in India, Nepal and Vietnam.

However, failures of implementation raise important issues for donors & lenders, since it is consistent with national ownership that they would wish to see their funds used effectively. It is in the context of effective use of funds that the terms ‘political will’ and ‘political commitment’ can be usefully considered. In the absence of concrete specification of the political context in which a government operates, the term ‘political will’ has limited meaning. For example, two governments in parliamentary democracies may be faced with similarly difficult and politically controversial economic decisions. If one government has a large majority and the other a tiny one, it is not analytically useful to accuse the latter of a lack of political will for not implementing a controversial policy. The problem may not be a lack of will on the part of the current government, but a lack of effective power. Further, political will is not static, but is determined by the political and social context. With few exceptions, it is invalid to ascribe the presence or absence of political will to governments in general; partly because governments are not monolithic structures, and partly because the political and social context is dynamic.

The term ‘commitment’ is essential to the analysis of effective use of development assistance. Like political will, it is dynamic rather than static. Too often, the term is used as a binary category (a government or other stakeholder has or does not have commitment), or as category characterised by degrees (e.g., low, medium, high). Neither incorporates the basic principle that all social phenomena are constrained. The productive way to consider commitment is not to ask, what are the constraints on the actor in question to implement her/his commitment? Commitment to a project or programme implies that the stakeholder will devote resources to it. Since resources are scarce, it is rational for stakeholders to ration commitment; in

other words, to maximise their commitment with respect to the resource constraints that impinge on them.

The approach avoids the moralistic subtext in discussions of commitment, and makes commitment an issue that DFID can address within the PRS process. If DFID anticipates a problem of stakeholder commitment, this can be managed, first by identifying the constraints to increasing commitment. If these are concrete resource constraints, then it may be possible to address them within the country assistance programme, for example, through capacity building. Using this approach, commitment is no longer an *ex post* excuse for lack of project or programme success, but an element to include in the design of an activity. It is this approach we take in our discussion of ownership.

2.3 Planning Coherence and Coordination

Principle conclusions:

1. When the PRS process enfold within, or is clearly complementary to, national planning institutions, it tends to facilitate coherence and coordination in the policy process. This tendency is strengthened if a country has effective planning institutions, and a national poverty reduction strategy preceded the PRS process.
2. Improvements in implementation, which in the context of political will and commitment, can be fostered through capacity building and transfer of knowledge, are more important in the short and medium term than seeking integration of the current and capital budgets, the potential for which at the national level is limited.
3. Planning coherence and coordination must be linked to the implementation of pro-poor policies. In extreme cases where other political and military considerations override the commitment to pro-poor policies the value of increased coherence and coordination is doubtful.

We take planning coherence and coordination to include the design, implementation and monitoring of policy. The necessary condition for the PRS process, or any new policy initiative, to foster coherence and coordination is that it be integrated into the existing policy making structure. The creation of new institutions, or the assignation of the PRS process to agencies or ministries without previous poverty remit, creates debilitating duplicate and competitive lines of management and responsibility.

It is a mistake to respond to the weakness of existing planning institutions by creating a PRS unit outside of these. Using the existing planning institutions creates the likelihood that the weaknesses of those institutions will undermine or substantially alter the goals of the PRS process. However, the same weaknesses are likely to manifest themselves in alternative institutions, with the added problem of institutional duplication.

As part of improving planning coherence and coordination, the Medium Term Expenditure Framework (MTEF) offers a mechanism to link the programmes in

PRSPs to annual budgets. The government of Nepal has put a MTEF in place, and formally it is appropriately designed for the purpose. However, it is difficult to assess the impact of this and other planning management mechanisms in Nepal because of serious implementation problems of almost all aspects of planning. In other words, one cannot judge whether the ineffectiveness of the MTEF arises from this tool itself, or from other, more basic factors in the political economy of policy making in Nepal. In Vietnam the MTEF mechanism is at an early stage, after a previous attempt to institute it was abandoned. Perhaps more important than the MTEF itself has been the government's decision to eliminate some of the secrecy associated with the annual fiscal budget.⁴ This change, which lays the basis for greater coordination among ministries, resulted in part from donor & lender pressure within the PRS process. India has no MTEF, and is unlikely to do so under the current institutional structure of policy making.

While integration of current and capital budgets is desirable in the long term, the potential for DFID to influence this change in the short and medium term is quite limited. In India and some other countries in Asia (for example, Pakistan), the division of labour among policy making institutions creates vented interests in the partition of current and capital budgets. Fostering this integration is part of a long-term process of institutional change that will arise in the context of well-established partnerships in which the pressure for such change must be nationally driven. More important and fruitful in the short and medium term will be improvement in PRS implementation, which can be supported through capacity building and transfer of 'best practice' experience.

2.4 Contribution to Poverty Analysis

Principle conclusions:

1. The PRS process is an effective mechanism for transferring analytical and empirical information about poverty reduction across countries.
2. Donor & lender support for data collection, including technical advice, can substantially contribute to the quality of poverty diagnosis, especially when the support is closely linked to on-going national data collection.

The transfer of international expertise on poverty analysis has been the most successful aspect of the PRS process. An extremely fruitful lever of change available to DFID is to devolve this transfer to the state level in India and to provincial administrations in Vietnam. The impact of international expertise and 'best practice' can be found in the Nepal PRSP (Five Year Plan), but this has not substantially improved implementation.

Where there is political will for and commitment to poverty reduction, as in Vietnam and, to some extent / in some parts of India, DFID support in the forms of capacity building for poverty analysis (in government and civil society), data collection (e.g., agricultural and industrial surveys in Vietnam), and transfer of international expertise can make a substantial contribution to poverty diagnosis and

⁴ Until 2002, the entire budget was a state secret.

policy design. This has been demonstrated in Vietnam, where in consultation with donors & lenders, the government adopted international standards for its poverty definition in the three national household surveys (1992, 1997 and 2002).

2.5 Consultation and Participation

Principle conclusions:

1. The involvement of civil society in the PRS process, including the poor, should move beyond consultation to interactive participation.
2. The participation process should be nationally owned, managed and evaluated from beginning to end.
3. Mechanisms are needed to translate participation into impact on the policy.
4. The participation process should reinforce each country's formal representative institutions, and close links to national parliaments is especially important.

The complexity of participation requires a brief analytical discussion for background to our conclusions. The PRS process and the associated shift towards budget support by many donors & lenders has important implications for the nature of consultation and participation. The approach that the 'direct beneficiaries' of a development activities 'should have their voices heard' arose in the context of project assistance. The shift to programme support the concept of direct beneficiaries non-operational. Under programme assistance, participation becomes part of the general process of the relationship between the government and civil society, rather than as *ad hoc* consultations over specific products and services. Stakeholder participation would be satisfactory or unsatisfactory depending on the extent to which, and mechanisms by which, government is responsible to civil society. Depending on the strength and nature of formal representative institutions, *ad hoc* participation mechanisms may or may not be necessary or appropriate.

In India, the existing Five Year Plan preparation process institutionalises the participation of civil society experts and activists. The Five Year Plan is also tabled in and discussed by Parliament.⁵

Since the participation process is part of the construction of democratic institutions in general, this is an area into which donors & lenders, as well as developed country NGOs, should enter with greatest caution. The country studies suggest the following reasons for caution. A consideration of the conditions under which a government would ask and agree for an outside agency to organise a consultation or participation exercise raises doubts about its usefulness. One can identify three possible reasons: 1) for technical or financial reasons, the government cannot organise the exercise itself; 2) for political reasons, the government is unwilling to organise the exercise; or 3) a consultation or participation exercise organised by the government would not yield results credible to donors & lenders, or the national stakeholders. In all of these circumstances, it is unlikely that a

⁵ A similar process exists in Nepal but it has been suspended since the King dismissed the government in 2002.

government would take serious note of the results of the exercises, except in so far as they confirmed its *ex ante* predilections. The key issue is ownership: by definition, consultation and participation over government policies require interaction between the citizenry and governments; exercises organised by outside agencies are not government owned; indeed, they may not be owned by those consulted, either.

A further drawback of externally administered consultation is that they cannot be institutionalised. This requires the participants contribute to the design of the exercise, and the government take steps to sustain them.⁶ Ideally, civil society involvement in the PRS should conform to the following elements of good practice:

1. the exercise should be designed by the participants, and institutionalised by the government;
2. the participants should organise themselves and prepare themselves for the formal meetings through review and discussion of policy documents, which should be made available to participants well before the meetings with the government;
3. the participatory structure should allow for decisions to be reached, with these formally passed to the government by the participants themselves; and
4. the government should establish a mechanism by which the decisions of the participatory meetings are formally considered by policy making bodies (e.g., parliaments).⁷

Some might argue that this list of requirements is too strict, especially for consultations which are essentially technical, aiming to identify the causes and characteristics of poverty from local experience. Our studies suggest that consultations to provide inputs into economic and social policy are never purely technical, but always have a political element.

While Participatory Poverty Assessments (PPA) rarely meet the criteria enumerated above, they can provide quite useful information as inputs into analysis and diagnosis of the multi-dimensional nature of poverty, as shown in the *Vietnam Development Report of 2003* (World Bank, *et. al.* 2003). DFID's support of these assessments enhanced the PRSP (whose official name was the Comprehensive Poverty Reduction and Growth Strategy), and made a substantial contribution to subsequent policy discussions. Such assessments should not be confused with the participation process mandated by the World Bank's PRSP guidelines.

One way to deepen and make more effective participation exercises would be to link them directly to the role of parliament in the PRS process. Here, lessons can be learned from the Indian Plan preparation process. One advantage of this approach is that it opens a legitimate capacity building role for donors & lenders that can strengthen representative institutions with minimal interference in national politics.

⁶ An example of 'good practice' is the participatory process in Bolivia, which was created under the HIPC initiative, and carried on into the PRSP process. Subsequently, the national legislature formalised the process into law (UNDP 2003, Vol 2: *Country Reports*).

⁷ Except for the last item, this list corresponds to the participatory process in Bolivia, which represented the first time in the country's history that indigenous groups played a major role in democratic political debate.

2.6 Poverty Monitoring

Principle conclusion:

To foster credibility in poverty reduction policies, DFID support should be given to PRS monitoring, at the national and provincial/state levels, and to independent research organisations of civil society, as well as governments.

The PRS process seeks to create a planning framework that will reduce poverty faster, more effectively and in a sustainable manner than would be possible in its absence. Therefore, a central element is monitoring of processes and outcomes. Monitoring within the PRS process should not be viewed within the static project/programme cycle of conceptualisation, formulation, implementation, and evaluation, but as activities that crosscut each of these phases.

If the PRS process achieves its goal of broad-based participation of civil society, then monitoring becomes a joint exercise of governments and civil society to foster credibility. Organisation of the PRS process in which the government has final decision over policy design and implementation, *and* monitors the outcome would result in a conflict of interest, since governments typically seek to demonstrate the success of their policies. Therefore, monitoring policy outcomes by civil society organisations is a necessary complement to similar work within governments. Through capacity building and information transfer DFID can make a major contribution to creating the potential for civil society organisations to carry out the surveys and other research that would be the basis for monitoring poverty outcomes. While it does not directly affect the livelihoods of the poor, local applied academic research on poverty is an essential input into the effectiveness of civil society to engage in policy debate.

3. Reforms of the PRS Process

3.1 Looking to the Future

As mentioned at several points in this report, the PRS process is in an early stage in Asia and elsewhere. If, as intended by the World Bank, the PRS process becomes the basic planning framework for poverty reduction in low income countries, the current stage of the process is one in which less than a majority of low income countries have completed their first such documents, and implementation has only begun in those countries. Therefore, anticipating the future trends and impact of the PRS process as it enters subsequent planning rounds remains speculative. In order to give some structure to this speculation, whose purpose is to guide DFID in its work, we consider two 'scenarios': 1) the 'minor impact' scenario in which the changes fostered by the PRS process are minor, largely limited to technical aspects of the planning process; and 2) the 'major impact' scenario, in which over time the tendency is for basic principles of the PRSP guidelines to be realised. Stated briefly, these principles are national ownership, results-oriented outcomes that help the poor,

recognition of the multi-dimensional nature of poverty, coordinated partnership among development agencies and the government, and a long term perspective.⁸

In the **minor impact scenario** the major parties to the PRS process, the government and donors & lenders, emphasise and interpret the principles to conform to the institutional interests of each: donors & lenders interpret national ownership to mean recipient government responsibility for and commitment to standard reform programmes;⁹ all parties consider participation to mean consultation; governments interpret 'outcomes that help the poor' to mean enhancing the poverty reduction component of policies they intended to implement independently of the PRS; agencies and governments treat coordinated partnerships as meaning administrative coordination; all parties endorse the need for a multi-dimensional approach to poverty; and a long term perspective is interpreted to endorse gradualism in poverty-reducing policy changes.

The positive results of this scenario would be: 1) the acquisition of useful information from Participatory Poverty Assessments (PPAs); 2) poverty impact monitoring of government programmes and projects; 3) improved aid coordination, perhaps on terms mutually agreed between governments and donors & lenders; 4) a more sophisticated and holistic definition and approach to poverty reduction; and 5) some degree of improved integration of annual budgets with medium and long term expenditure plans. However, these positive outcomes would not constitute a break with past practice or the 'new framework' for poverty reduction which the PRS process intended.

First, it would not involve a fundamental change in national ownership, because the basic policy agenda would remain driven by donor & lenders priorities, albeit adjusted at the margin for national circumstances. To use a common cliché, it would not involve donors & lenders 'letting go' of the policy agenda. The PRS goal of 'broad-based' participation would not be realised, and the design of poverty reduction programmes would remain a technical exercise by experts, with inputs from stakeholders via PPAs. Overall, donors & lenders and recipient governments would find themselves playing familiar roles. The PRSPs would be, as many are now, macroeconomic programmes derivative from Bank and Fund conditionalities, with a

⁸ The 'Overview' chapter of the World Bank's *PRSP Sourcebook* states as follows:

The principles of the PRSP programme suggest that PRSPs should be:

- country-driven and owned, based on board based participatory processes for formulation, implementation and outcome-based progress monitoring;
- results-oriented, focusing on outcomes that would benefit the poor;
- comprehensive in scope, recognizing the multidimensional nature of the causes of poverty and measures to attack it;
- partnership-oriented, providing a basis for the active, coordinated participation of development partners (bilateral, multilateral, non-governmental) in supporting country strategies;
- based on a medium and long term perspective for poverty reduction, recognizing that sustained poverty reduction cannot be achieved overnight. (World Bank 2001, p. 3)

⁹ This could be one interpretation of the following passage in the *Sourcebook*:

While the shift to country-ownership will allow substantially more leeway in terms of policy design and choices [by governments], what is acceptable to the Bank and the Fund boards will be based on what the current understanding of international experience suggests is effective in lowering poverty. (World Bank 2001, p. 3).

greater poverty focus. With the exception of the narrow interpretation of national ownership, this scenario is close to the PRS process in Vietnam during 1999-2003. It might also be the case that the absence of a fundamental change in government priorities would reflect a lack of commitment to poverty reduction, which frequently requires explicitly confronting those with vested interests in the *status quo*.

In the **major impact scenario** the behaviour of the principle parties to the PRS under goes fundamental change. All parties interpret national ownership to mean that the recipient government has final decision over policies, which donors & lenders accept after due consultation within the partnership dialogue. Participation means active engagement of civil society with government at the relevant level, and is the vehicle for a national debate on development priorities. Mechanisms are created so that this debate has a major impact on policy. It is this mandate from civil society that makes it inappropriate for donors & lenders to go beyond discussion and consultation. In effect, donors & lenders face a ‘take it or leave it’ decision on supporting the poverty strategy, which is nationally owned and country driven. In some countries this strategy would include policies which donors & lenders previously refused to support.

‘Outcomes that help the poor’ would mean that the pattern of growth would be pro-poor in the sense that in the annual increment in national income the share of the poor (however defined) would increase by more than that of the non-poor.¹⁰ Achieving this would require a combination of targeted and universal entitlement programmes, as well as a public investment programme reformulated on the basis of its poverty impact. It would also require improvements in national and sub-national policy implementation mechanisms, driven by the government’s commitment to poverty reduction. This might manifest itself in resolution of armed conflicts, improvement in governance mechanisms, and better social service delivery.

The change in development partnerships would go beyond administrative coordination to create a more effective form of donor-government dialogue. A multi-dimensional approach would lead to less reliance on income measures of poverty, and greater commitment to the type of targets found in the Millennium Development Goals. A long term perspective would require a fundamental change in most countries of fiscal planning, with annual budgets derivative from medium term expenditure plans and long term development strategies. It would also require a close and effective integration of capital and current budgets, within the same planning structure. Some, but far from all of these elements of the major impact scenario can be found in the PRS process in Ethiopia, Uganda and Vietnam, and in the Indian approach to planning.

In most countries, which of these scenarios will occur, in the sense of the central tendency of the PRS process, will depend on three principle factors: 1) the approach adopted by donors & lenders as a group, since they are the source of external funds; 2) the political commitment and administrative capacity of recipient governments to implement fundamental change in their planning processes; and 3) the political will of governments to implement pro-poor policies. For DFID, the broad policy question is to which scenario it seeks to influence the dynamics of the PRS

¹⁰ In algebra, pro-poor growth occurs when:

$[\Delta Y_p/Y_p] > [\Delta Y_{np}/Y_{np}]$, where Y is the share in disposable income, p stands for the poor, and np for the non-poor.

process. Choosing one over the other has practical consequences in terms of the design of DFID country programmes.

3.2 Process Changes to Enhance Value Added

The value added to poverty reduction strategies and planning in general can be achieved by several changes in the PRS process, independently of whether DFID seeks to foster the minor impact scenario or the major impact scenario. To place these in context, we point out three of the most positive aspects of the PRS process arising from the case studies.

- 1) The PRS principles are sound, and can provide a value added to poverty reduction. The weaknesses of the PRS process primarily result from the inflexibility of its formal guidelines.
- 2) In all three countries donors and lenders accepted established planning institutions as the management units, rather than seeking to create new institutions or processes. Thus the PRS process built upon existing planning experience and procedures.
- 3) The potential for the PRS process to improve the relationship between recipient governments and donors and lenders is being realised, albeit slowly and incompletely.

Framework Changes

1. As currently designed, the PRS framework is excessive in its standardisation of the process ('one size fits all').

The circumstances under which PRSPs are written vary greatly among countries. These include: HIPC and non-HIPC status; major differences in planning capacity; major differences in implementation capacity; fundamental differences in political systems; and varying degrees of reliance on external assistance. These differences imply that a specification of the PRS process that seeks to give more than general guidance is dysfunctional, resulting in symbolic exercise with little substance.

2. PRSPs should primarily be national documents aimed at the domestic audience, and secondarily documents to attract development assistance.

Where basic planning procedures and strategy documents exist, as in Asia, the PRSP should be derivative from these. In this circumstance, its fundamental role is to inform national stakeholders, and foster discussion and debate over national priorities. For donors and lenders, the PRSP would serve as an executive summary of the government's poverty reduction strategy.

3. Among donors & lenders the framework of PRSPs should be reformed to be consistent with equal partnership among donors and lenders.

As briefly discussed in Section 1.2, it is generally recognised that the PRS process is of greater institutional importance to the World Bank than to other donors and lenders. Even with the best intentions this strong institutional interest tends to generate a Bank-driven process among the donors. This self-interested leadership,

inherent in the present framework, tends to undermine long-established relationships and relative influence among donors and lenders, sometimes in unpredictable and undesired ways. Reform within the donor & lender community is necessary to make the PRS process consistent with equal partnerships among development agencies, including the UN system.

Procedural Changes

(implied by the Framework Changes)

1. Parliaments should be intimately involved in the PRS process, including drafting and approving the final document.
2. When a poverty reduction strategy exists, this should be treated by donors as the basis for the PRS process, without requiring a separate exercise.
3. All programmes proposed in a PRSP should be justified by an assessment of the capacity to implement them (this need not be in the document itself).
4. Because it is essential that the consultation and participation process be country owned and sustainable, even if so requested by government or civil society, external agencies should resist becoming involved except through indirect support. This reform would not rule out PPAs, which are primarily information gathering exercises.

4. DFID Practice in Asia

The recommendations for DFID practice derive from the characteristics of Asia countries which are discussed in some detail: lack of aid dependency (Nepal is an exception), long-established planning institutions, and strong government ownership of development policy (again, Nepal is an exception). Derivative from these characteristics come the following recommendations. These refer to practice in Asia; and would not typically apply to DFID operations in other regions, especially in the sub-Saharan.

1. DFID's influence on national policy in Asia is more likely to come through patient support for institutional change over the long period than via direct policy advice at the highest levels of government.
2. One promising manner to affect national policy is through using technical assistance and 'best practice' techniques to foster pro-poor monitoring of public expenditure.
3. There are levers for change at the sectoral and provincial/state levels that can be successfully used. Entry points would be:
 - a. working with line ministries to impact on sectoral plans, such as supporting the formulation of an education policy in Vietnam;
 - b. collaboration at the state level in India in the development of PRSs, and with provincial administrations in Vietnam; states and provinces should be carefully selected for their demonstrated pro-poor commitment, and should lead to long-lasting partnerships.

The assistance modalities for sectoral and provincial/state would include:

1. capacity building with a direct pro-poor outcome, for design of PRSs, improvement in implementation, and poverty impact monitoring; and
2. information dissemination, to bring international 'best practice' to the attention of ministries and provincial/state officials.

Following these general principles should position DFID to engage in a long term process for institutional change in ministries and provinces/states, including more effective budgeting, improved implementation, and more effective monitoring. Currently, DFID in India and Vietnam is engaged at the provincial/state level, and does work with line ministries, so the recommendations represent a shift in emphasis rather than a change in basic approach. However, in light of our findings, the question arises whether some of DFID's current work reflects its comparative advantage. For example, work related to integrating current and capital accounts of national budgets, as important as it may be, might be left to the World Bank and the IMF.

Similarly, support for the development of MTEFs at national level may yield a lower return in terms on development assistance than sectoral and provincial/state modalities of assistance. This management mechanism would be expected to yield greater value added in Africa, where in many countries policy making institutions are weaker than in Asia. On paper, the MTEF of Nepal is an impressive mechanism, but in practice we judge its impact on the implementation

of pro-poor policies to be virtually nil. As noted elsewhere, Vietnam may be open to developing a MTEF, but unlikely to do so at the urging of donors & lenders. In India a MTEF at the national level is not a possibility in the foreseeable future. If DFID work on fiscal policy at the national level continues, it is probably unrealistic to pursue the fostering integration of current and capital budgets, and enhancing this with MTEFs. In Asia, in countries where national MTEFs are unrealistic at present, a second best approach may be to work on regional and state levels regarding public expenditure management issues including MTEFs, and to focus on the more limited goal of pro-poor monitoring of public expenditure (see above), especially in sectoral programmes.

The government of Nepal has demonstrated extremely limited commitment to poverty reduction, as evidenced by a general failure of project and programme implementation and its unwillingness to find a solution to the on-going civil war. In light of the government record on implementation, there would seem no clear reason for DFID to support the PRS process. Serious consideration should be given to scaling down DFID involvement in Nepal. Justifiable interventions would be limited to ones that have a clear and direct impact on poverty reduction.

In light of the difficulties of successful engagement in Nepal, DFID should consider a review of its policy on the pre-conditions for initiating and continuing a country programme. While such reviews are part of the three-year country programme documents, a consideration of general guidelines, based on what some donors & lenders call 'shared values' would be appropriate.

Perhaps the most important lesson emerging from these three case studies is an obvious one: a single set of programmes cannot be successfully implemented by DFID in all Asian countries. We have given a number of examples to support this conclusion (e.g., seeking to integrate current and capital budgets in India is futile). One implication is that an undifferentiated policy of DFID 'aligning' its assistance with the PRSP in each country through general budget support should be reviewed. Similarly and closely related, the practice of joint funding with other donors & lenders should be carefully scrutinised to ensure that DFID does not find its unique contribution subsumed under and diluted by the priorities of others.

Annex 1: Summary of the PRSP Process in Various Countries

This annex provides a summary of the PRSP process in countries not included in the terms of reference of this study. The purpose is to provide support for the conclusions drawn from the study of the three DFID countries, Nepal, India and Vietnam. The study of these three suggests that two country characteristics have a strong bearing on generating a positive contribution of the PRSP process to national poverty reduction policy: government ownership and the existence of a poverty reduction programme prior to the PRSP process. Government ownership results in commitment to PRSP policies and the political will to implement them, while a prior poverty reduction strategy facilitates integrating the PRSP process into national priorities. The countries in Table A2.1 are divided into three categories: those with strong ownership of development policies and a poverty reduction programme in place prior to the PRSP process, weak ownership and no prior programme or an ineffective one, and a third category for the two countries in which the government changed after the PRSP was written.

The latter category, which includes none of the DFID countries, is quite important, since it represents a complication that was not anticipated in the design of the PRSP process by the World Bank, or by cooperating donors & lenders. One can argue that if the PRSP arises from a process of broad consultation, its legitimacy may transcend any particular government. However, the reality is that few participation processes have been sufficiently broad based to qualify as bestowing trans-government legitimacy on the PRSP. Even if such were the case, it would be unreasonable to hold a new *elected* government to the policies of its predecessor, on the argument that an election in effects over-rides previous participatory processes.

The judgements in Table A2.1 are summarised in the three parts of Table A2.2, and tend to support the conclusions of our study of India, Nepal and Vietnam. The first part of Table A2.2 summarises the results for all countries, and the second and third parts divide the countries into categories 'strong' and 'weak' government ownership. The results in these two parts can be judged as significantly different when a Chi-square test is applied (with less than .01 probability that they are actually from the same sample). In only one of the sixteen countries was there no improvement in poverty analysis as a result of the PRS process (and in twelve the improvement is not qualified); the one country was the exception that proves the rule, Angola, which suspended its PRS process as a result of disputes with donors & lenders. It appears that the PRS process can improve a government's poverty analysis whether ownership is strong or weak, with or without a poverty reduction strategy before the PRS process, and in the absence of effective policy making institutions. This represents a strong argument for transfer of 'best practice' information and capacity building in analytical skills, both of which are stressed in this report.

The results for participation are much more mixed, and differ significantly between countries with strong and weak ownership of development policy. In not one of the five strong ownership countries was the improvement in participation unqualified, compared to three among the weak ownership countries. We conclude that this reflects a resistance on the part of governments with a strong sense of ownership to alter or augment their political processes in response to an external

initiative. Weak ownership tends to be associated with aid dependency (though Uganda is an obvious exception), and willing to adjust or enhance participation mechanism in response to donor & lender demands. This difference prompts our recommendation that in Asia DFID, and donors & lenders in general, should avoid involving themselves in participation process, except where involvement is an extension of the provision of information and capacity building.

The absence of a PRS impact on participation in the strong ownership countries makes it no surprise that there was little improvement in public awareness of poverty issues. In only three countries did an unqualified improvement occur: Kyrgyz Republic, Zambia, and Bolivia, in each case for quite different reasons.

Quite encouraging for DFID's work is the judgement that there was an 'improvement' in planning coherence and coordination in three strong ownership countries, and 'small improvement' in the other two. Among the eleven other countries, in eight there was no effect of the PRS process. We interpret this as indicating that countries with strong ownership and effective national planning institutions are more like and better able to adopt, albeit selectively, international 'best practice', and accurately identify their capacity building needs.

Judgements about development partnerships are perhaps the most difficult to make, but donors & lenders tend to respond positively to the mere completion of a PRS document. But if our judgements are correct, that in countries with strong ownership development partnerships more frequently improved, it follows that strong ownership enhances development cooperation, which is a central premise of the PRS process.

Table A2.1: Summary of Major Aspects of the PRS Process in Sixteen Countries

Country	Country characteristics	PRSP assessment
I. Strong government ownership and NPrRS before PRSP (5)		
1. Ethiopia	1. Eff NPnS: Yes 2. AHC: CG yes 3. Conflict: Yes	1. Poverty analysis: improvement 2. Participation: small improvement 3. Public awareness: no effect 4. Planning C&C: improvement 5. Partnerships: improvement
2. India	1. Eff NPnS: Yes 2. AHC: Yes 3. Conflict: Yes	1. Poverty analysis: improvement 2. Participation: no effect 3. Public awareness: no effect 4. Planning C&C: small improvement 5. Partnerships: no effect
3. Kyrgyz Republic	1. Eff NPnS: Yes 2. AHC: Yes 3. Conflict: No	1. Poverty analysis: improvement 2. Participation: small improvement 3. Public awareness: improvement 4. Planning C&C: improvement 5. Partnerships: improvement
4. Uganda	1. Eff NPnS: No 2. AHC: No 3. Conflict: Yes [AIDS affected]	1. Poverty analysis: improvement 2. Participation: no effect 3. Public awareness: no effect 4. Planning C&C: improvement 5. Partnerships: improvement
5. Vietnam	1. Eff NPnS: Yes 2. AHC: CG yes 3. Conflict: No	1. Poverty analysis: improvement 2. Participation: small improvement 3. Public awareness: no effect 4. Planning C&C: small improvement 5. Partnerships: improvement
II. Weak government ownership (9)		
1. Angola	1. Eff NPnS: No 2. AHC: No 3. Conflict: Yes [PRSP process suspended before completion]	1. Poverty analysis: no effect 2. Participation: no effect 3. Public awareness: no effect 4. Planning C&C: no effect 5. Partnerships: no effect
2. Azerbaijan	1. Eff NPnS: No 2. AHC: CG yes 3. Conflict: No	1. Poverty analysis: small improvement 2. Participation: no effect 3. Public awareness: no effect 4. Planning C&C: no effect 5. Partnerships: small improvement
3. Lesotho	1. Eff NPnS: No 2. AHC: No 3. Conflict: No Severely AIDS affected	1. Poverty analysis: improvement 2. Participation: no effect 3. Public awareness: no effect 4. Planning C&C: no effect 5. Partnerships: no effect
4. Mali	1. Eff NPnS: No 2. AHC: CG yes 3. Conflict: No [NPrRS>PRSP]	1. Poverty analysis: improvement 2. Participation: improvement 3. Public awareness: small improvement 4. Planning C&C: no effect 5. Partnerships: no conclusion
5. Mongolia	1. Eff NPnS: Yes, weak 2. AHC: Yes 3. Conflict: No [NPrRS>PRSP, but weak]	1. Poverty analysis: improvement 2. Participation: small improvement 3. Public awareness: small improvement 4. Planning C&C: no effect 5. Partnerships: no effect
6. Nepal	1. Eff NPnS: No 2. AHC: No 3. Conflict: No [NPrRS>PRSP]	1. Poverty analysis: improvement 2. Participation: small improvement 3. Public awareness: small improvement 4. Planning C&C: no conclusion 5. Partnerships: improvement

7. Pakistan	1. Eff NPnS: Yes 2. AHC: Yes 3. Conflict: Yes [NPrRS>PRSP]	1. Poverty analysis: small improvement 2. Participation: small improvement 3. Public awareness: small improvement 4. Planning C&C: small improvement 5. Partnerships: no conclusion
8. Tanzania	1. Eff NPnS: No 2. AHC: No 3. Conflict: No	1. Poverty analysis: improvement 2. Participation: small improvement 3. Public awareness: small improvement 4. Planning C&C: small improvement 5. Partnerships: improvement
9. Zambia	1. Eff NPnS: No 2. AHC: No 3. Conflict: No [NPrRS>PRSP]	1. Poverty analysis: small improvement 2. Participation: improvement 3. Public awareness: improvement 4. Planning C&C: no conclusion 5. Partnerships: no conclusion
III. Other: Change in government after PRSP completed (2)		
1. Bolivia	1. Eff NPnS: No 2. AHC: CG Yes 3. Confl-afftd: Yes* [NPrRS began under HIPC]	1. Poverty analysis: improvement 2. Participation: improvement 3. Public awareness: improvement 4. Planning C&C: no effect 5. Partnerships: no effect
2. Kenya	1. Eff NPnS: Yes 2. AHC: CG Yes 3. Confl-afftd: No AIDS affected	1. Poverty analysis: improvement 2. Participation: no effect 3. Public awareness: small improvement 4. Planning C&C: no effect 5. Partnerships: no effect

Notes:

The countries in bold were covered in the current study. Vietnam was also covered in the UNDP study (see UNDP 2003). This table can be compared to Annex 5 of the World Bank's 2003 report on progress made by countries in formulating Comprehensive Development Frameworks, which makes assessments over similar issues and processes (World Bank 2003, pp. 43ff)

'no conclusion' means that either the changes were contradictory, or the process was too recent to venture a judgement.

*Severely repressive dictatorship in 1970s & early 1980s, & long history of ethnic-based conflict.

Legend:

AIDS – the disease

AHC – adequate human capacity for policy implementation at national level

Confl-afftd – conflict affected

Eff NPnS – effective national planning strategy

NPrRS>PRSP – national poverty reduction strategy before PRSP

Partnerships – relations between national governments and donors & lenders

PRSP – Poverty Reduction Strategy Paper

Table A2.2a: Summary of Judgements on the PRS Process,
Strong Ownership
[number of countries]

Elements of the process/impact	improvement	small improvement	no effect/ no conclusion
Poverty Analysis	5	0	0
Participation	0	3	2
Public awareness	1	0	4
Planning coordination & coherence	3	2	0
Partnerships	4	0	1
Total (percentage)	13 (52%)	5 (20%)	7 (28%)

Table A2.2b: Summary of Judgements on the PRS Process,
Weak Ownership
[number of countries]

Elements of the process/impact	improvement	small improvement	no effect/ no conclusion
Poverty Analysis	7	3	1
Participation	3	4	4
Public awareness	2	6	3
Planning coordination & coherence	1	2	8
Partnerships	1	2	8
Total (percentage*)	14 (25%)	17 (31%)	24 (44%)

*Rounded to nearest integer.

Table A2.2c: Summary of Judgements on the PRS Process,
All 16 Countries
[number of countries]

Elements of the process/impact	improvement	small improvement	no effect/ no conclusion
Poverty Analysis	12	3	1
Participation	3	7	6
Public awareness	3	6	7
Planning coordination & coherence	4	4	8
Partnerships	5	2	9
Total (percentage)*	27 (34%)	22 (28%)	31 (39%)

*Rounded to nearest integer.

Annex 2:
**TERMS OF REFERENCE
FOR CONSULTANCY ASSISTANCE
A comparison of PRSPs and
National Development Strategies in Asia**
(administrative details omitted)

1. Basic Information

1.1.1 The consultants are to supply the services below to DFID.

2. Background

2.1.1 Poverty Reduction Strategies Papers (PRSPs), produced by developing countries themselves, are generally seen by donors as an appropriate mechanism for demonstrating commitment to poverty reduction and providing a means of coordinating donor commitments to poverty reduction. The development of such poverty strategies has often been linked to the use of "New Aid Instruments" (NAIs) such as Budget Support and Sector Wide Approaches (SWAs) and a move away from using projects as the main means of delivering developing assistance.

2.1.2 In a number of countries, particularly in Africa, a key factor driving donors and governments together to introduce PRSPs and NAIs has been high aid dependency and indebtedness, particularly the implementation of the HIPC initiative. A number of Asian countries, however, do not have PRSPs. In Asia, aid dependency is generally low, and there are, perhaps, fewer problems with implementing projects. There are also long-established planning processes producing National Development Strategies (NDS).

2.1.3 Policies for poverty reduction have been set within in a context of central planning and federal state structures. Limited donor influence and limited dependence on debt relief has meant that often Asian countries have not come under strong donor pressure to introduce PRS-type planning. In India the World Bank has agreed that the government's Plan document can be seen as approximating to a PRSP.

2.1.4 In addition, several Asian countries are large and have both national (federal) and sub-national (state/provincial/district) systems of government. Often the population covered by sub-national governments exceeds that of many countries. In practice, sub-national governments tend to have responsibility for most social sector programmes, although typically there are major vertical health programmes managed by federal government; and there can be dedicated grants for other specific purposes including in the education sector.

2.1.5 NDSs also tend to be led by the federal government incorporating federal programmes and concerns. The extent of interest in national strategies on the part of sub-national systems of government varies, as does the extent to which the national government consults sub-national ones. A number of sub-national governments have strategy documents which may meet some of the characteristics of PRSs. In few countries are PRS processes yet proving an effective way of coordinating donors around poverty policies. There are also few examples of SWAs in Asia.

2.1.6 The willingness or ability of central government to involve sub-national governments in drawing up NDSs and PRSPs is an important issue in large Asian countries. There can often be a tension between the responsibilities placed on sub-national governments in delivering national policies and the resources available to them. A high degree of fiscal inequality within, as well as between, different sub-national governments will affect their ability to meet these obligations.

2.1.7 DFID's Asia Regional Policy Department (ASREP) wishes to explore further the implications of the introduction of PRSP processes in Asia, given Asian countries long and deep experience of planning processes. DFID proposes to undertake a study of the policy-making process in three Asian countries, Vietnam, Indonesia and India. The first two of these are countries which are producing a PRSP. India is also included as a case study country in order to provide comparisons with a country that will not be producing a PRSP.

3. Objectives

3.1.1 The objective of the consultancy is to inform DFID of the complementarities and contradictions between PRSP processes and existing NDS ones in Asia. It would assess whether the introduction of PRSPs is enhancing poverty reduction processes and whether these changes are positive or negative. It would also evaluate whether over the medium term the process of preparing, implementing, resourcing, and monitoring a PRSP is likely to lead to stronger, more pro-poor, more accountable national planning processes. The work would inform DFID staff on appropriate approaches for working with governments on developing their PRSPs.

3.1.2 The consultancy will complement other studies being produced for DFID on:

- policy-making processes in Asia - the dynamics of how to achieve higher priority in the political agenda for pro-poor interventions in public policy.
- PRSPs and politics, covering selected PRSP cases in Africa, Asia and Latin America.
- The use of different aid instruments in Asia.
- An Evaluation of Budget Support

3.1.3 The first two studies mentioned above will provide information on the political economy of policy making and implementation in Asia. Whilst this study will also cover the political forces behind the writing and dissemination of NDSs and PRSPs to some extent, its focus is less on the motives for involvement and more on the quality of the processes by which each is produced and the extent to which a process (the PRSP process) designed outside Asia can be adapted to the existing ones found on the continent.

3.1.4 The information provided by the study will help DFID Asia country programmes in their activity and strategy planning and in their discussions with governments on appropriate ways for delivering effective development assistance. It will also assist ASREP in internal DFID discussions on how to help countries improve their national planning processes. Finally it will help DFID to put together its strategies for meeting its poverty reduction target contained in its Public Service Agreement (PSA) with the Treasury.

4. Scope of Work

4.1.1 The proposed methodology would split the study into two parts. The first would provide the institutional and historical context for the introduction of the PRSP into a country. The second would then look at how the PRSP process is affected by the historical background and how it interacts with the institutional processes already established in the case country. These are elaborated upon below.

4.1.2 The first part of the study would provide an historical overview of existing local development/poverty reduction strategies. This would look at how existing NDSs were developed, who the stakeholders were and what their remit was (eg targeted interventions, safety nets, structural and macroeconomic reform, etc), how effective they were both in diagnosing and addressing poverty, and what the constraints faced were. There would also be an examination of how existing strategies have been tied into national and sub-national political and administrative processes, the different conflicts of interest and processes of conflict resolution surrounding the poverty reduction process and budget allocation, what the role of local level organisations has been (in both strategy formulation and execution) and role of government planning vis-à-vis the private sector.

4.1.3 The study will then address the added value of a PRSP in the two country case studies which are producing one, looking at the same areas as covered above, with a view to drawing out comparisons between the two processes on, for example:

- how each defines and addresses poverty reduction;
- the breadth of the analysis of poverty;
- the breadth and depth of the consultation process;
- the process by which poverty is diagnosed and the extent to which this diagnosis is agreed between domestic stakeholders, both inside government (at different levels of government (federal and provincial/state), sectors or sub-sectors) and outside government;
- How the concept of poverty reduction is communicated within government and to the public;
- The extent to which poverty reduction is mainstreamed within government systems and processes.

Finally, from the work undertaken above it should also be possible to draw out some perceptions and influences of PRSPs, giving an insight into, amongst others:

- Why some governments have embraced PRSPs more than others
- The understanding of in-country stakeholders of what PRSPs are and how they differ from other processes;
- How these stakeholders see PRSPs fitting in with existing National Development Strategies (NDSs). (Are they additional or could they be

incorporated into them?) For India, the issue would be the extent to which they see existing NDS process adopting features of PRSP processes;

- the perceptions of different stakeholders on the role budget support and SWAps are to play in PRSPs (or in India's case, its plans);
- Whether the PRSP process has changed the way that central agencies interact with line ministries in the planning process;
- Whether the PRSP process has changed the way that national agencies interacts with sub-national agencies in the planning process;
- Whether the PRSP process has changed the way that resource allocation takes place;
- Whether the PRSP process has changed the government's relationship with civil society.

4.1.4 In India the consultants would look at how India's the poverty reduction is articulated in its NDSs in the absence of a PRSP. They would also report on the extent to which processes emphasised in PRSP literature are being introduced into India. They would then compare findings to those in the other two case studies.

4.1.5 The consultants will use a range of approaches to investigate these issues in order to ensure triangulation. Work would take place in their home country and in the case country. The consultants would initially undertake a desk study, covering general materials on PRSPs and background material for the three case study countries. This would cover academic literature, donor and recipient papers and website searches.

4.1.6 The consultants will then undertake in-depth work in the case countries. The consultants will hold key informant interviews with government officials, civil society representatives and other stakeholders as applicable. Strategy and policy documents, academic literature, monitoring and evaluation material, as well as secondary material, such as any records of relevant past consultations with stakeholders will support the key findings. Issues of bias and objectivity should be explored and explicitly recognised within the paper. Different stakeholders are likely to express diverging views about the incentives for adopting PRSP processes.

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