

THE PRSP APPROACH

A basic guide for CARE International

Ruth Driscoll with Karin Christiansen

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Overseas Development Institute
111 Westminster Bridge Road
London
SE1 7JD

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On the recommendation of the CARE International Programme Working Group, CARE USA and UK recently commissioned a study of CARE's engagement with Poverty Reduction Strategy Paper (PRSP) processes.

This study aims to provide guidance to CARE country offices and members in how to most appropriately engage in PRSP processes, related policy engagement, and resulting funding opportunities, so as to most effectively contribute to poverty reduction based on lessons learnt and CARE's specific potential.

The work has been conducted in three stages: First, a basic guide was produced for CARE into the PRS approach in both its technical and political dimensions. Second, an overview paper was produced on experiences of civil society participation in PRS processes, including key challenges for international NGOs. As the final phase of the work, a report and accompanying training and guidance materials have been produced to map how CARE is currently engaging with PRS processes and help enhance future engagement.

Introduction

The PRSP approach is only four years old, but it has already stimulated much debate and some controversy. At one extreme, there are the rose-tinted optimists who present PRSPs as a panacea for poverty reduction, a 'magic bullet' capable of transforming in a very short space of time what were previously seen as intractable obstacles to poverty reduction. At the other extreme sit the conspiracy theorists who denounce PRSPs as 'more of the same' from the IFIs and other donors, representing continuing neglect of the structural obstacles to poverty reduction and unlikely to make the slightest difference to the rights of poor people.

This paper is located somewhere between these two camps in its attempt to give a basic overview of the PRS experience to date to help inform CARE's work. It recognises the significant potential inherent in an approach which was developed out of best practice on how to tackle poverty and points to preliminary evidence of progress made in countries that have begun to engage. However, it also acknowledges that much of the potential in PRSPs remains just that at present, and underlines the need for sustained engagement by civil society, governments and donors if their full potential is to be realised, and a real and lasting difference made to the lives of poor people.

It is important to note that the technical and political challenges the PRSP approach sets out to address are enormous in scale, fundamental in importance and far-reaching in their implications. It is therefore unrealistic to expect the initiative to produce immediate and measurable results in the way that a vaccination programme or a water project might. Although considerable informal literature exists about the PRS experience in the form of website material, NGO reports and synthesis papers, it has yet to be matched by extensive evidence-based research,¹ so this paper draws only tentative conclusions.

The paper is divided into four sections:

1. The first traces the origins of the PRSP approach in evolving development debates and pressures on the development industry.
2. The second outlines the technical basics of the approach including the PRS cycle, the content of the documents and the principles that should inform the process.
3. The third examines some assumptions behind PRSPs including their political dimensions, their potential contribution to poverty reduction and some basic conditions required to meet this potential.
4. The final section assesses key challenges and progress made to date.

Suggestions for further reading on different dimensions of the PRSP approach are provided throughout and at the end of paper, with hyperlinks to websites.

¹ The most substantive formal publication to date is Booth, D. (ed) (2003) "Fighting Poverty in Africa: Are PRSPs making a difference?" An 'Introduction and Overview' paper of the study on which the book is based is available online at http://www.worldbank.org/wbi/attackingpoverty/events/Mozambique_0403/booth.pdf

1. Origins of the PRSP approach

Where did PRSPs come from?²

The origins of the PRSP approach lie partly in debates about international development which took place in the 1990s. This decade saw a strong shift towards **poverty reduction** as an explicit goal. This included a more subtle analysis of the links between economic growth and opportunities for different kinds of people. Three important themes emerged out of the debates:

- A growing interest in the vulnerability of poor people and the need for social protection;
- Changing views on the roles of different development actors including the private sector, governments and civil society; and
- New ways of measuring and defining poverty that went beyond measuring income to also include concepts such as assets, social consumption, security and empowerment.

A second related shift was increased recognition of the importance of **participation**, both as a means of improving the quality of development policies and of improving accountability. Participation of intended beneficiaries in problem analysis and policy-making was seen to improve the quality of information and therefore the quality of the programmes and plans that resulted. Participation in the governance of a country, it was argued, would also help those affected by policy to hold policy-makers responsible for their performance, enhancing downward accountability.

The third shift that fed into the PRSP approach centred on discussions about **aid effectiveness**. Following past failures of development assistance, the 1990s saw greater efforts to evaluate the role, impact and effectiveness of development aid. These centred in particular on:

- **Enhancing country ownership:** The nature and proliferation of conditions attached to structural adjustment programmes were increasingly seen to have failed. The cause of this failure was attributed to governments and their citizens not feeling that they 'owned' the policies but that they were externally imposed, often not in their best interests.
- **Moving from projects to programmes and public expenditure:** Critiques of the use and impact of projects escalated. Evidence mounted on the high cost of different reporting and accounting systems, duplication and inefficiencies; the lack of sustainability and the corrosion of democratic accountability. Projects also appeared to have failed to overcome the very corruption issues they sought to address. This created a shift towards more programmatic funding which entailed working with

² A fuller history of the PRSP approach is given in Christiansen, K. & Hovland, I. (2003) "The PRSP Initiative: Multilateral Policy Change and the Role of Research" ODI working paper no.261 available online at http://www.odi.org.uk/publications/working_papers/wp216.pdf.

governments as much as possible and enhancing the transparency and accountability of public expenditure management systems.

- **Improving donor behaviour:** The need for donors to co-ordinate their support for development had been a longstanding concern but it was given added impetus in the 1990s by the failures of conditionality and project aid. Both contributed to an increased emphasis on the need to harmonise reporting requirements and deliver aid in a co-ordinated way that supports a government-led development process.

What role did pressures on the IFIs and other donors play?

The origins of the PRSP approach also lie in the search for solutions to a series of problems confronting the World Bank, IMF and some bilateral donors during the 1990s.

The staffs of the World Bank and IMF were under pressure on a number of fronts at this time and their mandates were being challenged. The IMF was blamed by some for contributing to the economic crisis in Asia and internal and external reviews of the Enhanced Structural Adjustment Facility, its main lending instrument, were revealing serious weaknesses. The World Bank was under pressure over deteriorating economic growth in sub-Saharan Africa and there was a serious lack of trust between the two organisations, which meant they were unable to work effectively together even at Executive Board level. The operational mechanism for joint working between the two institutions, the Policy Framework Paper, had in practice become a tool exclusively for the IMF by the late 1990s.

The arrival of a new President at the World Bank in 1995, James Wolfensohn, heralded a new agenda which included structures for consulting external actors such as NGOs. Wolfensohn's ideas were drawn together in the Comprehensive Development Framework, which included many of the conceptual ideas later used to develop the PRSP approach, but the Comprehensive Development Framework lacked an explicit purpose or any operational content. The World Bank's department on poverty and poverty assessment also contributed elements to the PRSP approach and their work culminated in the World Development Report 2000/2001 entitled 'Attacking Poverty'.

The pressure for debt relief was also mounting. From this emerged the **Highly Indebted Poor Countries Initiative** (HIPC) but the emerging critiques of this, both external evaluations and reviews conducted inside the World Bank and IMF threw up a further set of issues. One of these was how to ensure debt relief was directed towards poverty reduction and the PRSP approach appeared to provide an answer. Vociferous and effective campaigning by NGO movements such as Jubilee 2000 contributed to political pressure to ensure HIPC II was adequately financed. A US NGO coalition called the Debt Relief Roundtable was particularly effective in persuading a largely Republican Congress to agree to the Clinton administration's financing proposals for HIPC II.

Several other important development actors were reaching similar conclusions around the same time about the need for change and the nature of the change required. The **Strategic Partnership with Africa**, an association of donors focused on Africa, had working groups which helped to shape opinion amongst bilateral donors, with the UK, the Netherlands, Germany, Sweden and Canada playing a particularly active role. The UK Department for

International Development worked closely with the UK Treasury, giving strong political leadership on the international stage. Finally, an extremely powerful demonstration effect was achieved by ***Uganda's national Poverty Eradication Action Plan*** (PEAP) which was drafted in 1996/7 and led to impressive changes in policy-making, public expenditure management and prioritisation of poverty reduction in Uganda.

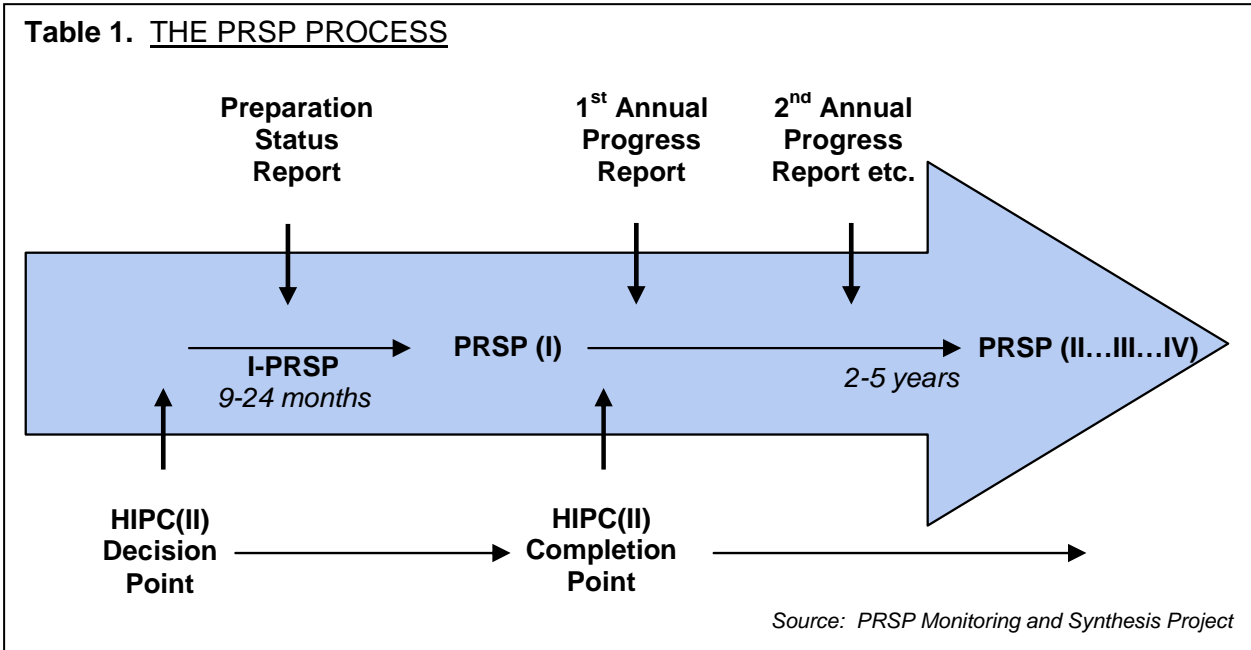
In September 1999, the PRSP approach was formally endorsed by the Executive Boards of the World Bank and IMF.

2. The technical basics of PRSPs

What is a PRSP?³

A Poverty Reduction Strategy Paper (PRSP) is a national plan of action for tackling poverty. It is a document which sets out an analysis of poverty in a country and defines a national strategy for dealing with it. Since 1999, PRSPs have been the basis for IMF and World Bank concessional lending to poor countries, and for debt relief provided under the Enhanced HIPC (Heavily Indebted Poor Countries) initiative. They are increasingly becoming the focus for bilateral donors seeking to improve the quality of their development aid. The PRSP approach has also been adopted by some countries which are not heavily indebted such as Guatemala.

How does the PRS process work?



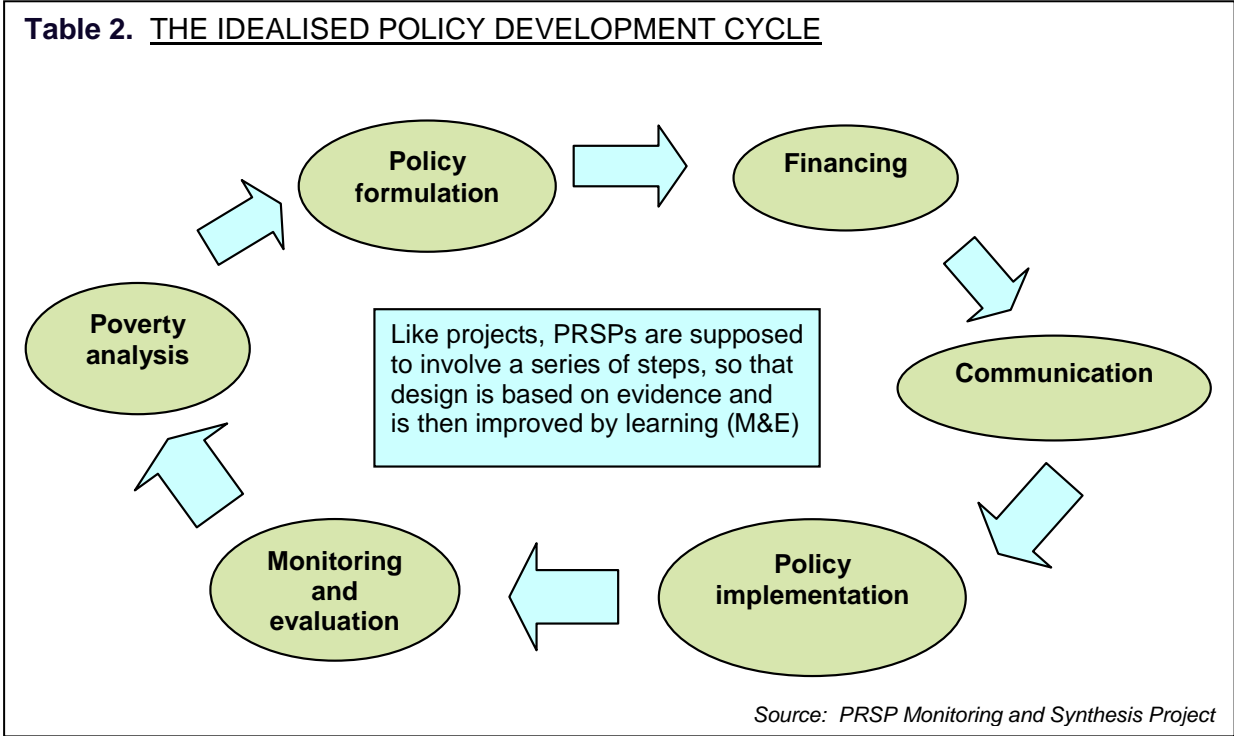
The PRSP document is usually the result of a process that starts with an *Interim PRSP* (IPRSP). The aim of the IPRSP is to set out a country's existing poverty reduction policies and outline a 'road map' of the steps that will be taken towards producing a full PRSP. This document is drafted by the national government, often led by the Ministry of Finance, and in consultation with civil society, the World Bank and IMF, and other donors. Usually it takes between 9 and 24 months to move from the interim PRSP to the *full PRSP*. This process generally involves more extensive participation, poverty analysis, and some development and prioritisation of policies. The content of full PRSPs is discussed in section 4.

Both Interim and full PRSPs are reviewed by the staffs of the World Bank and IMF and their views are presented in *Joint Staff Assessments* (JSAs). These usually include some comments on the document, and a recommendation to the Boards of the two institutions that

³ For other basic guides to the PRSP approach, see "Poverty Reduction Strategy Papers (PRSPs): A Rough Guide" at http://www.brettonwoodsproject.org/topic/adjustment/PRSP_rough_guide/PRSP_rough_guide.htm and "Influencing Poverty Reduction Strategies: A Guide" online at http://www.oxfam.org.uk/what_we_do/issues/democracy_rights/prsp_guide.htm.

the document is a sound basis for providing concessional finance or debt relief. Debt relief is provided in two stages under the Enhanced Highly Indebted Poor Countries initiative (HIPC). **Decision Point** is when a country receives substantial effective debt relief and the IPRSP is one of the triggers for this. **Completion Point** is when a country receives an irrevocable reduction in debt stock and the full PRSP is one of the triggers for this.

Countries are required by the World Bank and IMF to generate **Annual Progress Reports** (APRs) which report on progress made in implementing the PRSP. The process of revising the PRS should theoretically be repeated every two to five years so that its content can be improved through applying lessons learned from monitoring and evaluation of PRSP implementation.



What should a PRSP look like?

According to the World Bank and IMF, full PRSPs should feature the following elements:⁴

- **Poverty analysis:** PRSPs should begin by describing who the poor are and where they live using existing qualitative and quantitative data. Building on this description, they should then analyse the macroeconomic, social, structural and institutional constraints to faster growth and poverty reduction.
- **A description of the participatory process used:** This should include a description of the format, frequency, and location of consultations; a summary of the main issues raised and the views of participants; an account of the impact of the consultations on the design of the strategy; and a discussion of the role of civil society in future monitoring and implementation.
- **Macroeconomic, structural and social policies:** In light of a deeper understanding of poverty and its causes, the PRSP should set out the macroeconomic, structural,

⁴ You can read the PRSP for your country at <http://poverty.worldbank.org/prsp/>.

and social policies that together comprise a comprehensive strategy for achieving poverty reducing outcomes. These policies should be costed and prioritized as far as possible so that the PRSP is not just a "wish list".

- **Targets, indicators and systems for monitoring progress:** A PRSP should define medium and long-term goals for poverty reduction outcomes (monetary and social), establish indicators of progress, and set annual and medium-term targets. The indicators and targets should be appropriate to the assessment of poverty and the institutional capacity to monitor. They should also be consistent with policy choices in the strategy. Finally, a PRSP should have an assessment of the country's monitoring and evaluation systems and include participatory mechanisms wherever possible.

What are the principles behind the PRSP approach?

Five principles should underlie the process of formulating, implementing and monitoring PRSPs, according to the World Bank and IMF. The process should be:

1. **Country-driven** – involving broad-based participation by civil society and the private sector in all operational steps;
2. **Results-oriented** – focusing on outcomes that benefit the poor;
3. **Comprehensive** – in recognising the multi-dimensional nature of poverty (economic and social dimensions);
4. **Partnership-oriented** – involving co-ordinated participation of development partners (bilateral, multilateral and non-governmental); and
5. **Long-term** – based on a long-term perspective for poverty-reduction.

These principles hint at a PRS process which has not only technical but also political implications. These are discussed in more detail in the next section.

3. Some assumptions behind PRSPs

What about the hidden political agenda?

The PRSP approach is often presented as a technocratic project, perhaps because much of the discussion is led by the World Bank and IMF, institutions which interpret their mandates as requiring them to be non-political.⁵ In fact, politics and political processes lie at the heart of the PRS initiative in three clear ways.⁶

- **Poverty reduction is a political process.** Power relations, access to state resources, government policies and laws may need to be transformed so as to enhance opportunities for poor people to forge sustainable livelihoods. Even if poverty reduction is not necessarily a zero sum game, there will inevitably be winners and losers in the process of change if vested interests are no longer protected, discriminatory practices come to an end, and policies become more broad-based and benefit wider social groups.
- **PRSPs attempt to influence domestic political processes.** State effectiveness is a key variable explaining the success or failure of poverty reduction efforts in most countries and, political systems play a key role in state effectiveness.⁷ Political systems often prevent the achievement of poverty eradication because of a lack of institutionalisation, accountability, representativeness and responsiveness. PRSPs focus on the introduction of a process which requires fundamental changes in policy-making, and which might at the same time expose some of the political tensions preventing the successful prioritisation of poverty through the political system.
- **PRSPs imply changing power relations between rich and poor countries.** In the past, donors were able to exercise a great deal of power over recipient governments because aid was conditional on specific policies being introduced. By switching the focus of conditionality away from specific policies and towards a certain kind of policy process, the approach aims to adjust the balance of power between rich and poor countries, thereby increasing the effectiveness of development aid.

What about the myths surrounding PRSPs?

Supporters of the PRSP approach are often accused of over-egging its potential by presenting it as a magical solution to long-standing and deep-seated problems of poverty reduction and the aid relationship in poor countries. To understand the approach properly, it is important to debunk some of these myths:

⁵ Read more about the political dimensions of the approach in Craig, D. & Porter, D. (2002) "Poverty Reduction Strategy Papers: a new convergence" online at <http://www1.worldbank.org/wbiep/decentralization/afrlib/craig.pdf>.

⁶ A study of politics and PRSPs is forthcoming at <http://www.prspsynthesis.org/>

⁷ For more on state effectiveness and political systems read the World Development Reports for 1997 and 2000/01 at <http://econ.worldbank.org/wdr/>

- ***The end of conditionality***

The PRSP approach is not an entirely innovative idea but rather draws together conceptual shifts and lessons that have emerged. For example, it does not remove all poverty-related conditions attached to debt relief and concessional finance, but shifts the emphasis of those conditions away from certain policies and towards a certain kind of policy process instead.

- ***The silver bullet technology***

The PRSP is not a technical planning instrument capable of transforming the messy realities of the government planning and policy-making process into neatly drawn diagrams founded in rational thought. Instead, it is focused on realistic changes to the process such as increased use of evidence and greater consideration of civil society views.

- ***The overnight sensation***

The PRSP approach does not provide an overnight solution to longstanding, complex problems associated with the aid relationship and poverty reduction in poor countries. Rather the PRSP approach assumes that changes in practice on all sides based on realistic aims and objectives have the potential to amount over time to significant improvements.

What does the approach offer?

The PRSP approach is not a magical one, but it does have the potential to overcome three difficult realities of development aid as practiced in the past:

- ***Weak country ownership:*** Pro-poor policy reforms often fail in their aims because governments and their citizens do not feel a sense of ownership over them.
- ***The limitations of projects:*** Projects can get around the immediate problems associated with working through governments but they further weaken government commitment and capacity to implement the necessary reforms. Projects operate on a limited scale, are often unsustainable and while they may simplify donor accountability, are problematic in terms of holding national governments to account.
- ***Problematic donor behaviour:*** When a government does not want to adopt a particular reform, attaching conditions to development aid does not make the government adopt the reform and implement it properly. Donors also have not coordinated their support enough.

PRSPs offer important opportunities. First, poverty reduction efforts could be better owned by both governments and citizens of poor countries, and therefore much more successful. Second, poverty reduction could be mainstreamed into government planning processes and used to guide expenditure not only of aid but also of the national budget as a whole.

What is needed to realise this potential?

The central assumption in the PRSP approach is that if policies for poverty reduction are properly owned by governments, they will be more successfully implemented and make a real difference to the lives of poor people. For this assumption to hold true, three central conditions will need to be met:

1. **First, the citizens of the country and not just the government will need to own the PRSP.** Otherwise it is unlikely to address their priority concerns or be successfully implemented. This is especially important given the problematic nature of many political systems and processes in poor countries.
2. **Second, the PRS process must avoid becoming overwhelmed by the very institutional challenges it seeks to address.** There is a backlog of neglected reforms to government planning, budgeting and monitoring systems in poor countries that must be addressed if PRSPs are to actually be delivered on the ground.
3. **Third, donors will have to ensure they provide the quantity and quality of development aid that is needed to resource the PRSP.** Otherwise, the policies contained within the PRSP are likely to remain aspirations rather than deliverables and are unlikely to be successfully implemented. This is especially true of aid dependent countries, where the tax base tends to be small and systems for collecting tax revenue very weak.

The following section assesses progress made to date in meeting these challenges.

4. PRSP progress to date

How many countries have PRSPs?

At the time of writing, 33 countries have full PRSPs and 24 more have Interim PRSPs. CARE is working in 27 of the countries with full PRSPs and 10 of those with I-PRSPs. PRSPs should ideally be redrafted every 2-5 years and the latest data available from the World Bank shows that 4 countries have already produced a second iteration of their PRSP. They are Burkina Faso, Mauritania, Tanzania and Uganda.

Table 3. PRSP STATUS IN COUNTRIES WHERE CARE WORKS⁸

Region	Interim PRSP only	Full PRSP	2 nd PRSP
AFRICA	Côte d'Ivoire*, Democratic Republic of Congo*, Kenya*, Lesotho, Sierra Leone*	Benin*, Cameroon*, Chad*, Ethiopia*, Ghana*, Madagascar*, Malawi*, Mali*, Mozambique*, Niger*, Rwanda*, Zambia*	Uganda*, Tanzania*
ASIA	Bangladesh, Indonesia, Lao PDR*	Cambodia, Nepal, Sri Lanka, Tajikistan, Vietnam*	
LATIN AMERICA & THE CARIBBEAN	-	Bolivia*, Honduras*	Nicaragua*
MIDDLE EAST & EUROPE	Bosnia & Herzegovina, Macedonia	Albania, Armenia, Azerbaijan, Georgia, Yemen*	

*Heavily Indebted Poor Countries (HIPC)

PRSP processes are most advanced in **sub-Saharan Africa** but facing serious challenges in countries affected by **armed conflict**. Some have suggested that the approach is not really relevant beyond highly aid dependent and often heavily-indebted countries such as those found in sub-Saharan Africa. While the principles underlying the process are fairly universally relevant and the PRS process is conditional for all low income lending from the IMF and World Bank, the incentives for government to adopt the approach are less clear for governments that are less dependent on these sources of financing for development.

⁸ This table includes only those countries which are eligible for concessional (IDA) finance from the World Bank or debt relief under Enhanced HIPC. Reliable data is not collated on a global basis for other countries which have adopted the PRS approach but which are not HIPC or IDA-eligible.

How do we assess the quality of PRSPs?

The length, format and content of the PRSP **documents** produced to date vary enormously. The documents have been subjected to some criticism for their failure to feature the policies required to address cross-cutting and structural concerns such as gender⁹ and trade.¹⁰ However, perhaps more important than the first round of paper plans are the **processes** associated with their production, formulation, implementation and monitoring.¹¹

In the previous section, it was argued that the PRSP approach is based on the assumption that if policies for poverty reduction are better owned by governments, they will be more successfully implemented and make a real difference to the lives of poor people. It was argued that for this assumption to hold true, three basic conditions must be met:

- The citizens of the country and not just the government will need to own the PRSP;
- The PRSP process must avoid becoming overwhelmed by the very institutional challenges it seeks to address; and
- Donors will have to ensure they provide the quality of development aid that is needed to resource the PRSP.

This section assesses whether PRSP processes have begun to meet these conditions or are likely to do so over time.

Are citizens beginning to own poverty reduction processes?

The subject of NGO participation in PRSP processes forms the subject of a separate paper in this series and its findings are briefly summarised here. The adoption of the PRSP approach has led to an **unprecedented opening-up of government policy-making** processes to civil society. For the first time ever in many countries, civil society organisations have been invited to national consultations about what action should be taken to tackle poverty. In Ethiopia, these consultations were deliberately targeted at marginalised groups, for example through quotas for groups such as destitute people, female-headed households and commercial sex workers. Many national and international **NGOs have mobilised into coalitions and actively taken advantage** of these opportunities, sometimes

⁹ For more on gender in PRSPs read Whitehead, A. (2003) "Failing women, sustaining poverty: Gender in Poverty Reduction Strategy Papers" at http://www.christian-aid.org.uk/indepth/0306gad/failing_women.pdf.

¹⁰ Hewitt, A. & Gillson, I. (2003) "A review of Trade and Poverty Content in PRSPs and Loan Related Documents", ODI http://www.odi.org.uk/iedg/projects/christian_aid_paper.pdf.

¹¹ The World Bank and IMF conducted a Comprehensive Review in early 2002. Several donor agencies, academic institutions and civil society organisations made independent contributions to this review and the IMF and World Bank produced syntheses of their contributions. These are available at <http://www.worldbank.org/poverty/strategies/review/index.htm>. The World Bank and IMF are planning a second Comprehensive Review of the PRSP initiative in 2005.

The PRSP Monitoring and Synthesis Project has produced a number of papers on experience to date:

- Experience with Poverty Reduction Strategies in Latin America and the Caribbean (2003)
- Experience with PRSPs in Transition Countries (2003)
- National Poverty Reduction Strategies (PRSPs) in Conflict-Affected Countries in Africa (2003), all available online at <http://www.prpsynthesis.org/>

holding their own parallel consultations. For example in Zambia a network of thirty-six national organisations has been formed under the banner of 'Civil Society for Poverty Reduction'.

The consultations have proved challenging for many civil society organisations. Many lack the **funding, capacity and experience** to engage effectively in government policy debates, especially on macroeconomic issues, and are more accustomed to small-scale service delivery. NGOs are also often **unrepresentative of poor people** and their interests, and in some countries there are very few organisations which exist independently of government. Bangladesh for instance has numerous organisations connected to the rural poor but most are led by well-educated, urban-based elites with strong links to the current government, major political parties and wealthy-business interests. Less powerful social groups such as women tend to lack adequate representation.

The consultations have also proved challenging for governments and donors. Most governments lack **capacity and experience** in facilitating participation, especially by marginalised groups. Governments and donors have tended to take a rather **narrow view of civil society** which excluded parliaments, political parties, the private sector and to a lesser extent trade unions, academics and faith groups. Some consultations have been framed in a way which discourages discussion of **structural barriers to poverty reduction** and focuses instead on public expenditure options and other 'technical' issues. For instance, issues of family-law reform and land distribution were effectively ignored in Benin's PRSP consultations despite their crucial importance to poverty reduction.

Some **triggers for IFI lending and HIPC debt relief** were agreed in advance of PRSP consultations and went beyond acceptable parameters such as broad fiscal discipline towards specific policy conditionalities. That these remain in place is to some extent inevitable at this stage as they will only be removed once countries have developed PRSP performance assessment frameworks which are sufficient to meet donors' requirements to account for the finance they provide, but attention is needed to ensure this takes place over time.

As PRSPs move from the formulation to implementation phase, a role for citizens in monitoring and evaluation is coming to the fore. PRSPs have led many governments to introduce **decentralised and participatory monitoring** mechanisms either for the first time or on a much larger scale than seen previously. As with all such measures, their success will depend to some extent on adequate financing, capacity and commitment on the part of governments, donors and civil society organisations.

CSO participation in Nicaragua . . .

At the consultation stage, the Nicaraguan government set in train two processes for civil society participation. The first was a series of locally organised civil society meetings and the second was 'Proconsulta', a set of focus groups and presentations from group leaders in nine geographical Departments.

At the monitoring and evaluation stage, two civil society umbrella groups are working together. The 'Coordinadora Civil' is a membership organisation of about three hundred civil society organisations engaged in advocacy work and the 'Red de Desarrollo Local' is a network of local development NGOs. The two organisations have developed a social auditing methodology which is being piloted in seven municipalities as a way of monitoring the PRSP, with funding from GTZ, DFID and Oxfam.

An organisation called 'Campesino a Campesino' is also engaged in monitoring and evaluating the PRS. It is developing a livelihoods approach to measuring poverty and growth dynamism which is being tested in sixty communities across Nicaragua. 'Campesino a Campesino' is working together with World Bank statisticians to improve Nicaragua's poverty measurement methodology, with the help of a DFID secondee.

Source: *PRSP Monitoring and Synthesis Project (2003)*

In summary, the introduction of PRS processes has provided the impetus for something of a giant leap forward from the previous non-involvement of citizens in consultations about poverty policy led by governments and donors. Significant progress has also been made in the introduction of more participatory monitoring mechanisms. If these steps are to translate over time into better ownership of poverty reduction processes by citizens, some key improvements are needed from donors, governments and civil society organisations to:

- improve the capacity, funding, expertise and representation of poor people and other less powerful social groups in civil society organisations;
- develop government capacity, expertise and political commitment to participatory processes which permit discussion of the structural issues that are central to poverty reduction; and
- enhance PRSP performance assessment frameworks so that policy triggers for IFI lending and HIPC debt relief can also be up for discussion.

Are PRSPs being overwhelmed by the institutional problems they seek to address?

The PRSP approach has given an important boost to efforts to reform government planning, budgeting and monitoring systems in the interests of poor people. First, PRSPs have led to better **mainstreaming of poverty reduction** at the heart of government. Whereas previously poverty reduction was generally seen as a matter for social sector line ministries, the link with debt relief and IFI lending in PRSPs has significantly increased interest in poverty reduction inside Ministries of Finance and Offices of Prime Ministers and Presidents. Second, increased attention by Ministries of Finance is creating a more favourable context for **linking poverty reduction to resource allocation** decisions. By passing the purse strings to the Ministry of Finance, the PRSP approach is helping to place poverty at the centre of decisions about government budget allocations and increase its importance amongst the incentives facing other parts of government. Third, by opening up resource allocation processes to the beginnings of **public scrutiny**, PRSPs are introducing a political element to reform exercises which have previously been approached in very technocratic ways, largely unsuccessfully.

There is however a backlog of institutional reform in many governments that threatens to overcome PRSPs if they are not accompanied by **complementary reforms to public sector management, expenditure and budgeting**. Budget reforms are proving especially important. PRSPs that have not had in place a mechanism to establish overall resource constraints look likely to end up as wish lists of policies with little sense of prioritisation or costing. Some Ministries of Finance remain unable to enforce expenditure ceilings and prevent line ministries doing their own deals with donors, which ignore PRSP priorities in favour of pet projects. Experience suggests that the **Medium Term Expenditure**

Frameworks (MTEFs), exercises in medium-term financial planning, are proving to be a useful partner for PRSPs in meeting this challenge.

Why MTEFs matter

In **Nepal** the MTEF has introduced a project screen system where development projects have to be scored and justified on the basis of poverty-related criteria. This has contributed to a prioritisation process in which between 50 and 70% of sector budgets are allocated to so-called 'P1s' and should be protected from mid-year cuts. A link is being made between the compilation of these lists of 'P1s' and the sector strategies embodied in the Tenth Plan, the (national development plan on which the PRSP is based).

In **Zambia** there is no MTEF yet but there are plans to produce one. In the meantime, a number of serious weaknesses persist in the PRSP process. The PRSP 'financing tables' do not link to budget categories and the accounting system for budgeting and expenditure is not linked to defining the inputs into line ministry programmes implied by the PRSP. The cash budgeting system means that actual expenditures are often up to 50% different (plus or minus) from predicted expenditure figures. Past outturn figures show overspending regularly happening on non-PRS focused programmes (such as Zambia's foreign embassies and civil service pay) while PRS priorities suffer (for example capital investment in communications and roads).

Source: PRSP Monitoring and Synthesis Project

PRSPs have also played an important role in increasing the quantity and quality of available **poverty data**. Large numbers of new household surveys and PPAs have been commissioned as part of the poverty analysis to inform PRSPs and most look likely to remain in place as part of monitoring and evaluation frameworks. Many PRSP processes have featured new **Poverty and Social Impact Analyses** (PSIAs) which attempt to make use of available data to analyse the impact of particular policies on poor people, although these have often been conducted by external consultants leading to concerns about the extent of country ownership.

Experience with PSIAs highlights the need to ensure new data is not only produced but also analysed and used to inform government planning and budgeting decisions. For this to happen there is a need to pay more attention to what has been called **the 'missing middle'**¹² in the poverty reduction chain of inputs-outputs-outcomes-impacts. Much of the new poverty data focuses on final outcome issues such as poor people's experiences of deprivation and neglects intermediate issues such as whether a particular government policy is actually being implemented and what effects it is having. Effective **poverty monitoring systems** need to be put in place involving both technical and political players in highlighting challenges and holding the government to account for addressing them. Once these are in place, donors will have fewer excuses for insisting on their own parallel reporting systems.

Different monitoring models

In **Uganda**, a small technical unit has been located very close to the budget office in the Ministry of Finance, so that when the new incentives created by budget reform processes begin to generate demand for poverty information, this is immediately noticed and responded to. Uganda's model recognises that poverty monitoring needs to involve a network of institutions such as a statistics department, sectoral planning units, and NGOs with a commitment to participatory monitoring. The aim is to have a well-resourced and well-placed unit to assume principal responsibility for making things happen.

Although **Tanzania's** PRSP says little on the subject of poverty monitoring, arrangements have since been laid out in a Poverty Monitoring Master Plan. Four working groups were convened to cover all aspects of PRSP monitoring, including analysis and research. The agreed arrangements take a broad 'stakeholder approach' in

¹² See Booth, D. & Lucas, H. (2002) "Good Practice in the Development of PRSP Indicators and Monitoring Systems" ODI Working Paper no.172 online at http://www.odi.org.uk/publications/working_papers/wp172.pdf.

which all interested parties are included and responsibilities shared out. The plan is ambitious but may prove complex and time-consuming to maintain and could result in a vacuum of responsibility.

Source: Booth (2003)

In summary, PRS processes are making important inroads into institutional challenges to pro-poor government planning, budgeting and monitoring. They are contributing to better mainstreaming of poverty, a climate for linking resource allocation to poverty priorities and better prospects for public scrutiny. They have also made significant progress in filling gaps in essential poverty data. However, they remain at risk of being overwhelmed by the very challenges they seek to address if not accompanied by complementary reforms to public sector management, expenditure and especially budgeting. There is also a need to ensure due attention is paid to the 'missing middle' of intermediate issues in the planning and budgeting chain and to ongoing poverty monitoring processes of both a technical and political nature.

Are donors providing the quality of aid needed to resource PRSPs?

The PRSP approach has catalysed an unprecedented focus on *donor behaviour* by the international community.¹³ Donors have begun to examine the principles underlying their assistance to poor countries far more thoroughly than before and most have acknowledged the need to align their assistance with recipient governments at a number of levels ranging from policy content to instruments, procedures and timetables.

¹³ For more on donor debates about principles see DAC Guidelines and Reference Series "Harmonising Donor Practices for Effective Aid Delivery", OECD 2003: Culmination of two years work by the six DAC task-forces on donor practices at http://www.oecd.org/document/60/0,2340,en_2649_33721_15731196_1_1_1_1,00.html. Final outcome of the International Conference on Financing for Development, UN 2002.

<http://www.un.org/esa/ffd/aac257-32.pdf>

Council guidelines for strengthening operational coordination between the Community and Member States in the field of development cooperation. Text adopted by the council in March 1998.

Good donorship principles . . .

1. **Country leadership and ownership**

Overriding and ultimate goal. The subordination of donor processes, procedures and eventually objectives and policies to those of the recipient country.

2. **Sustainability of capacity**

Donors need to work in a way that builds the capacity of government sustainably and for the long term, neither simply filling short-term gaps nor over-using limited existing capacity

3. **Harmonization and simplification**

Reducing duplications, contradictions and complexities within and between donor agencies at procedure, process and policy level.

4. **Transparency and information sharing**

Full disclosure by donors of their resource flows and practices, in formats accessible and compatible with government cycles and systems

5. **Predictability of resources and conditionality**

Without predictability of resources and the simplification of conditions, implementing policies and delivering services becomes extremely difficult;

6. **Subsidiarity**

Decisions within and between donor organisations need to be delegated to the level that is best for aligning aid with country systems.

Sources: DAC(2003); UN (2002)

The World Bank and IMF have both accepted the principle that their policy advice and lending should be derived from the PRSP. The IMF has renamed its concessional lending facility from the Enhanced Structural Adjustment Facility (ESAF) to the **Poverty Reduction and Growth Facility (PRGF)**. The PRGF has seven key features:

- Broad participation and greater ownership;
- Embedding the PRGF in the overall strategy for growth and poverty reduction;
- Budgets that are more pro-poor and pro-growth;
- Ensuring appropriate flexibility in fiscal targets;
- More selective structural conditionality;
- Emphasis on measures to improve public resource management and accountability; and
- Social impact analysis of major macroeconomic adjustments and structural reforms.

Loans under the PRGF are made for three years and carry an annual interest rate of 0.5% with repayments made semi-annually beginning five and a half years and ending ten years after disbursement.

The IMF is currently conducting a review of the PRGF which is expected to report in early 2004. Independent reviews have suggested that although there has been progress in some areas such as reducing the number of conditions attached to the PRGF, the overall core of

macroeconomic prescriptions remains unchanged. Very little attention has been paid to **alternative macroeconomic policy options** allowing for greater aid absorption and a stronger focus on poverty reduction.¹⁴ Most PRGFs have also been negotiated in advance of the PRSP, undermining the prospects for a macroeconomic framework that is truly country-owned.

The World Bank has made better progress towards aligning with PRSPs. Its medium-term business plan, the **Country Assistance Strategy (CAS)** is now largely derived from the PRSP and it has introduced a new **Poverty Reduction Support Credit (PRSC)** for countries eligible for assistance from its concessional lending arm, the International Development Association (IDA). These loans are provided with no interest, a small service charge, a grace period of ten years, and a repayment period of forty years. As such, almost 70% of them are effectively grants. World Bank guidelines state that the PRSC should be agreed simultaneously or shortly after the PRSP.

On the negative side, concern has been expressed that PRSC financing continues to account for a fairly **small proportion of overall IDA lending**, with the remainder continuing to be accounted for by project loans, Structural Adjustment and Sector Loans (SAL and SECAL). There has also been continued criticism of both the Bank and Fund for their lack of **predictability and flexibility**.

Other donors such as the UK, Nordics and to some extent the EC have also made significant moves to align their **country strategies and plans** with PRSPs. This is fairly easy to do in the early stages of the PRSP process when many plans lack a clear sense of prioritisation and costing but it is becoming more challenging for donors as sectors and local governments begin detailed planning. These donors have also begun major moves away from projects and towards programmatic approaches including **Sector Wide Approaches (SWAPs) and general budget support**.

Although donors are working to make the transition from multiple and separate **performance assessment frameworks** towards common and streamlined targets and indicators, unfortunately many PRSP processes have yet to reach the stage where they can meet donors' fiduciary requirements. As a result, in some countries there has been a multiplication of procedures as donors introduce new instruments to support PRSP implementation. Improving **predictability** and providing assistance in alignment with the national budget cycle of the recipient country is also emerging as a major challenge for many donors.

There remains massive variation amongst bilateral donors and the two largest of them, the **United States and Japan**, are generally viewed as the least progressive. They continue to provide assistance which is not aligned with the PRSP and often tied to the use of ineffective technical assistance from back home. The Millennium Challenge Account (MCA) recently unveiled by the United States makes an interesting move towards budget support by setting an arbitrary but very transparent governance bar for eligibility and then being as flexible as possible in delivery to the chosen few countries. Unfortunately, it is US foreign policy rather than country-owned poverty reduction strategies which sit at the centre of the MCA.

¹⁴ For more on the IMF and PRSPs read http://www.oxfam.org.uk/what_we_do/issues/debt_aid/bp54_imfmdgs.htm

In summary, the PRSP approach has catalysed important changes in donor behaviour including greater attention to the principles underlying their assistance and to alignment of policies, procedures, instruments and timetables with country-owned strategies for poverty reduction. However, the IMF and some large bilateral donors have some way to go before their assistance can be said to be truly aligned with PRSPs and fully supportive of the principle of country ownership. There is a need for:

- Greater flexibility in macroeconomic planning to allow for country-owned frameworks which allow for aid absorption and poverty reduction;
- Further moves to improve alignment of donor policies, instruments, timetables and procedures with the PRSP; and
- Enhanced commitment on the part of large bilateral donors such as the US and Japan to the principles and practices of the PRSP approach.

Conclusions

This paper has only been able to provide a snapshot of the basics of the PRSP approach, including its historical origins, technical aspects, underlying assumptions, potential benefits and progress already made. Four years on from its formal adoption by the Boards of the World Bank and IMF, the approach has begun to make its mark by enhancing country ownership, including by citizens, of poverty reduction processes; by beginning to tackle the long-neglected need for institutional reforms; and by enhancing donor behaviour in the aid relationship.

As PRSPs begin to move from the formulation to the implementation phase and some countries begin to revise their PRSP, the excitement that surrounded the introduction of the approach is wearing off in some quarters. Many people feel disappointed that the previously intractable challenges uncovered by PRSP processes have not also been removed by them. This is unfortunate, because the success of the PRSP approach can only fairly be judged over a much longer time period.

If PRSPs are not to go the way of so many development plans in the past and end up gathering dust on government shelves, there is a need for all development actors to remain engaged for the longer term. Governments, civil society and donors need to maintain the momentum, remain committed, sustain and build upon progress already made. If they do, the PRSP approach stands a very good chance of delivering on its promises.

Further Reading

General Websites	
The World Bank PRSP Document Library.	http://poverty.worldbank.org/prsp/
The Bretton Woods Project , with various articles on issues related to the PRSP process including “ Poverty Reduction Strategy Papers (PRSPs): A Rough Guide ” (2003).	http://www.brettonwoodsproject.org/topic/adjustment/index.shtml http://www.brettonwoodsproject.org/topic/adjustment/PRSP_rough_guide/PRSP_rough_guide.htm
Debt Relief International examines the PRSP approach and its links to debt relief.	http://www.dri.org.uk/
Eurodad , a network of NGOs with a number of studies on the PRSP and related issues and a mailing list you can sign up to for receiving notice of developments.	http://www.eurodad.org/workareas/default.aspx?id=92
Oxfam , with various articles on issues related to the PRSP process including “ Influencing Poverty Reduction Strategies: A Guide ” (2002).	http://www.oxfam.org.uk/what_we_do/issues/democracy_rights/prsp_guide.htm
Trocaire produces regular PRSP Updates for Honduras (can be found through the Eurodad site).	http://www.trocaire.org/index.htm http://www.eurodad.org/uploadstore/cms/docs/HondurasUpdateAugust03.doc
PRSP Monitoring and Synthesis Project (see references to useful documents throughout this paper).	http://www.prspsynthesis.org/
More on the origins of the approach...	
Christiansen, K. & Hovland, I. (2003) “ The PRSP Initiative: Multilateral Policy Change and the Role of Research ” ODI working paper no.261	http://www.odi.org.uk/publications/working_papers/wp216.pdf
Reviews of experience to date...	
The World Bank and IMF conducted a Comprehensive Review in early 2002. Several donor agencies, academic institutions and civil society organisations made independent contributions to this review and the IMF and World Bank produced syntheses of their contributions. The World Bank and IMF are planning the second Comprehensive Review of the PRSP initiative in 2004.	http://www.worldbank.org/poverty/strategies/review/index.htm

<p>The PRSP Monitoring and Synthesis Project has produced a number of papers on experience to date:</p> <ul style="list-style-type: none"> ▪ Experience with Poverty Reduction Strategies in Latin America and the Caribbean (2003) ▪ Experience with PRSPs in Transition Countries (2003) ▪ National Poverty Reduction Strategies (PRSPs) in Conflict-Affected Countries in Africa (2003) 	<p>http://www.prspsynthesis.org/synthesis5.pdf</p> <p>http://www.prspsynthesis.org/synthesis6.pdf</p> <p>http://www.prspsynthesis.org/brief6.pdf</p>
<p>Report for the UK Gender and Development Network: Whitehead, A. (2003) “Failing women, sustaining poverty: Gender in Poverty Reduction Strategy Papers”.</p>	<p>http://www.christian-aid.org.uk/indepth/0306gad/failing_women.pdf</p>
<p>Report for Christian Aid: Hewitt, A. & Gillson, I. (2003) “A review of Trade and Poverty Content in PRSPs and Loan Related Documents” ODI, London.</p>	<p>http://www.odi.org.uk/iedg/projects/christian_aid_paper.pdf</p>
Government ownership and politics...	
<p>The PRSP Institutionalisation Study (produced for the Strategic Partnership with Africa) looked at the PRSP process in 8 African Countries. The latest version of this study can be found in: Booth, D. (ed) “Are PRSPs Making a Difference? The African Experience” <i>Development Policy Review</i>, Vol. 21, No. 2, March 2003.</p> <p>The most substantive formal publication to date is Booth, D. (ed) (2003) “Fighting Poverty in Africa: Are PRSPs making a difference?” ODI, London.</p>	<p>http://www.spa-psa.org/main.html</p> <p>http://www.blackwellpublishing.com/issue.asp?ref=0950-6764&vid=21&iid=2&oc=&s=&site=1</p> <p>http://www.worldbank.org/wbi/attackingpoverty/events/Mozambique_0403/booth.pdf</p> <p>http://store.securehosting.com/stores/sh203294/shophome.php?itemprcd=POVERTY</p>
<p>The PRSP Monitoring and Synthesis Project is in the process of finalising a study on the political dimensions of the PRSP approach: Politics and the PRSP Approach (forthcoming).</p>	<p>http://www.prspsynthesis.org/</p>
<p>Political dimensions of the approach: Craig, D. & Porter, D. (2002) “Poverty Reduction Strategy Papers: a new convergence” in <i>World Development</i>, Vol. 30, No. 12, December 2002.</p>	<p>http://www1.worldbank.org/wbiep/decentralization/afrlib/craig.pdf</p>
<p>More on state effectiveness and political systems can be found in the World Development Reports for 1997 and 2000/01.</p>	<p>http://econ.worldbank.org/wdr/</p>
<p>Moving from a donor-driven process towards country-ownership of PRSPs are covered in Oxfam’s report “Donorship to Ownership? Moving towards PRSP Round Two” (2004).</p>	<p>http://www.oxfam.org.uk/what_we_do/issues/democracy_rights/TMPe1a_sbrjtc.htm</p>

Participation...	
Suggestions for further reading on participation are provided at the end of the next paper in this series for CARE, which is on NGO participation in PRSPs. .	
Budgets...	
Elson, D. & Norton, A. (2002) “What's Behind the Budget? Politics, rights and accountability in the budget process” ODI, London.	http://www.odi.org.uk/pppg/publications/books/budget.html
Conway, T. Foster, M. Fozzard, A. & Naschold, F. (2002) “How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Five African Countries” ODI, London.	http://www.odi.org.uk/pppg/publications/working_papers/168.html
Monitoring...	
Booth, D. & Lucas, H. (2002) “Good Practice in the Development of PRSP Indicators and Monitoring Systems” ODI Working Paper no.172, London.	http://www.odi.org.uk/publications/working_papers/wp172.pdf
“General budget support evaluability study, Phase I - Final synthesis report” OPM & ODI, (2003) includes explanation of critiques of project approach.	http://www.odi.org.uk/PPPG/activities/country_level/Helsinki/OPMDFID.pdf
Donor behaviour	
OECD DAC Guidelines and Reference Series: “Harmonising Donor Practices for Effective Aid Delivery” (2003).	http://www.oecd.org/dataoecd/0/48/20896122.pdf
Foster, M. (2002) “The Choices of Financial Aid Instruments” ODI Working Paper no.158, London.	http://www.odi.org.uk/pppg/publications/working_papers/158.html
Oxfam briefing on the IMF, PRSPs and the Millennium Development Goals.	http://www.oxfam.org.uk/what_we_do/issues/debt_aid/bp54_imfmdgs.htm

Glossary of key terms

APR	Annual Progress Report. Prepared by the recipient government to assess progress made in implementation and improve progress going forward. Should ideally be produced within the first year of PRSP implementation and communicated to citizens, not just donors, as a means of strengthening national accountability.
CAS	Country Assistance Strategy. Prepared by the World Bank and sets out its business plan for supporting development in a given country. Should be based on supporting the PRSP.
Concessional lending	Loans provided on extremely 'soft' terms by the World Bank through IDA (see 'IDA' below for more details). Given at zero interest and with very long repayment periods. A PRSP is one of the conditions for receiving such loans.
Completion Point	The second stage at which debt relief is provided under the Enhanced HIPC initiative. Countries receive an irrevocable reduction in their debt stock at this point, provided they have produced a PRSP and met other conditions.
Decision Point	The initial stage at which debt relief is provided under the Enhanced HIPC initiative. Countries receive substantial effective relief at this point, provided they have produced an IPRSP and met other conditions.
General budget support	Aid provided by donors direct into the budgets of developing country governments, as a means of strengthening government systems, reducing transaction costs and increasingly accountability to citizens rather than donors. Donors tend to only move towards general budget support once they are satisfied that levels of political and financial risk are fairly low.
HIPC	Heavily Indebted Poor Countries Initiative. An agreement amongst official creditors such as donor countries to help the most heavily indebted poor countries obtain debt relief. A PRSP is one of the conditions for receiving HIPC debt relief.
IDA	International Development Association. The concessional finance arm of the World Bank – see 'concessional finance' above for more details.
IPRSP	Interim PRSP. Produced by the recipient government. Includes a stocktake of current policies for poverty reduction and a roadmap of how the country will develop its full PRSP. Originally introduced by the World Bank and IMF as a means of avoiding delays in providing HIPC debt relief.
JSA	Joint Staff Assessments. Produced by the joint staffs of the World Bank and IMF to evaluate I-PRSPs, PRSPs and annual progress reports. Used by the Boards of the World Bank and IMF to help them judge whether the strategy provides a sound basis for providing concessional lending and debt relief.
MTEF	Medium Term Expenditure Framework. Produced by the recipient government. Sets out the amount of resources likely to be available for public expenditure over the next 3-5 years, not only from aid and debt relief but also from domestic sources such as taxation. Can be used as a starting point for linking PRS policy priorities to budget allocations by ensuring the former are affordable or as a basis for encouraging donors to step forward to meet gaps in financing needed to deliver the PRS.

PPA	Participatory Poverty Assessment. Assessment of poverty which gives prime importance to the perspectives of poor people and other intended beneficiaries. Techniques such as mapping are used to overcome barriers like weak numeracy and literacy skills and/or to achieve a consensus view from a group without excluding the perspectives of less powerful participants.
PRSC	Poverty Reduction Support Credit. Form of assistance provided by the World Bank to IDA countries as a means of supporting PRSP implementation.
PRGF	Poverty Reduction Growth Facility. IMF program for the poorest countries. Replaces the former Enhanced Structural Adjustment Facility (ESAF) and should be based on a country's PRSP, but the IMF has been accused of failing to ensure this happens in practice.
PRSP	Poverty Reduction Strategy Paper. National plan of action for tackling poverty drawn up by recipient government in consultation with citizens. Forms the basis for IMF and World Bank concessional lending to poor countries, HIPC debt relief, and increasingly for bilateral donor aid.
PSIA	Poverty and Social Impact Analysis. Analysis of the impact on poor people and/or other important groups of a particular policy or set of policies. Can be done either before the policy is introduced or afterwards, to help inform decisions about the best policies for poverty reduction. Often funded by donors.
SWAP	Sector Wide Approach. Donors pool their funding for a government sector such as Health or Education into one basket as a means of reducing the reporting burden on government, encouraging a strategic approach, freeing up more resources for poverty reduction, and increasing accountability to citizens rather than donors.