

## STRATEGIC FRAMEWORK FOR ENGAGEMENT IN NATIONAL PRSPs IN CONFLICT-AFFECTED COUNTRIES

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### Overview

1. The aim of this strategic framework is to help DFID country teams think through their engagement strategy with the PRSP process in specific contexts. It is intended to facilitate a team decision-making process consisting of a number of stages of analysis. Each section of the framework contains broad guidance based on experience to date with PRSPs in conflict-affected countries plus checklists of key issues and questions for teams to consider as part of their analysis. The key sections of the framework are:

- Introduction
- Analysis of the country context
- Assessment of the opportunities and risks of the PRSP process
- Assessment of the likely impacts of donor engagement
- Design of engagement strategy

### Introduction

2. Most development specialists agree that there are few circumstances in which some form of engagement with a conflict-affected country to start a dialogue on peace building and poverty reduction would not be positive. The key issues for donors concern the nature and timing of that engagement, the pace of technical and financial assistance offered and the choice of in-country partners. In recent years, donors have started to recognise the specific challenges posed by fragile conflict situations and adjust their strategies accordingly. In particular, they have recognised the way that donor assistance can interact with the dynamics of the conflict and create (dis)incentives for war or peace.

3. Against this background, donors need to judge whether, when and how the PRSP process is a suitable vehicle for engagement in a conflict-affected country. It is important to stress at the outset that donors cannot normally affect whether or not a PRSP process starts in a country. Developing country governments can decide to initiate a process of their own accord. However, a PRSP process is not likely to go very far without the support of donors, in particular the IFIs, as the approval of an I-PRSP is the condition for IFI concessional lending and debt relief. Nonetheless, in the event that a developing country has started a PRSP process, complete disengagement is unlikely to be an effective option for donors. Rather, if they feel that process is ill informed or precipitate, they are likely to want to engage to try to slow it down or change its content. Given that the majority of conflict-affected countries already have PRSP processes underway, in the main, donor decisions are likely to concern *when* and *how* to engage in a PRSP process and how to coordinate their actions rather than *whether* to engage.

4. Although many conflict-affected countries have already embarked on PRSP processes, it is still too early to make a definitive judgement on their success. However, experience so far suggests that PRSP processes can have positive results in such contexts, but that there are limitations to what the PRSP can be expected to achieve and particular challenges that need to be addressed by donors. The evidence also suggests that there are no hard and fast rules to

guide donor engagement in these situations, rather than a set of tough judgements and trade-offs to be made on a case-by-case basis. Nonetheless, experience points to a number of broad lessons for donor engagement and enables us to identify the key questions and analysis that should guide donor engagement decisions.

## Analysis of the country context

5. A key lesson of experience to date is that there is no substitute for basing an engagement strategy on close and ongoing analysis of country circumstances. In particular DFID staff will want to analyse the following:

- The strategic position of DFID and other donors vis-à-vis the country in order to make a judgement on DFID's capacity to influence the PRSP process;
- The conflict context and security situation based on existing methodologies (e.g. Strategic Conflict Analysis in CHAD) with emphasis on political economy of conflict;
- Government legitimacy internally and internationally;
- Government commitment to peace and poverty reduction;
- State functionality and institutional capacity.

### (a) The position of DFID and other donors

6. DFID is only one actor among many and will need to draw up its strategy of engagement based on an understanding of its own potential for influence and how other donors and institutions are approaching the PRSP process in a specific country. The nature and impact of DFID's (non-) engagement will be affected by whether or not and how other donors are supporting the PRSP process, whether they are working outside the PRSP framework or whether they are not engaging with the country at all.

7. A critical starting point is the position of the IFIs and whether or not they are supporting the PRSP process and preparing to restart concessional lending. If the IFIs are already fully supporting the process in a country, DFID will have to come to a judgement as to whether or not it feels this level of support is warranted. This will usually involve judgements on wider political issues regarding the legitimacy and commitment of the government or ongoing conflict (see below). Because the IFIs still cannot formally make judgements on a political basis, the role of DFID, along with other bilateral donors, the EC and the UN is to draw together a solid - and preferably widely-shared - political assessment to counterbalance the IFIs more technical assessment. In doing so, DFID country teams will want to engage closely with IFI counterparts and make a serious attempt to understand the reasoning behind their approach.

8. DFID teams may therefore find it helpful to start by assessing their own position and the wider position of the UK Government vis-à-vis the country, its PRSP process and the wider donor community in order to make a realistic judgement of their capacity to influence the process. This will involve assessing DFID's position relative to key stakeholders at a country-level and also at a strategic or corporate level relative to other donors, in particular the IFIs. The checklist below includes some basic questions to think about.

### **CHECKLIST 1 – Assessing DFID engagement to date**

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- What has been the nature of DFID involvement so far in the country? Do any of these areas provide entry points for DFID to dialogue about the PRSP?
  - What are the particular areas of expertise where DFID could offer support to the PRSP process (e.g. poverty diagnostics, participation, MTEF/PEM)?
  - What sort of relationship does DFID have to the incumbent government and what does this imply for the likelihood of DFID being able to influence the process?
  - Are the principal donors in agreement on the approach to the country and its PRSP process? What is DFID's country-level relationship with these donors? What opportunities exist for influencing at corporate or in-country level – through Utstein, the like-minded, EU, OECD/DAC
  - What is current position of IFIs in the country and what kind of working relationship does DFID have with the resident staff? What opportunities are there for DFID to influence the IFIs in Washington – at country level, at central policy level (PREM etc) or at the Executive Board?
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## **(b) The conflict and security context**

9. An analysis of the conflict situation is a critical starting point for any donor engagement in a country affected by conflict. Development assistance is not neutral and always has a political impact, but in a conflict environment this can be even more pronounced, with aid creating direct and indirect incentives and disincentives for peace. A good conflict analysis should create an understanding of the causes and impacts of conflict, the roles played by various actors, and the opportunities for DFID policy and programmes to work towards peace and poverty reduction. It will also help DFID to judge whether or not a PRSP process could have a positive impact and whether and how to support it. It is important to recognise that in most cases the 'causes' of conflict will be highly contested and that the different country-level actors that DFID engages with (including the government) will have very different storylines and perspectives with explanations geared to justifying their own actions and position. Outside actors need to exercise careful judgement when understanding what is contributing to tensions. In particular, donors need to develop a clear understanding of the political economy of the conflict and how the PRSP process might reinforce or change this. Checklist 2 outlines the broad areas a conflict analysis should cover.

10. Donors will also need to assess the security situation. The presence of ongoing conflict, insecurity and violence (e.g. rebel attacks, banditry, presence of non-state military actors) will have serious implications for the feasibility of a PRSP process. An effective poverty diagnosis and participation process (two key pillars of the PRSP) require access to the population and a situation where populations are relatively stable and those conducting the research or expressing their views are under no threat of violence. Relevant information on the security situation can be gained from the conflict analysis, but also from diplomatic telegrams and publicly available reporting (e.g. IRIN).

### **CHECKLIST 2 - Analysing the Conflict Situation**

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#### ***What are the key factors underlying the conflict or tensions in society?***

- Political (e.g. unrepresentative political system, no independent judiciary, lack of space for civil society)
- Security (e.g. unaccountable security forces, human rights abuses, presence of non-state military actors)
- Economic (e.g. economic decline, resource competition, macro-economic instability)
- Social (e.g. exclusion, tensions over identity, absence of dispute resolution mechanisms)
- Regional (e.g. historical border dispute, cross-border ethnic groups, tensions over resources)

#### ***Who are the key actors and what are their interests?***

- What is the role of the government in the conflict?
- Are there groups with legitimate grievances against the incumbent Government? What are these and are they being addressed through a peace process or dialogue?
- Are there groups profiting from the instability and violence? How can they be deterred?
- What role did the private sector play during the conflict? Was the conflict financially sustained through 'rogue markets' in commodities?

#### ***How is/might donor assistance influence the dynamics of conflict and peace?***

- Is engagement with the government likely to increase or decrease the incentives for a negotiated settlement or programme of political reforms?
- Will engagement be seen to 'reward' or recognise actors whose legitimacy is seriously contested?
- Is assistance likely to create opportunities for greed or fuel grievance?
- What are the likely distributional effects of assistance?
- Is aid fungible and freeing up resources for military spending?

*For a more comprehensive assessment, see CHAD's 'Conducting conflict assessments: Guidance notes'*

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### **(c) Government legitimacy**

11. Decisions on whether/how to engage in a PRS process will also need to be based on an assessment of the quality of governance – in particular, the legitimacy and commitment of the government in power and capacity of state institutions to deliver basic functions.

12. Political legitimacy refers to whether government power is based on the rule of law and whether it is accepted by all political actors and the population at large. This usually depends on the process through which a state is reconstituted after conflict and a particular government installed or selected, how the state responds to violent challenges to its rule and how it responds to the needs of its citizens and its international obligations. Supporting a PRSP process in a conflict-affected country will enhance a government's legitimacy and DFID and other actors will need to ascertain whether or not they wish to do this. They will need to assess the potential risk that supporting a PRSP process could legitimise the incumbent regime in a way that would reduce the pressure for urgently needed political reforms and debase the 'currency' of the PRSP itself.

13. Assessing legitimacy is a difficult task and ultimately a question of political judgement on a case-by-case basis. There are no internationally agreed criteria that are applied consistently. For example, the Liberian government under Charles Taylor is elected, but is currently still under UN sanctions and treated universally as a pariah state. The Sudanese government is widely recognised to have conducted serious human rights abuses and donor engagement is low. On the other hand, views are mixed over the legitimacy of governments such as those in DRC (self-installed, incomplete peace talks to agree transitional regime), Angola (in place following internationally recognised, but internally disputed elections and now following military victory) and Burundi (a transitional regime under a recognised peace accord, but fighting continues). The important lesson from the past is to make the maximum effort to get as coherent an assessment of legitimacy as possible within the international community (this includes trying to get on-board those donors with complex national interests which may affect their judgements). Some initial questions to ask are given in checklist 3 below.

#### **CHECKLIST 3 – Assessing political legitimacy**

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##### ***What has been the government's role in the armed conflict, insecurity or violence?***

Military conflict may enhance a government's legitimacy if it is seen to be defending the national interest, but international donors will want to make a judgement on the legitimacy of government military action and efforts to resolve the conflict. They will also want to ensure that national resources, and aid, are not diverted to fund military efforts. International responses have differed in the past. All donors suspended aid to both Eritrea and Ethiopia during the recent conflict, but UK budget support continues to Uganda, which is both involved in an external conflict (DRC) and internally (Northern Uganda).

##### ***Does the state have full control over its national territory?***

If not, it will be difficult for the government to consult on, and implement a PRSP. Its priority may be to win the war before focusing on longer-term poverty reduction. The government may have high degrees of legitimacy in territories that it holds; but rebel groups may also be seen as legitimate in the territories they control (as in DRC). Criteria to assess territoriality include: control of borders, monopoly over the legitimate use of violence and coercion, functioning justice and police, and ability to levy taxes.

##### ***Is Constitutionalism entrenched? Are there checks on executive power?***

A Constitution is the supreme law of the land and the main source of state legitimacy for a new regime. Peace-accords often require constitutional reform, or the drafting of a new document, which sets out division of power between branches of government, and fundamental human rights guarantees. In conflict-affected countries, it is likely that the executive arm of government will be excessively strong. Attempts to allow other institutions to perform their constitutional functions will enhance legitimacy. Key will be the role of Parliament as a mechanism for indirect representation, the independence of the judiciary to act as a check on executive power and respect for the powers of lower levels of government.

***Is the state respecting international humanitarian and human rights law?***

The international law of armed conflict (international humanitarian law), refugee law and international human rights treaties are internationally recognised yardsticks to assess a state's treatment of the civilian population, during war or peace. DFID will not want to support a state committing gross and systematic violations. UN human rights resolutions, FCO assessments, international NGO (such as Amnesty International or Human Rights Watch) reports or local / regional NGOs can provide the information on which to base a judgement.

***Is there provision of national security, personal safety and access to justice?***

State legitimacy is severely weakened when it cannot provide security to its citizens, including national defence and basic law and order. International law can be used to assess the legitimate behaviour of armed forces during conflict. In peacetime, questions include: Is there proportional military capacity, based on a threat assessment? Is there a willingness to reform the armed forces and the police to make them accountable to civilian authority? Are security forces used to control political space? Is there an excessive use of force against civilians, or use of torture against opponents? Are courts functioning fairly and promptly, or are they corrupt, subject to political pressure and discriminatory? Are there mechanisms to provide transitional justice, try war crimes and human rights violations perpetrators, or seek truth and national reconciliation?

***Is there continued political instability? Is there a clear programme of viable political reforms?***

It is likely that the legitimacy of a government will be stronger following a political settlement or peace accord, but there may still be challenges to a regime's legitimacy if certain groups remain excluded from power or if powerful leaders have been by-passed (the case in Angola, following the UN-brokered peace accords). The degree of legitimacy of self-installed regimes following military victory will depend on the circumstances and degree of internal and international consensus behind the government (e.g. compare the post-genocide RPF government in Rwanda to the temporary government that seized power in Sierra Leone in 1998). Key factors include: Is there a clear programme of political reforms for return to democratic rule, including a timetable for elections? Is government policy-making inclusive of all groups or reinforcing societal divides?

***What is the degree of democratic politics and practice? Is the political system becoming more responsive to the needs of the poor?***

Democratic institutions and political practice contribute to enhancing a government's legitimacy. Again, it is likely that in a conflict-affected country, government power will be highly centralised, with little opportunity for citizens' participation and contribution to pro-poor policy making. Peace accords may set the agenda for fundamental reforms that will promote peace. In particular a new constitution may entrench new practices, and a national conference create a new sense of national unity. Some of the key questions include: Is freedom of information and of assembly being guaranteed? Have elections been held, or is there a timetable towards them? Can they be considered free and fair? Can political parties operate? Do they provide alternative political platforms? Can the media represent different viewpoints or does government control it? Is the government responding to the needs of the poor? Are there strategies in place/under development to combat poverty? What progress has been made?

***Is the government playing a responsible role regionally and/or internationally?***

The government's wider role in the region and world are also important to legitimacy. Key issues here concern whether or not a government is respecting the territorial integrity of its neighbours, if it is aggravating or seeking to support resolution of conflict in neighbouring countries, if it is abiding by the norms of international cooperation concerning cross-border trade, refugees etc.

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#### **(d) Government commitment to peace and poverty reduction**

14. These are critical judgements for engagement in a PRSP process. DFID has already stated that a key question for judging the prospects for a PRSP process is whether it represents a credible commitment to poverty reduction<sup>1</sup>. Although this commitment can arguably develop during a process, donors should be wary about giving full support to a process where the overarching motivation of the government is access to international resources rather than development of the country and poverty reduction. Donors will also not want to support a government that is not showing commitment to resolving an ongoing conflict or preventing further conflict from breaking out.

15. Political commitment is extremely hard to judge. It can depend on individual personalities, institutional capacities, the power of elites to thwart reform efforts and even on the stage of the political cycle. Also, it is important for donors to be able to distinguish lack of political will to manage (i.e. lack of commitment) and inability to manage (i.e. lack of capacity). The government's commitment to peace, reducing or preventing conflict can generally be measured by its actions to find a negotiated solution to an ongoing conflict or reduce tensions that might lead to violent conflict. Assessing commitment to poverty reduction is even more complex and teams need to be able to distinguish a situation where a government is taking modest steps in the face of great internal opposition from vested interests, from one where a government is more dynamic in pursuing poverty goals, but does not face the same degree of opposition from elites. It is also important to bear in mind that in a conflict-affected country, there is likely to be a fairly a weak track record on anti-poverty policy and that the litmus test of government commitment in the short run may not be poverty reduction *per se* but the process of restoring peace and security, addressing urgent needs and disparities and putting in place the necessary conditions for economic and social recovery.

#### **CHECKLIST 4 – Assessing political commitment**

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##### ***Government commitment to peace, reducing or preventing conflict***

- For countries in ongoing conflict: Is where there is a viable (internationally or internally recognised) peace process? Is the government attending the negotiations, implementing its commitments for example respecting ceasefires, and bringing the population on board?
- In the absence of a viable peace process, how legitimate are the concerns of the rebel groups and what effort is the government making to address these or stimulate dialogue on the issues?
- For a country at risk of conflict, what progress is government making towards reducing tensions? Is there a clear programme of political reforms? Is the government promoting the rule of law and respect for human rights? Is government policy-making inclusive of all groups?

##### ***Government's commitment to poverty reduction over the medium-term***

- Is there an existing anti-poverty policy or programme? Is it being implemented?
- Are immediate measures to restore peace and security and help conflict-affected populations being taken? Are these laying the ground for long-term poverty reduction? Are links being made?
- How politicised is the implementation of anti-poverty projects (vote/support buying)?
- Are resources being re-allocated according to stated anti-poverty commitments (e.g. more on basic services for all, less on tertiary services, embassies, military etc.)
- What is the level of consultation with or participation of different population groups and stakeholders outside government in policy-making and priority setting?
- To what extent are government policies and monitoring mechanisms recognising inequalities between population groups? What evidence is there of efforts to tackle inequality and exclusion?
- What is the degree of corruption and patronage? Are there credible efforts to combat it and deal with vested interests, in particular in areas linked to national resources (oil, diamonds) related to the financing of the war, or underdevelopment of secessionist regions?

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<sup>1</sup> See DFID *PRS Expectations Paper* and more recently, *How Should DFID work with PRSPs* by Africa Policy Department (November 2001). See also responses to this paper by Sue Unsworth, Richard Manning and Brian Thomson.

### **(e) State functionality and institutional capacity**

16. In conflict-affected countries, needs are often vast yet fiscal and institutional capacity severely constrained. Even a relatively short-lived conflict can have a significant negative impact on the institutions and capability of the state to create the economic conditions and services necessary for poverty reduction. The presence of severe institutional capacity constraints will have serious implications for the effectiveness of a PRSP process, although they are not normally in themselves a reason not to engage. However, experience shows that a basic level of institutional capacity - to organise data collection, analyse information, formulate and implement policy, plan and track expenditure - is important to produce and create ownership of a relevant and effective PRSP. In these circumstances, donors need to proceed cautiously and slowly, be prepared to invest early in building institutional capacity and resist the temptation to rush in with consultants to do the work. The process must proceed at a pace suited to the development of institutional capacity of the country and expectations need to be managed on all sides.

17. State functionality and capacity issues relevant to the chances of a credible PRS process are the quality of economic management, policy-making and implementation, capacity for service delivery and information gathering. Regarding economic management, the fundamental issues concern the state's ability to manage the economy and maintain macroeconomic stability; the quality of public expenditure management; the control of military expenditure and the regulation of the war economy. Here, it is important to make an effort to understand the reasons behind any capacity problems and some of the contextual difficulties faced by conflict-affected countries. For example, it might be particularly difficult to predict revenues and therefore get the overall budget envelope right when a country is vulnerable to sudden unforeseen surges in military expenditure or conflict-related humanitarian crises. It may also be that the eruption of a regional conflict beyond the country's control has implications for the economy or public expenditure e.g. an influx of refugees from a neighbouring country, the loss of vital transportation routes, reduced levels of foreign investment.

18. The ability of state institutions to formulate plan, prioritise, cost and implement policy is also important to the success of a PRSP process. There is nothing to prevent a government going ahead with a PRSP process even when capacity is severely compromised. The judgement for DFID is whether the capacity that does exist is up to producing, at a minimum, a limited focused policy agenda with a reasonable level of openness that reflects a broad reading of society's needs. Or, whether vested interests and shortfalls in technical competence are such that any policy agenda would be seriously biased and unresponsive to the broad needs of society. In the latter case there is a chance that a PRSP may be more inflammatory to, rather than supportive of, any peace process.

19. Finally, countries emerging from conflict usually have very little up-to-date data on the nature and incidence of poverty, the level of service delivery or other key statistics. Again, the rebuilding of these systems will be key to the design and monitoring of a PRSP. Overall, DFID teams need to recognise that major areas of 'missing or weak capacity' will put severe limits on what the PRSP can offer in terms of results over the short to medium term.

## CHECKLIST 5 – Assessing state functionality and institutional capacity

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### The quality of economic management:

***Is there a central authority capable of implementing appropriate measures for macroeconomic management?*** Has the country had an acceptable programme in recent years? Is there an IMF programme? Given the likelihood that a country emerging from or affected by conflict will not have a track record of economic management adequate to satisfy the IFIs, what capacity is in place and what measures are being taken to implement a programme for addressing serious imbalances? What is the likely timing of an IMF programme?

### **Is Government willing/able to arbitrate or regulate economic activities related to the conflict?**

Mismanagement of licenses for mineral or timber extraction, failure to hold up even the most basic elements of commercial law or enforce property rights are features of many conflict societies. Willingness to address these problems early in the transition period is likely to be important for eventual economic recovery but also to the credibility and transparency of the government's reform programme.

***How committed is the government to addressing systematic biases in the allocation of resources under state control?*** Conflicts skew the allocation of resources, often diverting them to military purposes and away from key services and infrastructure. Judging the commitment of a government to address such biases (e.g. through caps on military spending; expenditure tracking to establish where funds are going) is important in the overall decision whether to support a PRSP process or not.

***How are public expenditures currently budgeted and accounted for?*** Is there a comprehensive budget? Is the budget formulated with inter-ministerial or legislative consultation? Is there any way of knowing how far actual expenditures deviate from amounts budgeted? Is there any way of knowing the scale of off-budget expenditures? Are public accounts prepared and audited? In the case that none of the above can be answered positively there may be few prospects for a viable PRS in the short run. Even if a Government has started the process, donors may wish to focus on a more limited reform agenda to strengthen basic budgeting, including the transparency of fiscal operations, as a step toward more direct support for the PRS at a later stage.

***How effective are accounting and financial management systems?*** These systems are fundamental to government capacity to allocate and use resources efficiently and effectively. Many conflict-affected countries have suffered collateral loss in these areas, with the loss of technical capacity. Severe shortfalls in external or internal audit, accounting systems and financial management will compromise the integrity of the planning and budgeting process. (For assessment tools see *Understanding and reforming public expenditure management: Guidelines for DFID, Version 1. DFID 2001. Also, Checklist of Budget/Financial Management Practises, Public Expenditure Handbook, World Bank*) [www.worldbank.org/publicsector/pe/english.htm](http://www.worldbank.org/publicsector/pe/english.htm)). Measures to improve these systems will need to be identified before a credible PRS process can really develop.

### Assessing information systems and statistical capacity:

***What, if anything, is left of government systems for information and data gathering?*** The data available in most conflict situations is very limited and unreliable and usually predates the conflict. Capacity for maintaining information systems is often severely weakened or lost altogether. Sometimes there are pockets of capacity that have been retained e.g. as part of an ongoing IFI programme, by the Central Bank etc. Although this information rarely includes recent social and poverty data, could it be used as the base for more extensive information gathering once conflict has come to an end? Non-governmental and donor data sources may be available and more reliable (sometimes covering areas that are outside of state control). Are alternative sources known/respected by government officials?

***What is the quality and reliability of existing poverty statistics?*** Has there been assessment of the quality of existing poverty data, particularly regarding areas or groups likely to be under-represented? Are there sources outside of government that could usefully supply information currently missing in government? What use has been made of such data in the past? Is there broad understanding within government of how poverty information can inform policy making? Data on poverty will have important implications for how actions and resources are prioritised in the PRS. Are groups affected most by the conflict included in plans to gather information?

***Are plans for the rebuilding of information systems realistically and sensibly sequenced?***

When there is a great shortage of accurate information there can be a tendency to want 'everything at once'. This can put unwarranted stress on fragile systems and institutions – and rely on too many different projects being taken on (often with donor support) in unrealistic time-frames. If there has not been a census for many years, for example, it may be a mistake to try to do a major poverty survey in the same year as the first national census since a conflict. Poverty and social information can be gathered through rapid and participatory methods which will enable a start to be made, in advance of a national household income and expenditure survey. In a process of reconstruction it is important to make sure that the urgent information needs of the resettlement and reconstruction processes (e.g. tracking population movements and the rehabilitation of essential services) are met before more ambitious poverty data exercises are conducted.

**Assessing policy-making processes and capacity for implementation:**

***What is the capacity of existing institutions and instruments for implementing economic and development policies?***

Is there a functioning civil administration? Are there incipient economic, political or security obstacles that make it unlikely that authorities will be able (or willing) to respond to the needs of the poor and groups particularly affected by the conflict? To what extent do the public and key stakeholders have any influence over policy decisions, through political institutions (such as parliaments, parties, or local institutions)?

***What human/technical capacity exists to develop and own policy at sector/central authority level?***

A critical mass of technical personnel in the Ministry of Finance and or Planning and a few key line Ministries is likely to be essential to kick-start the PRS process. How many central ministries currently exist and what recent policy/planning experience do they have? What are relationships like with Ministry of Finance? What are relationships like with lower levels of authority? Have government salaries been paid recently? What is staff morale like? Are plans in place to attract capacity back to the public sector? Can the PRS provide an opportunity to prepare a plan for institutional strengthening?

***What human and technical capacity exists for delivery of basic services at local or central level?***

Failure to deliver basic services weakens the institutions and legitimacy of the state. Government capacity constraints may be binding in the short run, particularly as it seeks to restore macroeconomic stability (sometimes at the cost of resources for basic service delivery). Drawing on non-government capacity may therefore be the only way forward during the transitional phase (see LICUS).

***What is the state of links between policy making, planning and budgeting?***

To what extent is policy making and planning constrained by what the country can afford? To what degree are policy making and planning informed by their budgetary implications? Linkages between policy, planning and budgeting are weak in many low-income countries, not only those emerging from conflict, but they are likely to be accentuated where there is a non-transparent budget process and where civil servants have limited interest in systems reform because of low salaries and demoralisation. In such circumstances it is important that the PRS budget envelope is defined in a realistic way and that a plan exists for public sector capacity building, and especially expenditure management, in key PRS sectors.

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**Assessment of the opportunities and risks of the PRSP process**

20. In order to assess the viability of the PRSP process as a vehicle for donor support, DFID staff will want to look at the ongoing or proposed process and assess the following in order to identify the strengths and weaknesses of the process, the opportunities it might present to make progress on peace or poverty reduction and the associated risks (see checklist 6):

- The level of political commitment to and ownership of the PRSP process
- The level of technocratic commitment to and ownership of the PRSP process
- The primacy of PRSP at policy level and link to other processes
- The quality of participation process and civil society engagement
- The quality of poverty diagnosis
- The quality and relevance of strategy

## **CHECKLIST 6 – Assessing the quality of the PRSP process**

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### ***Level of political commitment / leadership / ownership of the PRSP process***

- What is the likely government motivation for engagement in PRSP process?
- How involved is the high level political leadership in the process?

### ***Level of technical commitment / leadership / ownership of the PRSP process***

- How effective is the institutional structure to run the PRSP process? Where is it located within government and does it have the power to drive the process?
- What is the capacity of staffing of the unit or team? Are they able to run an effective process?
- Does the PRSP have wide ownership across the necessary branches of government? Are other line ministries cooperating or seeing this initiative as a threat?
- What is the quality of current processes of policy-making, prioritisation and resource allocation?
- Is there a clear link between the PRSP process and budgetary planning processes? Is the Ministry of Finance involved? Does the PRSP contain realistic, well-costed activities based on resources available?

### ***Primacy of PRSP at policy level and link to other processes***

- Is the PRSP central to government policy-making or just one 'initiative' amongst many?
- Is it integrated with or compatible with other national peace-building or planning processes?

### ***Quality of participation process and civil society involvement***

- Is the process a positive step forward from the past in increasing and widening participation?
- Is the process as comprehensive/inclusive as possible under the circumstances? Have key stakeholders and interests been identified? How has local/national civil society been involved?
- Is the process sensitive to the underlying tensions and dynamics of conflict? Is there evidence of attempts to include previously excluded groups and bridge societal divides?
- Is there a dynamic of ongoing participation/consultation, or a one-off exercise?
- What has been the level of transparency about the quality/extent/ limitations of the process?
- How seriously has the government taken the process and its findings?

### ***Quality of poverty diagnosis***

- Does the PRSP discuss and describe conflict-related poverty?
- Does it identify conflict-affected or vulnerable groups e.g. refugees, orphans, ex-combatants
- Is data disaggregated to show levels and nature of inequality, e.g. by region, ethnic group

### ***Quality and relevance of strategy***

- Does the PRSP adequately address immediate needs for peace building, stability and recovery?
- Does the strategy make links to longer-term poverty reduction?
- Is the strategy well-prioritised and sequenced given the varied and wide-ranging needs?
- Are the actions proposed likely to bring about the desired results?

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## **Assessment of the likely impacts of donor engagement**

21. Checklist 2 set out some initial considerations for understanding how donor assistance might affect the dynamics of conflict and peace. Ultimately, there are no straightforward answers and donor engagement will come down to a set of difficult trade-offs in deciding on the level of support to give. The important thing is that donors take full account of and constantly monitor the different risks and opportunities associated with their strategy. Examples of likely trade-offs include:

- Overall, the risks of engagement (e.g. wastage of funds and effort, low impact) versus the risks of non-engagement (i.e. having no influence);
- The risk that financial assistance will be diverted into corruption or indirectly fund the war effort versus the need to provide urgently needed assistance to stabilise the situation;
- The risk of giving too much legitimacy to an undesirable regime versus the need to have an interlocutor in the position to act;
- The need to encourage democratisation versus the need to have a strong government to stabilise the situation and push through reforms;
- The need to build local capacity versus the need to get certain things implemented quickly e.g. basic service delivery, DDR
- The need for justice and to establish respect for human rights versus the need for peace and reconciliation

22. Beyond this donors will need to assess the specific impacts the PRSP process is likely to have on the local political economy and incentives for reforms necessary for poverty reduction and do a careful analysis of the likely impacts of specific financial and technical assistance projects or budgetary support.

### **Design of engagement strategy**

23. If DFID staff have decided to engage with an ongoing or planned PRSP process, they will need to decide exactly how best to engage. This will be based on the analysis already done of the country context, the engagement of other donors, DFID's own comparative advantage and ability to influence the key stakeholders and the strengths and weaknesses of the existing PRSP process. Overall, it is important to understand that engagement in a PRSP process will often be highly opportunistic and rarely a linear activity. Opportunities are likely to present themselves at various points during the process as the government gets to grips with the challenges involved. In addition to an understanding of what the PRSP is trying to achieve, there are a number of principles that should guide DFID in designing the objectives of engagement:

- Set realistic objectives for the PRSP process in light of the country situation, especially the level of government capacity;
- Recognise that the PRSP needs to respond to the stage and type of conflict and that it may legitimately focus on shorter-term peace, security and reconstruction needs rather than direct poverty reduction;
- Be sensitive to the dynamics of conflict and seek opportunities to build bridges and promote dialogue;
- Always seek to increase local capacity and ownership, ensuring any international consultants funded are imbedded in government structures with national counterparts;
- Encourage governments to build on existing strategies or initiatives and be on the look out for existing or new government-owned initiatives or reforms that could provide an entry point to support the process or underpin it with vital government commitment;
- Don't rush and let the pace be dictated by the country circumstances;
- Look for opportunities to bring other donors on-board with support activities.

24. Once DFID staff have determined the objectives of their engagement, they need to translate this into concrete actions at country and international level. Based on experience so far with PRSP processes, this section considers the following:

- Options to directly support the PRSP process
- Improving the content and quality of the strategy itself
- Influencing the IFIs and other donors
- Selecting aid instrument
- What to do instead of supporting a PRSP process

## **(a) Direct Support for the PRSP process**

25. There are a number of things DFID can do in direct support of the PRSP process. Some country teams already have experience in this area that can be shared (e.g. Rwanda, Tanzania, Uganda, Mozambique). In addition, the aim of PRSP Synthesis Project being run by ODI on behalf of DFID is to share experience and lesson-learning on PRSP processes. The checklist below provides a few examples of the types of support that has been and can be given in these circumstances.

### **CHECKLIST 7 - Options and entry points to support the PRSP process**

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***Supporting the establishment and staffing of the unit in government charged with managing the PRSP process*** - this may give DFID some influence on where the unit is located and its level of capacity, although it should be careful to ensure that the government takes full ownership.

***Supporting poverty diagnostic work including censuses, household income surveys, poverty incidence analysis, PPA work.*** DFID and some of its non-government partners in the UK (e.g. ODI, IDS) have a lot of experience in this area and the current Poverty and Social Impact (PSI) work led by DFID and the World Bank is relevant. If supporting this work, it is important to include strategies to build up the government's own capacity to monitor e.g. training/TA to the National Statistics Office or building civil society capacity to monitor and engage.

***Funding wider work that the government requests such as sector reviews, public expenditure reviews, conflict analyses, service delivery reviews.*** This can be a way of influencing the government to look at some critical policy areas for the PRSP and help build a realistic picture of the challenges involved. However, it is important that line ministries are centrally involved in such exercises and they are not done just by international consultants. Sector reviews are also popular with lots of donors, so doing joint reviews should be a key aim.

***Supporting the participatory work*** – DFID is often approached to help in this area and has already built up some experience in conflict contexts (e.g. Rwanda). Support can include: funding civil society workshops, training civil society (e.g. in advocacy skills or budget analysis), funding PPAs, inviting civil society to donor discussions, arranging joint civil society/government/parliament discussions. Support could also include presenting a range of methodological alternatives to the government that are suited to conflict contexts (Note: there is still a way to go in building up international best practice in conducting participatory work in conflict settings and DFID might think about funding some work in this area, in particular drawing on vast experience in the NGO community of conducting community level participation in difficult environments).

***Supporting the improvement of public expenditure management*** – this is an area where DFID has a lot of experience and is somewhat of a leader in the donor community, but again joining up with other on exercises such as Public Expenditure Reviews (PER) is important. Building capacity here can help ensure the PRSP is realistically costed and prioritised and linked to a realistic financing envelope and that expenditure against the various commitments is monitored and accounted for. In the longer run, the aim is to build the links between the PRSP and the Medium Term Expenditure Framework (MTEF).

***Building information systems*** – functional information systems are critical to the ongoing monitoring of the PRSP and to measuring whether or not targets have been met. Open information systems where statistics and expenditure information are publicly available are also key to civil society involvement in monitoring and creating the 'pull from below' on government and delivery systems. Supporting the dissemination of the I-PRSP/PRSP – communicating the PRSP to the wider population is an area sometimes neglected, but extremely important to build ownership and pressure from below on the government to implement and account for its policies. Support might be to dissemination via radio, translation costs or production of plain language guides, posters etc. Examples include the production of a 'plain language guide' to the Tanzania PRSP and accompanying posters and disseminating the Uganda PRSP in local languages.

***Working to help the donor community to adopt a coherent approach to the PRSP process*** – governments spend too much time dealing with different donor demands, systems and programmes. In countries with weak capacity, this can absorb valuable time needed for planning and implementation. A PRSP is intended to provide an opportunity to coordinate donors behind one national strategy. DFID can help this in a number of ways e.g. funding a donor coordination unit in government, using existing donor mechanisms to bring donors together behind the PRSP, using opportunities to produce joint statements and reviews (e.g. EU parallel JSA in Rwanda). But, DFID needs to be aware of its capacity to lead or coordinate (and not bully) donors in a particular country.

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## **(b) Improving the content and quality of the strategy itself**

26. This is something that DFID and other donors can legitimately try to do and in some cases, it might be welcomed by a government that is suffering from low capacity to analyse and formulate policy. However, other governments may see this as interference and more of the same old practice of donors telling them what to do. Thus, there is often an important trade-off to be made between the quality of the strategy and the degree of national ownership the strategy has. Donors need to accept that it may take a number of iterations for the PRSP to be comprehensive in covering the full mix of medium-term challenges, well-prioritised, costed etc.

27. Nevertheless, if DFID teams see opportunities to influence the content of the strategy, they may find it helpful to consider the types of policy actions that might be appropriate in conflict-affected countries (see checklist below as a start). Again teams should look for areas where DFID has expertise. This includes, for example, public expenditure management (guidance from Governance Department), security sector reform (see CHAD's new guidance) and designing programmes of support to enhance security and access to justice (see guidance from Governance Department and DFID's Access to Justice Strategy for the Balkans as a framework linking conflict prevention, peace-building and justice sector reform). The other important issue is to ensure that any proposed policy reforms are sensitive to the conflict situation as some reforms may need to be conducted differently in this context (see checklist for examples).

## **CHECKLIST 8 - Sensitivity to the conflict in the PRSP document**

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### ***Policy actions that might be appropriate in PRSPs in conflict-affected countries***

- The PRSP might outline plans to promote national dialogue, peace building and reconciliation e.g. establishment of Reconciliation Commission specifically mandated to manage this process, civic education programmes, establishing an independent human rights commission.
- The PRSP might include political reforms to return the country to democratic rule e.g. plans for local/national elections, strengthening parliament, establishing an independent judiciary etc
- The PRSP might include specific transitional justice and reconciliation programmes e.g. plans for a truth and reconciliation commission, community justice programmes, war crimes tribunal, measures to resolve land disputes.
- The PRSP might outline security sector reform e.g. integrating rebels in national army, establishing civilian police, ensuring accountability of security forces, arms collection and control
- The PRSP might include actions to promote productive activity and re-establish a legitimate market economy e.g. opening up regions cut off by conflict, helping to establish markets, export promotion, agricultural extension schemes, vocational training, de-mining of roads etc
- The PRSP might include specific measures to reconstruct basic infrastructure
- Where there are large numbers of IDPs/refugees, the PRSP could give estimated numbers and status of persons affected and might include strategies for providing provisions and emergency services to the camps and resettlement plans
- The PRSP might identify particular conflict-affected or vulnerable groups (e.g. female-headed households, war orphans, child soldiers) and include targeted programmes such as family tracing, policies to secure access to land or micro-credit for women.
- The PRSP might refer to plans for disarmament, demobilisation and reintegration of ex-combatants e.g. employment and re-skilling programmes, micro-credit schemes, reintegration packages

### **Ensuring policy reforms are sensitive to the conflict situation**

- Constitutional reforms will need to be sensitive to the lines of tension and exclusion in society and ensure that all groups, especially minorities, are represented.
- Civil service reform after conflict needs to be sensitive to conflict and not lay off workers from discriminated against groups. Sustaining a larger civil service for a while may help integrate both parties to a conflict and not create further tensions.
- Land reform programmes will be affected by factors such as the absence of men killed in the war and high numbers of female or child-headed households, the need to reconstruct new settlements for returnees, disputes over land ownership due to change circumstances during the conflict, the presence of landmines etc
- Decentralisation programmes will need to carefully consider the ongoing tensions and sources of greed and grievance in society. Areas to think about include local power structures and their link to grievances, how patronage networks work, where lucrative resources are located, the mechanics of decentralising security.
- Programmes to combat corruption will need to be sensitive to the links between corruption and the war economy e.g. resource extraction, drugs, arms trade. Vested interests may be strong and certain groups may have a high interest in a re-triggering the conflict if their income is threatened.
- Resettlement programmes will need to respect international law i.e. the resettlement of IDPs/refugees is voluntary.

There are also further sources to consult e.g. OECD DAC Guidelines on *Helping prevent Violent Conflict* (2001) and the World Bank paper *Post-conflict reconstruction: an agenda for the Africa region* (2002).

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### **(c) Influencing the IFIs and other donors**

28. Although no other donor yet has a specific policy on PRSPs in conflict-affected countries, many have strategies on conflict and engagement in PRSP processes. However, these policies are not always consistently applied by donor country staff in practice. This is likely to be the best starting point for a DFID influencing strategy - getting other donors to abide by their own guidance. The six core PRSP principles are also important in this respect, especially the principle about national ownership.

29. It is also important to understand that influencing other donor engagement in a PRS process in a particular country can take place at a number of levels both within DFID and within the IFIs or other donors. In some cases, it will be better for things to be handled in country between country staff of DFID and another donors. This will be normally be the case for formulating a coherent assessment of the PRSP process, designing joint support strategies and dealing in the first instance with concerns about the pace and nature of other donor engagement. In other cases, it will be more powerful to refer things to Headquarters level i.e. to IFID and APD. For example, this will be the case where a country team feels the Bank or Fund is engaging too quickly in a country where the government's political legitimacy or commitment is seriously questioned, but has had limited success in influencing the IFI country teams. Ultimately, operational decisions on how to engage in a country have to be approved by the IFI Boards in Washington and IFID is trying to improve DFID's influence at this level.

30. IFID can also engage with the central policy departments in the Bank (PREM) and Fund on general issues about PRSPs, how they are approached in different contexts, if guidance is adequate and whether practice at country level is meeting guidance. This engagement is obviously more effective if IFID has concrete country examples to draw on. Also, it is not clear that internal communication within the Bank or Fund works perfectly and central policy departments may not know about particular country cases. DFID can draw their attention to this. This emphasises more communication between DFID country desks and central departments, particularly APD and IFID.

31. Finally, when trying to influence other donors, especially the IFIs, DFID will need to try to create alliances with other key multilateral or bilateral donors. Depending on the country, promising channels may be the EU, UN or Utstein Group. A potentially powerful influencing strategy is for a group of donors (e.g. the EU) to get together to draw up their own assessment of the I-PRSP or PRSP parallel to the IFI JSA process. This can then be used to influence the Bank and Fund's position or the JSA itself. This has happened in Bolivia and is currently being done in Rwanda.

#### **(d) Selecting aid instruments**

32. This is often a difficult judgement, but even more so in conflict-affected countries. The overall trend in the donor community (especially DFID) is towards increased use of budgetary support, but this can be problematic in a post-conflict country with limited absorption capacity or accountability mechanisms. Even though finance may be urgently needed and budgetary support is easier to switch on and off (should conflict re-emerge) than other types of aid, it may be better to use other aid instruments whilst government capacity to absorb budgetary aid is increased. Another key reason for this is that in a system with limited capacity, the benefits of budgetary (or even sectoral) support may take a long time to 'filter down' to the population. However, experience in fragile post-conflict situations shows that it is critical to give groups in the population an early 'stake in the peace'. This means that they need to see rapid and tangible benefits from peace and have confidence in the post-conflict government's ability to respond to their needs.

33. Thus, there may be strong arguments for time-limited programme- (or even project-) based support to central government, local authorities or non-government organisations to carry out particular focused activities for basic service delivery, reconstruction and peace-building. It should be stressed that this is a limited complement to ongoing work on building central government capacity to absorb, use and account for budgetary aid, not a substitute. As soon as absorptive capacity is increased, systems are sufficiently sound and fiduciary risk reduced, a move to budget support should be prioritised.

#### **(e) What to do instead of supporting in a PRSP process**

34. There has been a fair amount written elsewhere about how to engage in 'poor performing' countries where the policy environment and/or degree of government legitimacy and commitment are not sufficient for a normal donor partnership. This includes ongoing work by the World Bank on Low Income Countries Under Stress (LICUS), which was covered in part One. As a general rule, under these circumstances donors could try to engage with the government and other actors in limited ways to create incentives for change and help bring the country to a point where a PRSP process would be viable. This 'pre-PRSP stage' might help create an understanding of the type of PRSP process that would meet both international requirements and national needs and could include the following actions:

#### **CHECKLIST 9 - 'Pre-PRSP' actions**

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- Starting a gradual dialogue around poverty, especially with certain key reformers in government and civil society groups.
- Giving limited support to areas like poverty diagnostic and participatory work.
- Supporting elements of civil society that may help increase pressure and create political will for change
- Supporting the ongoing peace process and community-level peace building initiatives
- Continuing support for humanitarian relief and emergency basic service delivery