

## Experience with PRSPs in transition countries

### Table of contents

Abbreviations .....	2
1. Purpose and coverage .....	3
2. Brief background and context .....	3
3. Country summaries of PRSP progress so far .....	4
3.1 South Eastern Europe .....	4
3.2 LICIS .....	5
4. Institutions and Ownership .....	6
4.1 General .....	6
4.2 Links with other planning processes .....	7
4.3 Institutional location of the PRSP .....	8
4.4 Links with budget .....	9
4.5 PRSP working groups and wider government involvement .....	10
5. Formal political processes .....	11
5.1 Elections .....	11
5.2 Parliaments .....	12
6. Participation .....	12
6.1 Context and initial reactions .....	12
6.2 Consultation processes .....	13
6.3 Two examples of consultation processes .....	14
6.4 Participatory monitoring .....	15
7. Results orientation .....	15
8. Donor behaviour .....	16
8.1 The World Bank and IMF .....	16
8.2 The EU and the IMF/WB .....	17
8.3 The EBRD .....	18
8.4 The UN .....	18
8.5 Bilateral donors .....	18
9. Aid instruments .....	19
9.1 IMF instruments .....	19
9.2 WB Instruments .....	20
9.3 Debt and HIPC .....	21
10. Forward looking issues and issues for further research .....	21
Endnotes .....	22

**NOTE:** This Synthesis Note was prepared for the PRSP Monitoring and Synthesis Project by Erin Coyle with Alison Evans. This Project is a three-year project funded by the Department for International Development (DFID) through the Overseas Development Institute (ODI), London. We provide monitoring information and advice to DFID staff on issues arising in the implementation of PRSPs at country level. The project responds mainly to short-term demands for information designed to feed into DFID's decision-making process. The outputs are largely factual in nature, they are not based on in-depth research nor are they intended to proxy for such research. This note does not reflect the views of DFID. Please see our website for more details: [www.prpsynthesis.org](http://www.prpsynthesis.org)

## Abbreviations

---

ADB	Asian Development Bank
BiH	Bosnia and Herzegovina
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
CIS	Commonwealth of Independent States
CSO(s)	Civil Society Organisation(s)
CSP(s)	Country Strategy Paper(s)
DFG	Donor Framework Group (Georgia)
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EGPRSP	Economic Growth and Poverty Reduction Strategy Paper (Moldova)
EPEAS	Education, Poverty and Economic Activity Survey
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FRY	Federal Republic of Yugoslavia
GoX	Government of X (dependent on context)
GPRS	Growth and Poverty Reduction Strategy (former name for Albania's PRSP)
HIPC	Highly Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	International Financial Institution
IMF	International Monetary Fund
INGO(s)	International Non-Governmental Organisation(s)
I-PRSP(s)	Interim Poverty Reduction Strategy Paper(s)
JSA	Joint Staff Assessment
LICIS	Low Income Commonwealth of Independent States
M&A	Monitoring and Analysis
MIER	Ministry for International Economic Relations (FRY)
MoF	Ministry of Finance
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
NCP	National Committee for Participation (Moldova)
NGO(s)	Non-Governmental Organisation(s)
NPPA	National Programme for Poverty Alleviation (Moldova)
NPRS	National Poverty Reduction Strategy (Kyrgyz Republic)
NSSD	National Strategy for Socio-Economic Development (Albania's PRSP)
PIP	Public Investment Programme
PPA	Participatory Poverty Assessment
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
RS	Republic of Srpska
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association process
SBA(s)	Stand-By Arrangement(s)
SEE	South Eastern Europe
SMP(s)	Staff Monitored Programme(s)
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
US	United States of America
USAID	United States Agency for International Development
WB	World Bank

## 1. Purpose and coverage

---

This is a note from the PRSP Monitoring and Synthesis Project,<sup>1</sup> providing an update on progress with the PRSP process in a number of transition economies where DFID is engaged. The note does not provide a thorough analysis of the current situation in each country nor does it make specific recommendations on action or policy. Some possible areas for further research and attention are elucidated at the end.

The synthesis draws on material from a variety of sources, including:

- Official PRSP documentation for the transition countries – I-PRSPs, PRSPs, Preparation Status Reports and Joint Staff Assessments;
- Archived monitoring information collected by the PRSP Monitoring and Synthesis Project, including background papers prepared for DFID on various aspects of the PRS process, learning events carried out with DFID staff, and internal DFID documents and memoranda;
- DFID staff responses to the donor-PRSP engagement survey;
- UK and non-UK development research institutes, consultancy reports, electronic bibliographic sources; and
- Internet sources - multilateral and bilateral agency PRS web pages (including documents associated with the PRSP Review); various INGO and local NGO sites, government websites.

In collating information the following transition countries were covered:

- **South Eastern Europe (SEE):** Albania, Bosnia and Herzegovina (BiH), Serbia and Montenegro/Federal Republic of Yugoslavia (FRY), and Macedonia
- **Low-Income Commonwealth of Independent States (LICIS) countries:** Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan

The note begins with a brief outline of some contextual features of transition countries, followed by short outlines of the PRSP process in the focus countries. The body of the note is arranged thematically, covering ownership, formal political processes, participation, results orientation, donor behaviour, and aid instruments. The note concludes with a summary of the main findings and areas for further attention.

## 2. Brief background and context

---

All the countries covered in this note are former communist countries. In 1990/91 they faced unprecedented economic and social shocks as they made the sudden transition away from centrally planned economies towards more pluralistic political and economic systems. While some former communist countries have managed the transition admirably, with attendant impacts on poverty levels, the 12 countries of this study have much more mixed records. For example, absolute income deprivation in Tajikistan currently stands at 68 percent of the population<sup>2</sup> while Albania's poverty indicators are comparable with those of sub-Saharan Africa.<sup>3</sup>

Some of the development issues facing the transition countries are broadly similar to those faced by other developing countries:

- high levels of corruption;
- difficult relations between the state and civil society;
- the capture of the state by narrow vested interests;
- difficulty in managing aid flows and donor relations;
- high (and growing) levels of poverty;
- high (and growing) levels of external debt;
- conflict, violence, and insecurity; and
- a lack of evidence-based policy making.

The specific challenges facing the transition countries are also substantively different from those of developing countries:

- a substantially different economic profile with unique policy challenges;

- a specific inheritance from the Soviet system, including a range of financially unsustainable social policies, governance problems and institutional weaknesses;
- the possibility of accession to the EU for some of the states;
- the specific political and social context of newly emerging states and uncertain state structures;
- complex ethnic tensions and border disputes, and a close (though sometimes tense) relationship with Russia; and
- a different range of donors, new to the region.

Importantly, the transition countries perceive themselves to be different than developing countries in Africa, Asia and Latin America.<sup>4</sup>

All the countries covered in this note (except Albania) are also successor states and fragments of former large states. These countries have been independent for only a decade; political and administrative systems that were formerly sub-national have had to be transformed into independent national systems. They have no history of democracy, and in several states political power has been concentrated since independence by instances of limitations on rights to participate in elections and constraints on civil liberties. In several cases there has been intense, widespread and/or prolonged conflict that impacts significantly on state building efforts, as well as on democratic reform, the economic profile, and donor relations.

Economically the challenges are also significant. The reforms required to make the transition from a command economy to a market economy are considerable and remain challenging.<sup>5</sup> Some of the countries have natural resources, but their ability to exploit these resources in support of broad-based economic growth will take some time to develop. Trade and investment are presently subject to much disruption. Five of the LICIS countries have levels of international debt that are a cause for particular concern (Armenia, Georgia, Kyrgyz Republic, Moldova and Tajikistan). All countries require access to concessional lending and other aid flows, and as such all are at some stage of the PRSP process.

While the basic principles of the PRSP process (a comprehensive, results-oriented, nationally-owned plan for poverty reduction, created with participation from civil society and providing a framework for donor partnership) are likely to be useful and desirable in these countries, the specific context of transition will mean that these principles play themselves out in different ways.

### 3. Country summaries of PRSP progress so far

---

This section provides a brief country-by-country overview of PRS processes to date, with brief outlines of the central areas of interest.<sup>6</sup>

#### 3.1 South Eastern Europe

##### Albania

Albania was the first transition country to complete a full PRSP. The full PRSP (the National Strategy for Socio-Economic Development or NSSD) was completed in November 2001 and went to the IFI Boards in June 2002.<sup>7</sup> At the same time, Albania became the first recipient of a PRSC in the transition economies, and the World Bank approved a new CAS based on the PRSP. A PRGF was agreed in June 2001. Ownership of the PRSP process is generally considered good (though not unqualifiedly so), with unprecedented civil society engagement in the policymaking process. The PRSP Secretariat is located in the MoF, although it is presently relatively weak in relation to other Directorates. Albania also has an MTEF process with solid links to the PRSP. Albania is an active member of the Stability Pact for South Eastern Europe and is in negotiation with the EU on a Stabilisation and Association Agreement (SAA).

##### Bosnia and Herzegovina

BiH is a complex state resulting from the Dayton Agreement of 1995. The overarching national government is charged with conducting foreign and economic policy. A second tier of political and administrative government consists of two entities, the Federation of Bosnia and Herzegovina (FBiH) and the Republic of Srpska (RS). Each of these presides over roughly half the territory and oversees internal functions as well as electing the national representative body. The BiH I-PRSP was drafted by both entities (with the involvement of the national Treasury) and PRSP working groups cover both entities. The first draft of the I-PRSP was produced in June 2000 and distributed to a limited number of stakeholders; the latest version is also available on the web. It was then finalised

in February 2002 but has not yet been presented to the IFI Boards. No firm schedule has been predicted for the production of a full PRSP, given the recent elections, but it is realistically expected in late 2003 at the earliest. BiH agreed a second Stand-By Arrangement with the IMF in August 2002. Donor coordination is weak. A Consultative Task Force has been established to move forward the Stabilisation and Association process (SAP) with the EU.

### Serbia and Montenegro/FRY

The relationship between Serbia and Montenegro (presently republics of the Federal Republic of Yugoslavia) is currently in flux, with a recent agreement to form a union.<sup>8</sup> The I-PRSP for FRY was produced in June 2002. A JSA followed in July 2002 and it went to the Boards in August 2002.<sup>9</sup> The I-PRSP consists of a *chapeau* from both Serbia and Montenegro, followed by distinct I-PRSPs for each republic. The I-PRSP notes that the final PRSP is expected in July 2003, although this may not be a realistic assessment. Ownership of the process is weak, but there have been some efforts at consultation in preparing the I-PRSP and a broader participatory plan is conceived for the full PRSP. The MoF is likely to be heavily involved in the PRSP formulation process, although the process is under the leadership of the Ministry of Social Issues. There is no MTEF process envisaged. The IMF approved a three-year Extended Fund Facility arrangement in May 2002 (following on from a Stand-By Arrangement). A Consultative Task Force has been established to move forward the Stabilisation and Association process with the EU.

### Macedonia

The situation in Macedonia is unusual because until recently it had a mixed IDA/IBRD status; the GoM has received mixed messages from the WB/IMF on whether it needs to complete a PRSP for access to funding (see Box 11). The I-PRSP was completed in November 2000 and went to the IFI Boards in mid-December 2000.<sup>10</sup> The full PRSP was recently formally accepted by the cabinet, although the government has since changed. The PRSP process has been a source of public debate and has been covered in the media. Limited consultations were carried out mainly in Skopje in 2001 – it was felt that the GoM did not have capacity to carry out a more in-depth consultation process, due in part to the recent conflict. The IMF has been waiting until the upcoming elections are over before attempting to agree a new Stand-By Arrangement. The MoF is the lead agency responsible for the PRSP, and there are exercises linking the PRSP with the budget; however there is no MTEF process as yet. A Stabilisation and Association Agreement has been signed with the EU.

## 3.2 LICIS

### Armenia

The I-PRSP went to the Boards at the end of May 2001.<sup>11</sup> NGOs contributed to the development of the I-PRSP and there have been efforts at consultation in formulating the full PRSP. Working groups have produced drafts of their policy papers and a costing and prioritisation process has begun. The MTEF process has some momentum, and the MoF is the lead agency responsible for the PRSP. Armenia's PRGF was agreed in May 2001 but has been suspended at various times since then. Donor coordination is improving, with the largest donor (USAID) expressing an interest in supporting the PRSP process. UNDP is active in promoting social monitoring of the PRSP, and has held a number of multi-stakeholder workshops to promote this. DFID recently piloted PSIA work on water sector reform in Armenia.

### Azerbaijan

The I-PRSP was completed May 2001, and went to the Boards at the beginning of July 2001.<sup>12</sup> Although a PRGF was agreed at that point, it is currently suspended. The MoF is the lead agency responsible for the PRSP, and there is likely to be an MTEF process in future. The government was initially resistant to the idea of participation, but now civil society groups and parliamentarians are members of some PRSP working groups and there is evidence of more openness. Donor coordination is improving, with the first donor groups recently formed.

### Georgia

The I-PRSP (the Poverty Reduction and Economic Growth Program of Georgia) was completed November 2000, and went to the Boards in mid-January 2001.<sup>13</sup> The first draft of the full PRSP was made available for discussion in October 2001. A number of Expert Groups have drafted their policy proposals and these are currently being prioritised and costed. The State Chancellery is leading the PRSP process under Presidential oversight, and there is no MTEF process at present. The Georgian government has had to overcome a lack of expertise in planning consultation processes and working with civil society, and is currently drafting a communications strategy. Donor coordination is improving, with the EBRD a new member of the recently formed Donor Framework Group (DFG).

The DFG supports the PRSP process through joint support to the PRSP Secretariat. Georgia currently has a PRGF, agreed in January 2001.

### Kyrgyz Republic

The PRSP process is considered the operationalisation of the Comprehensive Development Framework (CDF) in the Kyrgyz Republic. The CDF was formulated with considerable participation, but was not well prioritised. The I-PRSP was completed in November 2001 at almost the same time as the CDF, and went to the Boards at the beginning of December 2001.<sup>14</sup> There is some momentum behind the participation process: the GoK has set up a website for the PRSP, distributed hundreds of copies to stakeholders for comment, convened 23 working groups, and held over 50 events with civil society. The full PRSP (the National Poverty Reduction Strategy or NPRS) is now complete and was posted on the World Bank website in January 2003, although there is not presently a JSA. There is an MTEF process underway, and the MoF is closely involved in the PRSP process as the primary coordinator. There is currently a PRGF in place. There is less evidence of donor coordination, although there have been recent attempts to address this by, for instance, moving the CG to Bishkek.

### Moldova

The I-PRSP was completed in November 2000, and went to the Boards on December 19, 2000. After parliament collapsed in December 2000, elections were held in April 2001. A new I-PRSP was drafted in April 2002 as was a PRSP Preparation Status Report - both went to the Boards in June 2002. There were serious tensions around the relationship of the PRSP to the pre-existing (and broadly owned) National Programme for Poverty Alleviation. The PRSP (the Economic Growth and Poverty Reduction Strategy Paper or EGPRSP) is led by the PRSP Coordination Council under the President and supported by a Council of Experts. There will be an MTEF process in future. Participation has so far been limited. Moldova is currently in receipt of a PRGF, agreed in December 2000, and there is some donor coordination.

### Tajikistan

The I-PRSP went to the IFI Boards on October 31, 2000. The full PRSP, completed in June 2002 under the auspices of the Presidential Working Group, went to the Boards in December 2002 following a JSA in November 2002. There have been over 50 seminars and roundtable events that have included civil society. Tajikistan has a limited MTBF at present and intends to extend this and link it with the PRSP. Tajikistan has agreed a new PRGF with the IMF in December 2002. Donor coordination is presently weak, with Consultative Group (CG) meetings held in Japan.

## 4. Institutions and Ownership

---

### 4.1 General

There are several general points to make about the experience of and possibilities for ownership and embeddedness of the PRSP process and principles:

- The political and institutional systems in many of these countries are relatively new and the legacy of the Soviet era looms large. State-building is still underway in most cases, though to varying degrees. BiH is a complex state resulting from a peace settlement (see country summary above). The relationship between Serbia and Montenegro (currently constituting the FRY) is changing. State structures in LICIS countries may not be as complex or fluid but are not well established.
- The prospect of European accession is the prime driver of reform in SEE and the PRSP process does not command the same level attention there as in other regions. Although the EU has influence in LICIS countries, access to external finance is a more significant lever of reform.
- The Soviet legacy means that equity and/ or social deprivation is of more interest to many governments than poverty reduction per se. In addition, these countries are still dealing with the shock of collapse rather than a long history of poverty as in Africa.
- There is an extremely poor governance environment in LICIS countries particularly.<sup>15</sup>
- The former Soviet countries have little experience of evidence-based national planning such as donors seek to bring about today. Although they have experience of output-based regional planning under Soviet leadership, independent national planning for poverty reduction outcomes is a new challenge. Understanding of market-

based economics is low, there remains low capacity to implement plans, and data on poverty (or even population size) remains poor.

In general, there is scepticism over the extent to which the PRSP process is owned by governments in the region, with observers agreeing that access to finance remains a prime source of commitment in all countries.<sup>16</sup> 'Ownership' is a complex phenomenon, however, and there are several ways observers tend to recognise ownership or its absence. These include: official commitment to the PRSP process, understanding of the PRSP principles, links between the PRSP and existing planning processes, the institutional location of the PRSP, inclusion of officials from different parts of government, and links with the budget or other resource allocation procedures. Box 1 below gives some examples of how observers recognise ownership at present. Furthermore, observers note that ownership does not usually extend beyond the government to broader national ownership – this is dealt with in the next section. It may be worth considering more deeply what 'ownership' might look like in the transition countries.

#### **Box 1. Ownership as understanding the PRSP principles**

The FRY provides an example of what observers believe to be poor ownership. Official commitment to the PRSP process was obtained swiftly (within days of beginning discussions), but key contacts showed a limited understanding of the purpose and central thrust of the PRSP initiative, speaking of a poverty programme to be developed over the coming year.<sup>17</sup>

In Albania, although ownership of the PRSP is generally considered to be positive, there are qualifications. The PRSP was drafted by a consultant funded by DFID, with involvement of the Ministry of Finance. Strong perceptions still abound in government that the NSED is a separate poverty strategy, distinct from the public programme, and an externally-driven exercise.<sup>18</sup>

In the Kyrgyz Republic, interviews with senior government officials have displayed their perception of the [NPRS] as a necessary country management tool. However, middle level officials believe that the aim of the document is to satisfy donor requirements and secure the inflow of aid.<sup>19</sup>

## **4.2 Links with other planning processes**

There is only limited evidence on how far the PRSP links with other planning exercises. In many countries, earlier planning exercises were not strategic plans so much as 'shopping lists', as has been seen in other regions. However, these shopping lists often garner a significant degree of national commitment, and the question is whether the PRSP process can obtain as much support.

The Kyrgyz Republic has developed poverty reduction strategies in the past,<sup>20</sup> but the clearest link is with the Comprehensive Development Framework (CDF). The I-PRSP was completed at almost the same time as the CDF in May 2001. Although the CDF was formulated in a participatory manner, the consensus-oriented process led to a poorly prioritised paper. The full PRSP is considered the operationalisation of the CDF. In BiH the existing Economic Development Strategy Global Framework provided the basis for I-PRSP. In most cases, it is not clear that donors have encouraged governments to link the PRSP to existing plans. In Moldova, for instance, there were serious tensions around the relationship of the PRSP to the pre-existing National Programme for Poverty Alleviation (see Box 2 below).

#### **Box 2. Moldova: the PRSP and the NPPA**

In June 2000, the government of Moldova approved a National Programme for Poverty Alleviation (NPPA). This was a strategy specifically detailing social protection actions. The World Bank did not accept this as the basis of an I-PRSP partially because it was not well prioritized or costed, and had weak links to the budget. The government (with considerable technical assistance) very quickly drafted an I-PRSP for approval in November 2000. Following the elections of February 2001, the new government drafted its working programme in accordance with Moldovan law.<sup>21</sup> This working program drew heavily on the former government's National Programme for Poverty Alleviation.

The new government wished to use this working program as the basis for its development of a full PRSP and there were protracted negotiations with the Bank on this issue. A note from the GoM during this period shows that despite the Bank making it clear that the NPPA was not considered sufficient to access concessional lending, the GoM was reluctant to abandon it completely, as follows: 'In June 2000 the Government approved the NPPA which is still implemented by Government. This programme is however unsatisfactory to receive financing from the WB and the local financial resources are not sufficient for implementation of the planned activities. The National Program includes a detailed list of action on poverty reduction. All these actions are related to social problems' solving. This program has to be examined as a primary version of the social block of the PRSP.'<sup>22</sup>

The new GoM redrafted the pre-existing I-PRSP in July 2002 to ensure that it 'reflects the policy vision of the Government appointed after the parliamentary elections of February 2001, as expressed in the Government's programme and the recently approved medium-term Social and Economic Development Strategy for Moldova.'<sup>23</sup>

Source: DFID

### 4.3 Institutional location of the PRSP

A key issue for ownership and the success of the PRSP process is the power of the agency that formulates and/or carries forward implementation of the strategy. These may not always be the same agency: in Macedonia, for instance, the PRSP Working Group in the MoF is only charged with PRSP formulation, not implementation.

The power of the agency or unit charged with responsibility for the PRSP can be seen in terms of both political power and resource allocation power. Booth et al (2001) reveal the importance of the role of the Ministry of Finance (MoF) in PRSP processes in Africa, stating that the resource allocation powers of the MoF are a crucial means of bringing poverty reduction out of the 'social sector ghetto'.<sup>24</sup> Other issues may be at stake in the administrative and political systems of the transition economies, particularly given different budget processes, but the location of the lead agency remains important.

In the transition countries covered by this brief, two trends are evident (see Table 1 below for details). In four countries the MoF the lead agency responsible for the PRSP (Albania, Armenia, Azerbaijan, and Macedonia) while in a few others it provides what may well amount to *de facto* leadership (Kyrgyz Republic, Tajikistan). In these countries there is therefore a clear link to the resources allocation mechanism, although the power of the MoF to govern resource allocation may not be strong in all cases. There is also a group of countries that have established Presidential units or equivalent to lead the PRSP process (Georgia, Moldova, Kyrgyz Republic, Tajikistan, BiH). These countries ensure that the PRSP process has high-level political backing although the link to resources is less immediately clear. The table below provides details of the arrangements in each country.

**Table 1. Lead agency for PRSP formulation**

Country	Lead Agency	Ministry of Finance Involvement
SEE		
Albania	Technical Secretariat under Ministry of Finance led PRSP formulation	Leading
BiH	Ministry of Foreign Trade and Economic Relations oversaw I-PRSP. Full PRSP process driven by the High-Level Coordination Committee (chaired by the Chairman of the BiH Council of Ministers, but includes high-ranking members of entity governments). Three subordinate bodies coordinating work in FBiH, RS and District Brcko	Treasury is a member of High Level Coordination Committee
FRY	Ministry of Social Issues	MoF and Ministry for International Economic Relations will be heavily involved (MIER drafted I-PRSP)
Macedonia	PRSP Working Group in Ministry of Finance	Leading
LICIS		
Armenia	Ministry of Finance	Leading
Azerbaijan	PRSP Secretariat under Ministry for Economic Development	Leading
Georgia	State Chancellory (with Presidential oversight)	Dependent on appointment (previous finance minister was very much involved, new appointee may not be)
Kyrgyz Republic	Steering Committee close to President's office	MoF centrally involved as prime coordinator
Moldova	Prime Minister's office led I-PRSP. Full PRSP Coordination Council chaired by President.	MoF supported I-PRSP drafting. Deputy Minister of Economy currently heads a technical committee that reports to Coordination Council
Tajikistan	Presidential Working Group (included leading scientists as well as government officials)	State Adviser for Economic Affairs leads Coordination Unit that supports PWG

It is crucial to note that institutional location alone does not guarantee 'ownership'. DFID notes that in Albania, although the PRSP Technical Secretariat is located in the MoF, its weak status and capacity in relation to other directorates within the MoF has restricted ownership of the PRSP across government.<sup>25</sup> Furthermore, 'ownership' may well be restricted to a few key individuals within the ministry – this appears to be true in several cases. It remains to be seen how the location of the lead agency will affect implementation prospects in the transition countries.

#### 4.4 Links with budget

Ownership of a policy process may be evidenced through willingness to commit resources to its implementation. However, PRSP formulation and implementation may expose severe pre-existing weaknesses in budget processes in these countries, and in most cases the link between the PRSP process and the budget appears extremely weak. Many of the I-PRSPs suffer from weak prioritisation and a lack of realistic resourcing, and full PRSPs such as the Kyrgyzstan PRSP also share these traits. However, in many cases, even a weakly prioritised plan is an improvement on former government plans or 'shopping lists', as in Moldova.

Given the low base from which many government agencies begin, it is crucially important that the PRSP process forces governments to prioritise their policies. Even if the final documents remain imperfect, experience to date suggests that the process will have been invaluable in promoting strategic thinking. Albania also went through a valuable prioritisation process due to explicit links between the PRSP and the resource envelope. Georgia's PRSP production has been delayed as it grapples with the complexity of this prioritisation and costing process.<sup>26</sup>

In the Kyrgyz Republic the initial draft of the PRSP would have required three times the available resources; although near-final drafts of the PRSP also lacked sufficient prioritisation, working groups did then attempt a prioritisation exercise. The final PRSP states: 'The work on prioritization of the planned policy measures and assessment of the financial needs was rather difficult because of the absence of a program budget structure within which such work could be undertaken. Although some preliminary action has been taken to place government activities on a full program budget basis, several years might be required before it is completed. In addition to this, ministries, departments, organizations and oblast administrations simply do not have sufficient capacity to use contemporary methods of prioritizing and costing of development programs, or for linking the proposed policy measures with poverty indicators.' However, a short 40-page (prioritized) summary of the PRSP was submitted to the World Bank and IMF for consideration at the Boards, although it is not clear whether this would itself have links with the budget. A recent consultants' report noted that there is no budget transparency in the Kyrgyz Republic.<sup>27</sup>

In some countries (BiH, FRY, Georgia) MTEFs have yet to be introduced or seriously undertaken. In Macedonia, there are exercises linking the PRSP with the budget, but no MTEF as yet. Azerbaijan and Moldova are likely to implement an MTEF in the future. In Tajikistan, there is an MTBF but this is currently limited in scope; there are other PEM reform processes at work as well (see Box 3 below).

##### Box 3. Tajikistan: PEM Reform and the PRSP

There are three related elements to PEM reform in Tajikistan, all of which are intended to link with the PRSP.

- **Medium Term Budget Framework.** The first MTBF was prepared in 2001 for the period 2002-2004. Only a few sectors were covered but the scope will gradually increase. The MTBF for 2003-2005 is currently being prepared, and will reflect sectoral expenditure plans which will be based on the PRSP.
- **Public Investment Program.** External assistance in public investment does not yet pass through the budget, although this is planned through the PIP. Again, sector plans (based on the PRSP) will play a large role in the project selection process.
- **Annual budget.** This will be framed by the MTBF eventually.

Tajikistan's PRSP also provides very rough estimates of its resource implications. There is a short discussion on this in the JSA and the authorities are encouraged to report on resources availability issues in the first annual progress report.

Source: Tajikistan PRSP (June 2002)

Only Albania, Armenia and the Kyrgyz Republic appear to have an MTEF process with any momentum – in these cases there are synergies between the MTEF and the PRSP but the extent of the link varies. In Armenia, prioritisation between proposed PRSP policies had not been completed as of August (and therefore costings were difficult to carry out) and line ministries had not been sufficiently involved in the drafting of these policies. Links between the thematic PRSP working groups and the line ministries were extremely weak which affected the costings process. Nevertheless, those working on the PRSP wished to submit a limited set of 'finished' proposals for inclusion in the 2003 budget, although there had not been formal agreement on the coordination of these activities with the MOFE.<sup>28</sup>

Albania has had an MTEF process since 2001, and the challenge has been to integrate this with the PRSP process. The MTEF is seen as being more operationally relevant than in previous years, with closer links to the line ministries. The links between the PRSP and MTEF systems are undoubtedly close, but have not yet been tested in practice. A draft letter from the Donor Core Group on the PRSP to the GoA in December 2001 comments that the 'preparation of the 2002-2004 MTEF was only loosely based on the GPRS [now the NSSED], with the MTEF completed before the GPRS was adopted by the Government.' The JSA of the PRSP is more positive, noting 'close but imperfect' links between the PRSP and MTEF. However, a consultant's report on the MTEF in March 2002 stresses that 'the strategic expenditure priorities identified in the MTEF were developed concurrently with the preparation of the GPRS and therefore reflected the broad policy and programme proposals identified in the GPRS.'<sup>29</sup> There are at least two detailed case studies of the Albanian PRSP-MTEF experience that may be of use.<sup>30</sup>

#### 4.5 PRSP working groups and wider government involvement

A process that involves consultation amongst government bodies is a new way of working in former communist countries. Pre-existing government processes are usually hierarchical, while horizontal links between various government bodies are weak. The PRSP process both reveals this weakness and provides an opportunity for strengthening these links.

In most cases the PRSP formulation process has led to the creation of a number of thematic or sectoral working groups (Azerbaijan, 15 groups; Kyrgyz Republic, 23; Tajikistan, 9). The links between the line ministries and the PRSP process have been problematic for a number of reasons. In some cases, PRSP working groups have only tenuous links to the relevant sectoral ministries, as in Armenia. In the Kyrgyz Republic, some ministries are linking their work to poverty reduction for the first time (e.g. transport). In Albania, several line ministries had difficulty in developing policy options clearly linked to issues identified in the poverty diagnosis, and have yet to be fully integrated with the PRSP process. Georgia provides an interesting example of the difficulties faced in coordinating work around the PRSP (see Box 4 below).

##### **Box 4. Georgia's institutional structure and line ministries**

In Georgia, the existing institutional structure prevents effective links between line ministries and the President's office. There are currently no provisions for cabinet-style meetings between core and sectoral ministries. The PRSP is under the auspices of the President's office, and there is likely to be difficulty in getting the final PRSP to reflect line ministry (and other) inputs. DFID is seeking to address this problem in conjunction with the UN, through a series of PRSP workshops that will bring together the expert proposals with a view to prioritisation.

*Source: DFID June 2002*

Such difficulties are not limited to the PRSP formulation stage. Recent proposals to strengthen the role of the MoF in the implementation and monitoring of Albania's PRSP would give a stronger lead role to MoF in coordinating national policy planning. 'In theory this would strengthen MoF's hand in building greater MoF control over the total resource envelope. The proposal therefore potentially challenges the claims and interests of other ministries that have a policy planning function, and command external resource flows, such as the Ministry of European Integration and the Ministry of the Economy.'<sup>31</sup>

Local government is involved in a few cases, although not through membership of the working groups. In the Kyrgyz Republic, oblasts have been asked to provide input. Albania held a workshop with local governments as part of the consultations on the PRSP. In Moldova, however, there are no plans for regional or local government to be involved in the drafting process.

In some cases, civil society groups, research institutes and other stakeholders are members of working groups (Albania, Azerbaijan, Macedonia). In Albania, the National Civil Society Advisory Group was represented in the PRSP Steering Committee (see Box 5 overleaf for the institutional structure for PRSP formulation). In the Kyrgyz Republic the PRSP was drafted in Russian and MPs, CSOs and the private sector were invited to participate; donors were not usually members of these working groups although they did intervene in the preparation process and provide comments. In Moldova, some well-established (government-friendly) trade unions and NGOs are members of the Coordinating Council leading the PRSP process, but there is as yet no sign that civil society groups are invited to attend sectoral working groups.

### **Box 5. Albania: Institutional structure for PRSP formulation**

The (relatively successful) institutional structure for the preparation of Albania's PRSP was composed of several cross-linking groups:

- a Steering Committee,
- a Working Group,
- a Technical Secretariat in the MoF
- Technical Sector Groups and
- the National Civil Society Advisory Group.

The Steering Committee was supported by the Working Group (representing the Ministries, Technical Working Groups and the National Civil Society Advisory Group) and National Civil Society Advisory Group (who are also represented in the Steering Committee). There are currently proposals upgrade the NSSED Technical Secretariat to a Directorate within MoF of equal standing to other Directorates such as the Budget and the Treasury. However, there needs to be greater clarification of roles and responsibilities. S

*Source: DFID*

## **5. Formal political processes**

---

Ideal ownership does not reside only in the bureaucratic systems of government, however, but also in the formal political systems of parties and parliaments. Furthermore, the political context of these countries will have important effects all aspects of the PRSP process. For instance, the transition countries are young democracies with a history of accountability to Moscow rather than to citizens. As such, the move to structures that attempt to promote accountability to citizens is an enormous shift. The World Bank notes that not only do transition country governments face difficult problems in the political economy of reform (where there are differing groups who profit variously from no reform, some reform, and complete reform) there is the additional problem of the capture of the state by narrow vested interests.<sup>32</sup> DFID notes that the role of constitutional checks and balances is not widely appreciated in LICIS countries, and that Presidential power is not significantly constrained by parliaments.<sup>33</sup> Furthermore, the bureaucracy is often politicised, which affects planning processes such as the PRSP. Finally, the PRSP process may become politicised<sup>34</sup> which may have technical repercussions, but may also have important political consequences in volatile political environments.

### **5.1 Elections**

Several observers have noted the strong impact of elections on the process of PRSP formulation. In Albania, for instance, the PRGF was suspended when the prime minister resigned in early 2002, leading to a delay in formal endorsement of the PRSP (although the PRSP did begin its life as a planning and policy tool without that endorsement). In some countries, elections are seen to cause a bureaucratic hiatus, which affects the likely timetable for PRSP formulation (BiH, Georgia, Moldova) and thus international finance.<sup>35</sup> Moldova provides an interesting example of what happens to a PRSP process when there is an election (see Box 6 below).

### **Box 6. Moldova's PRSP and the election**

It has been a year since Moldova's Interim Poverty Reduction Strategy Paper (IPRSP) has been finalized. At that time, it was envisaged that the preparation of a full PRSP would be completed towards the end of 2001, although it has been recognized that this was an ambitious agenda. Shortly following the adoption of the I-PRSP, however, the preparatory process came to a standstill because of unforeseen political events. These events had been set in motion in mid-2000, when the Moldovan Parliament had adopted a major change in the country's constitution, changing Moldova from a presidential republic into a parliamentary one. In December 2000, Parliament failed to elect a new President and, as a result, it was dissolved and general elections were held in February current year. These elections resulted in a new Parliament, subsequent election of a new President and setting up of a new Government. All of these and the associated change in senior government officials caused the PRSP process to temporarily stall.

*Source: Moldova PRSP Preparation Status Report, July 2002*

## 5.2 Parliaments

Parliaments have been involved with the PRSP process to a certain degree in some countries, and many I-PRSPs have been approved by parliaments after cabinet approval.<sup>36</sup> More intense involvement is rare. In Azerbaijan, parliamentarians participated in only one of fifteen PRSP working groups. In Albania, there were difficulties in bringing the opposition into consultations, and an interministerial working group was established. The relevant parliamentary commissions will play a role in NSSD implementation.<sup>37</sup> However, 'the consultations with the parliament were not adequately intensive, because the parliament was dissolved at the moment when the strategy's drafting process had just gone underway.'<sup>38</sup> In Macedonia, there were limited consultations including opposition parties. In Tajikistan, the United States Agency for International Development (USAID) ensured the participation of parliamentarians and judges in the PRSP process, and the JSA of the full PRSP states that 'the PRSP has been endorsed by Parliament' and that Parliament was an 'important partner' in consultation discussions. In BiH, a special session of Parliament was convened for presentation of the I-PRSP, which civil society and the media were invited to attend. In the Kyrgyz Republic, MPs were invited to join working groups, but few members attended 'because meeting schedules were not harmonised'; in addition, Parliament did not put the NPRS on its agenda.<sup>39</sup> The quality of parliamentary involvement in the process is difficult to judge from documents to date, but appears to be sporadic and somewhat shallow.

There are a number of initiatives to strengthen parliamentary involvement, for instance, a 2002 World Bank Institute workshop for parliamentarians in South Eastern Europe. In Georgia, DFID is working with the UN to foster effective parliamentary involvement through the National Democratic Institute.

## 6. Participation

---

### 6.1 Context and initial reactions

The historical context for relations between the state and civil society in transition countries is paramount. Governments and citizens have no history of freedom or openness with each other before 1991, and there remain serious infringements of political and civil rights in many countries. Both governments and civil society have faced difficulties in meeting the requirement for a participatory PRSP.

DFID notes in relation to the LICIS: 'Some governments and politicians find it difficult to accept active and diverse political opposition, whether it is reflected in strong parliamentary opposition or in an active and challenging civil society.'<sup>40</sup> In addition to this, governments have low capacity for working with civil society, engaging with service users, and setting up consultation mechanisms. A history of propaganda means that there is little experience of promoting two-way dialogue.

As such, governments initially greeted the requirement for a participatory process in PRSP formulation with scepticism and resistance, as in Albania and Azerbaijan. Governments have needed to be convinced of the merits of participation as a method for making strategic policy under constrained capacity.<sup>41</sup> In Tajikistan, for instance, the government was concerned about the large volumes of inputs created by the participative process. In the Kyrgyz Republic, the decision to consult oblasts will also generate more inputs that must be processed.

Furthermore, officials do not always understand of what might be expected of them in a participatory (or even consultative) policy making process. In Albania and Georgia, for instance, one of the main constraints to the PRSP process was the lack of expertise in how to work with civil society and plan consultation processes. Officials felt there had been relatively little steer from the WB/IMF on what was expected from a participatory process, and felt they did not have the prerequisite support for meeting this condition. Georgia and Moldova have both required technical assistance in participation and consultation methodologies.<sup>42</sup>

However, there is some evidence that governments are warming to the idea of participation. 'In Central Asia there is...generally an increasing receptiveness of government to participatory approaches in the strategy formulation process.'<sup>43</sup> Azerbaijan stated at the conclusion of a regional conference that participation would be key for its full PRSP. In Albania, the Technical Secretariat leading the PRSP process believes that consultations should be extended beyond their current scope.

Citizens also face a number of difficulties in engaging with the government due to the Soviet legacy. In relation to Albania, DFID notes: 'A legacy of the extended period of Stalinist oppression has been public suspicion of, and lack of confidence in, government as an ally or effective provider of services...[and] organised relationships outside those approved by the state were formerly treasonable offences.'<sup>44</sup> As DFID notes in relation to present-day LICIS, 'many people have only a rudimentary understanding of their rights, and only limited prospects of using or protecting them... Poor people have little access to information, or say in the determination of the policy of their

government.<sup>45</sup> There is a relatively high level of education amongst the population of several transition countries, but little chance to effectively mobilise this. Populations tend to have very low expectations of the government, and are apathetic, mistrustful and cynical about government initiatives in general (which extends to the PRSP process).<sup>46</sup>

A fragmented and fragile 'civil society' has emerged from these repressive historical conditions. The NGO is a new form of association in many of these countries. Many NGOs in LICIS tend to be donor-supported, which draws into question their representation of the poor.<sup>47</sup> Civil society faces severe capacity constraints in engaging with policy debates. 'In Central Asia, ... there is a dearth of strong civil society groups which can actively participate in the strategy formulation process and get directly involved in monitoring and evaluating the performance of the interventions in addressing the poverty issues.'<sup>48</sup> In the Kyrgyz Republic, for instance, civil society had difficulty engaging in the first public budget hearings due to a lack of capacity. In Armenia, one NGO claims that the government is encouraging participation but civil society remains passive.<sup>49</sup> In South Eastern Europe, the EU notes that 'none of the countries of the region can yet claim to have the level of vibrant and critical media and civil society they need for the future.'<sup>50</sup> Perhaps related to this, the WB and IMF note that in FRY, the administrations must avoid raising undue expectations about what can be achieved through the PRSP process.

There are also other factors that constrain the participation process, such as time pressures from Washington in the cases of Moldova and BiH, although the Bank and Fund are trying to allow more time for participation.<sup>51</sup> The security situation in Macedonia during 2001 meant that a fully inclusive participatory process could not take place, and consultation was limited primarily to Skopje.

## 6.2 Consultation processes

Keeping in mind these considerable constraints, it is perhaps unsurprising that the participatory process in PRSP formulation to date consists mainly of basic information provision and consultation through workshops and working groups. In terms of information provision, several countries have dedicated (and informative) websites for the PRSP process,<sup>52</sup> and drafts of the PRSP have often been distributed for comment (as in the Kyrgyz Republic where over 850 copies were distributed). In Georgia, the GoG used the census to distribute information booklets on the first draft of the PRSP to the majority of residents of Tblisi, and is currently drafting a communications strategy. In Macedonia, civil society is supporting the production of information/consultation booklets in three languages (Macedonian, Albanian and Roma). The Tajikistan I-PRSP was disseminated in Tajik, Russian and Uzbek. The government of Albania used posters, slogans, a radio advertisement, a call-in radio program, a brochure, newspaper coverage, a television advertisement, and a live television talk show to promote understanding of the PRSP and engagement with the issues at stake.<sup>53</sup> Moldova's communications strategy will be part of a broader participatory plan which focuses on social dialogue, public information and access to information.

Consultation is usually taken forward through national workshops and round tables, sectoral and regional events (of variable quality) and civil society involvement in working groups. In the Kyrgyz Republic there were over 50 events involving a range of civil society organisations that were a lively source of debate on government priorities and performance – however, in the Kyrgyz case observers agree that the PRSP process has been less inclusive than that conducted for the CDF. In Tajikistan, more than 50 regional seminars and round-table conferences discussed sectoral strategies under the PRSP, which included non-governmental participants from 'all strata of the population.'<sup>54</sup> Civil society also participated in the nine sectoral working groups in Tajikistan. 'The participatory process facilitated by the Government received high marks within the country as well as from the international community during the Consultative Group Meeting held in May, 2001, in Tokyo.'<sup>55</sup>

It is clear that a range of organisations are engaged in PRSP processes to some degree. NGOs, INGOs, the private sector, religious organisations and research institutes appear to play some role in most countries. In Georgia, for instance, the NGO Initiative Group has issued press releases on the PRSP to a global network of PRS Watchers – the Initiative Group consists of think tanks, research institutes, lawyers associations, environmental groups, and a women's employment association. Catholic Relief Services in FYR regularly disseminates information on the PRSP process there, and have produced materials for national media representatives as well as a PRSP newsletter for an international audience. In the Kyrgyz Republic, the JSA of the November 2001 PRSP Preparation Status Report states: 'A broad dialogue with all stakeholders (the business community, non-governmental groups, academia, local governments, etc.) has been a hallmark of the Kyrgyz authorities' efforts to develop the poverty reduction strategy.' In Tajikistan, the JSA of the full PRSP states that the PRSP 'was developed through a broad participatory process that involved the government, civil society, non-government organizations, and representatives of the private sector and the donor community.' In Azerbaijan, the government held 'town hall' meetings in five regions as well as round tables on sector policies.

It is noteworthy that trade unions are more likely to be part of the participatory process in the transition countries than in other regions. This is unsurprising given the Soviet legacy and the close relationship between governments and trade unions in many countries. In Macedonia and Albania trade unions were consulted, while in Azerbaijan, trade unions (and other civil societies) are represented in sectoral working groups. In Moldova, indeed, the government is wary of the newer, more powerful NGOs, and prefers to work with established trade unions and

associations from the Soviet period such as veterans associations. It has included such organisations in the leading Co-ordinating Council.

The depth of the consultation process is difficult to judge in most cases, with observers differing in their assessments. In BiH the government claims that the first draft of the I-PRSP was distributed to all ministries, Parliament, a number of NGOs and associations, the media (in summary form) and donors.<sup>56</sup> Save the Children UK, however, believes that the BiH I-PRSP was written by consultants and is being withheld from public view.<sup>57</sup>

The poor themselves are generally absent from consultations. There is little evidence that participatory processes are underpinned by a participatory poverty assessment (PPA), something that has proved important in other regions. However there are some isolated examples: a 2001 qualitative poverty assessment in Albania has had some impact on the policy environment more generally and twelve communities were directly consulted for the PRSP although a PPA was not carried out. Macedonia has completed a qualitative poverty assessment in support of the PRSP, and Tajikistan has completed a poverty assessment (through focus groups and NGOs) and a local community assessment.

It is not clear that participation (or even consultation) has been institutionalised to any degree in transition country governments. In addition, there is little sign that participation or consultation has led to any sense of wider national ownership of the PRSP – in the Kyrgyz Republic for example, whilst there was strong participation around the CDF, civil society considers the PRSP to be a ‘government-donor matter.’<sup>58</sup> However, it is premature to draw conclusions about patterns of consultation around PRSPs in the transition countries given the lack of in-depth research in this area.

### 6.3 Two examples of consultation processes

#### Box 7. Participation in Moldova

In Moldova, the recently elected Communist government has little experience with consultation processes. The JSA of its July 2002 PRSP Preparation Status Report notes some limitations of participation so far:

‘Staffs note that participation and consultation with civil society and key stakeholders has thus far been limited. The current organisational structure for formulating the PRSP calls for civil society participation through the Council of Experts. However, details on the role and responsibilities of institutions involved in the process and selection of members and their responsibilities have yet to be worked out. The staffs urge the Government to move quickly to involve civil society and key stakeholders in the participatory process through a broad national dialogue. IDA will help the authorities conduct a stakeholder analysis as an input to a participation action plan. To this end, IDA will finance an international CSO to provide guidance and training to government official and local CSOs.’

The World Bank supported a National PRSP Forum on October 29 2002, aimed at launching the participation process in Moldova. At this forum, the National Committee for Participation (NCP) presented its Participation Action Plan, but subsequent events have left the future of the NCP in doubt.

Source: DFID

#### Box 8. Participation in Albania

In Albania, observers are generally positive about the participatory process given that Albania is still struggling with its history under ‘one of the most authoritarian and undemocratic political regimes in Europe.’<sup>59</sup>

The PRSP gives details of the participatory process. The Carter Centre was active in facilitating the process, including assisting civil society in selecting participants for inclusion in Civil Society Advisory Groups. These groups initially met with the PRSP Working Groups and then selected members to participate in the Technical Sector Groups (which also included government officials) and to participate in the National Civil Society Advisory Group. There were some difficulties with the relationships between the Civil Society Advisory Groups and the ministerial Technical Sector Groups, including the selection of the representatives, communication, and ambiguities in perceptions of roles.

Twelve communities were directly consulted. In addition, there were three rounds of consultation with local government, and two rounds of consultation with the private sector. Albania’s PRSP is frank about the limitations of the process so far: ‘The local government is still not fully aware of its role and contribution to the implementation of the strategy, because the decentralisation process is still in its initial stages. Finally, the business community is conservative in its recommendations, because it has misgivings about the chances for their materialisation.’

## 6.4 Participatory monitoring

In most transition countries, participatory monitoring of PRSP implementation is not yet a 'live' issue because the PRSP is not yet complete or is only recently completed. It is worth noting that populations are likely to view monitoring as an activity undertaken for the benefit of the government, and will be reluctant to invest in such a process.<sup>60</sup> In Albania (where the PRSP is complete and implementation has begun), civil society organisations have developed a number of proposals to build capacity for CSO involvement in monitoring. The government intends to invite CSOs to join the yearly review of the PRSP process, and to add their independent report to the annual PRSP progress report.<sup>61</sup> In Armenia, the UNDP is supporting a project for the Creation of a Social Monitoring and Analysis System, to be implemented jointly with the Ministry of Finance and the Economy (see Box 9 below).

### Box 9. UNDP Armenia Project: The Creation of a Social Monitoring and Analysis System

UNDP Armenia is supporting a project for the Creation of a Social Monitoring and Analysis System, to be implemented jointly with the Ministry of Finance and the Economy. There are a number of achievements to date:

- The central Monitoring and Analysis (M&A) unit has been established in the Ministry of Finance and Economy. It will organise M&A activities, provide methodological assistance and coordinate the work of the M&A units in the regions. Eleven M&A units have been established within the social security divisions at all governors' offices and the Office of the Mayor of Yerevan. The project includes capacity-building support to these units.
- The Ministry of Social Security has recently created a Social Monitoring and Analysis Department, the aim of which is to make the state system of social and poverty monitoring more comprehensive.
- A system of PRSP monitoring (including the choice of 56 indicators, the methods of data collection and their means of assessment) has been developed using consultants. A number of multi-stakeholder workshops have been held to discuss the plans.
- A public awareness campaign on M&A in the PRSP has been carried out, including a video on the PRSP, a series of newsletters, and two roundtable discussions.
- The Education, Poverty and Economic Activity Survey (EPEAS) has been conducted among 2,000 households and the first draft of the report has been prepared.

*Source:* Compiled from reports by Astghik Mirzakhanyan (Project Coordinator) and Nairuhi Jrbashyan (Consultant) – available on website of the Information Analytic Centre for Economic Reforms (GoA) – and information on the UNDP Armenia website

## 7. Results orientation

The move from resource-based (or output-based) working to final results-based working will require a considerable shift in culture in many of these countries. Although there is some experience of key areas (data collection and analysis, costing and prioritisation of strategies, implementation of policies and monitoring) the incentives that prevailed under the communist system were far removed from what is understood as a results-orientation today. For instance, existing data were collected for different purposes than is expected under the PRSP planning system and are often distorted in various ways.

The IMF and World Bank note that the 'starting point for PRSP formulation has been to strengthen the poverty monitoring procedures.'<sup>62</sup> Not only has this meant a wider recognition of the multidimensional nature of poverty, but the beginnings of impact analysis and improved poverty focus for policies. For instance, the World Bank is supporting PSIA work in Moldova by working with the government to develop a three-year action plan designed to strengthen capacity in poverty monitoring, analysis and evaluation. Albania's PRSP includes an assessment of the growth and distributional impacts of past policies and programs and identifies the most important constraints to poverty reduction; Albania is also a PSIA pilot for the World Bank. DFID is piloting Poverty and Social Impact Analysis (PSIA) work on water privatisation in Armenia. There appears to be somewhat different approaches in the PSIA work supported by these two donors, with different emphases on capacity building and the promotion of dialogue amongst stakeholders.

In terms of poverty data, there are severe data constraints in most of the transition countries. In most countries this is linked to the Soviet legacy although in Macedonia the recent conflict has also had considerable impact on data availability.<sup>63</sup> The JSA Tajikistan PRSP, for instance, notes that there are substantial discrepancies between official data and other information (see Box 10 overleaf for details of the proposed monitoring system). In some cases, data problems will impact on the formulation of the PRSP - in BiH, it is felt that the collection and processing of data will impact on the timetable for the PRSP. Even Albania, which produced a relatively good poverty diagnosis for its PRSP, is still hampered by the quality of available data and was unable to track trends.<sup>64</sup> However, progress is now

being made on developing poverty monitoring instruments.

#### **Box 10. Monitoring system in Tajikistan**

Three types of indicators are important for monitoring the PRSP: those measuring the achievement of poverty outcomes, those measuring the success of specific measures, and those identifying the implementation of certain reforms. The Government intends to establish a special division within the Executive Office of the President on 'Monitoring and Improving the PRSP'. This unit will be responsible for monitoring progress as measured by the three types of indicators, identifying the reasons for delays in implementation, and proposing measures to overcome the problems. It will also monitor the allocation of resources, through budget and PIP, to the projects and actions listed in the PRSP. The Unit will prepare quarterly reports to the President and annual reports.

*Source:* Paraphrased from Tajikistan PRSP (June 2002)

The relationship between the unit for 'Monitoring and Improving the PRSP' and the State Statistical Committee needs to be clarified, and the GoT should be careful not to impose an extra layer of bureaucracy. The State Statistical Committee should be strengthened further to do regular surveys and data collection as stated in the PRSP. However, the main capacity for data analysis should be outside of this committee, and in other parts of the government and also in private research centers, NGOs and academia. The authorities also need to develop intermediate targets and indicators and monitoring capacity for each of the sectors covered in the PRSP; existing indicators are too general and lack a current baseline. Intermediate targets and indicators could be developed for the first annual progress report.

*Source:* Paraphrased from the JSA of the Tajikistan PRSP (November 2002)

Although there are constraints on data quality, there are important issues around the good use of data in monitoring and evaluation of the PRSP. In the Kyrgyz Republic, for instance, there are annual household surveys and work on a poverty assessment ongoing; however, there were over 200 proposed indicators under discussion in the draft PRSP and around 100 made it into the final version. In Moldova, there is a household budget survey and other monitoring instruments; however, the indicators in the PRSP are essentially human development indicators that are not well linked into existing policy prescriptions. In Albania, on the other hand, PRSP implementation will be tracked by monitoring the indicators agreed in the MTEF.

The institutional home for monitoring is specified to varying degrees. In Moldova, there is a working group on poverty analysis and monitoring that will take responsibility for this area during PRSP formulation, but the institutional responsible for monitoring implementation of the PRSP is not yet clear. The Tajikistan draft PRSP provides more depth as outlined in Box 10 above. In Albania, the situation is becoming clearer after the finalisation of the PRSP: 'The Monitoring and Implementing Structures envisage a hierarchy of executive and technical groups: minister-level Steering Committee; General Secretaries-level Inter-ministerial working group; sector technical working groups; Monitoring and Evaluation Units in sector ministries.'<sup>65</sup>

Monitoring of the Millennium Development Goals is proving a thorny issue in some countries. In Albania, for instance, efforts to monitor progress towards the MDGs have caused some confusion amongst stakeholders. There is also some indication that this and other monitoring work (especially that related to performance assessment for donor lending purposes) may be somewhat counterproductive to efforts to build national capacity for monitoring and evaluation.

It is also worth noting that the role of civil society in proposed national monitoring systems is presently unclear.

## **8. Donor behaviour**

---

In the transition countries, the relationship between governments and the donor community has been established for just over a decade. Governments are relatively inexperienced at dealing with donors and managing the aid relationship. Donors are also relatively unfamiliar with these countries, compared with recipients in other regions. Furthermore, the profile of donor presence is somewhat different than in other regions, and DFID is a relatively small player compared with other bilateral donors.

### **8.1 The World Bank and IMF**

In general terms the relationship between the WB/IMF, government and other members of the donor community is more complex in the transition countries than some other regions. In SEE, this is primarily due to difficult relationships with the EU (see next section). In Macedonia relations between government and the WB have been made more complex because of the country's 'mixed' IDA/IBRD status (see Box 11 overleaf). Countries such as

Albania and the Federal Republic of Yugoslavia may also face the issue of 'mixed status' or graduation to IBRD in due course. In LICIS, the WB and IMF have been criticised for their lack of transparency and, in some instances, a reluctance to work closely with the bilateral donor community.<sup>66</sup> More widely, the WB and IMF are not considered to be doing enough to promote ownership in the LICIS countries, with some country governments privately drawing a parallel between their new relationship with Washington and their previous relationship with Moscow. In the Kyrgyz Republic, some observers have criticised the WB/IMF for not taking the opportunities presented by the PRSP preparation process to revisit some of the 'orthodox' reforms that are conditions of lending and stabilisation programmes.<sup>67</sup>

#### **Box 11. WB/IMF Behaviour in Macedonia**

Macedonia has suffered from the emergence of an ambiguity, and at times ambivalence, on the part of World Bank colleagues towards the PRSP. Although the country had graduated from formal IDA eligibility to IBRD status in 2001, the World Bank continued to maintain Macedonia's IDA status because of its exceptional history. The current World Bank interim Country Assistance Strategy lays emphasis on the significance of preparing the PRSP. However, when PRSP Committee attempted to access funds from the PRSP Trust Fund, to support PRSP formulation and implementation, they were told they were not eligible. From that point the message began to be given to the effect that Macedonia was not 'really' a country for which a PRSP was appropriate and has continued in this vein ever since. This has been demoralising for the Committee. More importantly, in circumstances where there has been much media attention and public debate on the PRSP, to terminate the process at this stage could seriously destabilise efforts being made to improve the conditions of the poor in Macedonia.

*Source:* paraphrased from consultants' report, Birks Sinclair and Associates, 'Macedonia: Institutional Support to the PRSP', 18 April 2002.

We were concerned to find that, while the Bank and IMF have decided that Macedonia should not have a full formally agreed PRSP, the Bank has not clearly communicated this. [Parties in the GoM] told us that they expected the PRSP to be presented to the World Bank Board for approval. The Bank has not been consistent in its line on this.

*Source:* DFID April 2002

*Note:* Macedonia no longer appears on the World Bank and IMF's table 'Possible Country Timelines' contained in 'PRSPs: Progress in Implementation' (September 2002)

As more full PRSPs are completed across the region, the elapsed time between the production of the final document, the writing of a JSA and the appearance of the document at the IFI Boards will need to be closely monitored. In Albania, for instance, the PRSP was finalised in November 2001 but did not appear at the Boards until June 2002 (when the IMF decided to reinstate the PRGF after its suspension in early 2002).

## **8.2 The EU and the IMF/WB**

In SEE, accession to the European Union is the major lever for reform, and the Stabilisation and Association process is a key priority for governments.<sup>68</sup> The role of the EU is not so pronounced in LICIS countries (where the EU has looser Partnership and Cooperation Agreements that do not offer the same promise of EU membership), but is nevertheless a factor as the EU takes an interest in stability along its (future) borders. Additionally, Georgia and Armenia have expressed a long-term wish to join the EU.<sup>69</sup>

In SEE, the presence of these major donors (the EU and the WB/IMF) has presented considerable difficulties for national governments. There are a number of issues around the timing of institutional cycles and the differing capacities of the donors, which result in large transaction costs for governments. Furthermore, governments are expected to deal with two different processes and instruments for access to funding, the PRSP and the SAP.

In addition, there are very different priorities and incentives for each donor, reflected in different policy prescriptions. The EU's programmes are designed primarily to support closer integration with the EU rather than poverty reduction, although they do tackle a number of related issues such as reform and institutional capacity building. In addition, the European model of social exclusion does not always result in the same policy prescriptions as the Washington model of social welfare and social protection.

With EU accession as the major driver of reform in SEE, the role of the WB/IMF is less prominent than in poor countries in other regions of the world. The relationship between the institutions has been described as 'one of mutual mistrust' although DFID is working to strengthen this relationship.

There are specific examples of difficulties between the institutions:

- **Albania:** The JSA of Albania's PRSP barely mentioned the issue of EU accession, despite its dominance in the country's agenda and despite the fact that the NSSD is aligned with SAA requirements (rather than vice

versa). The EC prefer to stress their political (rather than developmental) work in Albania, although they acknowledge the relevance of the PRSP for the SAp process. Links between the EC programme and the PRSP/ MTEF have been weak, although this may change following a critical self-evaluation.

- **BiH:** The EC was concerned at the (Washington-driven) proposed timetable for PRSP formulation, in particular the likelihood that this would result in a poor quality PRSP around which donors could not coordinate. DFID struggled to keep the EC engaged with the process.

The World Bank and the EU are jointly charged with coordination under the Stability Pact, but there is still some way to go before a true synergy is reached. Although there is a joint WB/EC office for coordination in SEE (based in Brussels), it has only recently engaged with PRSP issues through a workshop on linkages between the PRSP and the SAA process in SEE.

### 8.3 The EBRD

The European Bank for Reconstruction and Development (EBRD) has a unique and significant presence in the transition countries. It is working in all the countries addressed in this brief, and works with financial institutions, legal systems, the private sector, micro-finance and infrastructure. Although the objective of the EBRD is to advance transition rather than alleviate poverty, it has acknowledged its role in poverty reduction at the Financing for Development conference in Monterrey and there is some momentum towards increasing its attention to the social impacts of its lending.<sup>70</sup> Its Country Strategy Papers (CSPs) now include references to the PRSP process, and it is a (new) member of donor coordination groups in Armenia (where it is also a member of the PRSP Steering Committee), Azerbaijan, and Georgia. It has close links with the donor community in Albania. Lately, the EBRD sees a more active role for itself in the PRSP process than was previously the case. However, awareness of the PRSP process varies between representatives, and there is some way to go in consolidating the moves towards social awareness.

### 8.4 The UN

The United Nations has an active role in all the countries of this brief, although this varies according to context.<sup>71</sup> The UN Development Programme is the UN agency most closely linked with the PRSP process globally, and has had a role in the PRSP process in several of the transition countries. In Armenia, for instance, UNDP is playing a central part in PRSP preparation and is working on the social monitoring and analysis system that links with the PRSP (see Box 9). In Azerbaijan, it is assisting with donor coordination. In the Kyrgyz Republic it has been heavily involved in the I-PRSP and PRSP processes (including assistance to PRSP working groups) and had been involved in promoting pro-poor policies before this. UNDP is a member of donor coordination groups in many cases, and set up the Donor Framework Group in Georgia. In Albania, for instance, UNDP is now exploring appropriate institutional homes for aid coordination and economic management.

### 8.5 Bilateral donors

The transition economies present a rather different profile of bilateral donors than is seen in other regions. The EU is especially active in SEE as has been seen. USAID is active in all the transition countries with significant amounts of funds, and in the CIS countries Japan and the Asian Development Bank (ADB) are also active. Relations with and between these donors are sometimes difficult for a variety of reasons, and the models of development on offer may be in conflict with those promoted by the PRSP approach, much as has been seen between the Washington-based IFIs and the EU. However, these donors are involved with the PRSP process in some countries. USAID is interested in supporting the priorities outlined in the PRSP in Armenia, which will have a substantial impact given that it is the largest donor in the country. USAID is also a member of the Donor Framework Group in Georgia, and provided extensive comments on the PRSP in the Kyrgyz Republic. The ADB is planning to develop its CSPs around the PRSP where possible.

In many countries, there is some attempt at donor coordination, often (though not always) related to the PRSP. Albania was one of the few countries that already had a donor coordination mechanism prior to the PRSP process (the 'Friends of Albania'). However, during formulation of the PRSP, donors formed a 'Core Group' on the PRSP which provided comments on the PRSP and provided a focal point for the bilateral donors to engage with the WB and IMF. Donors are likely to revive this group now that the implementation phase has been reached. It is worth noting that this group has focused on coordination around the PRSP and not coordination more broadly. UNDP is currently exploring institutional homes within the GoA for aid-coordination.

In some of the countries, the first donor groups have recently formed (Armenia, Azerbaijan, Georgia) and it would seem that the PRSP initiative has given impetus to these efforts. In some cases this is relatively successful, as in Georgia, where 8 donors meet regularly and funded the 'Support to the PREGP' Project'. In Armenia, there are monthly donor meetings with thematic sub groups, although it is not clear that these groups take the PRSP as an

overarching priority and there remain serious problems with coordination (see Box 12 below). In Moldova, donor coordination takes place through regular general donor meetings, sectoral task forces, and bilateral meetings. Recently, the Moldovan donor community has selected five donor agencies to sit on the National Committee for Participation, although the future of the NCP is now in doubt.

#### **Box 12. Donor coordination in Armenia**

'Although in the recent years the coordination among the donor agencies has indeed improved (at least with regards to the fact that meetings under UNDP umbrella or 'consultative' meetings have become more common) there is still (large) room for improvement. It has been estimated that the administration of 600 foreign aid projects is likely to lead to 2400 quarterly reports for different donors and to around 100 official visits by the reps of donor agencies, requiring meetings and opinion with government officials. Coordination is oftentimes on a specific project basis and not in the form of larger cooperative agreements: This may have (and has) significant negative consequences, e.g. in the cases when separate projects are discussed with separate ministries only, and each one of these projects requires co-financing/matching on behalf of the GoA from the state budget.'

*Source: Draft Armenian PRSP, unofficial translation 2002*

In other countries, there is little evidence of donor coordination. In Tajikistan, for instance, the CG is not usually held in country, which has obvious limitations for a partnership approach. The last Kyrgyz CG was held in Bishkek for the first time (rather than Paris or Tokyo) and was judged to be a success – it enabled much wider participation on the Kyrgyz side (including some NGOs) and allowed donors to build contacts much more effectively. However, a recent consultants' report states that, despite better coordination being 'badly needed', the NPRS is not considered as a coordination tool 'because of insufficient prioritization and very broad formulation of policies.'<sup>72</sup>

Donors such as the IMF, the World Bank, UNDP, the Asian Development Bank, the European Commission and DFID are planning to build their country strategy papers and assistance programmes on PRSPs for this group of countries, where possible. Other donors' positions appear to still be evolving.

## **9. Aid instruments**

---

Bilateral donor instruments remain almost exclusively projects and technical assistance, although there is some co-financing with multilateral instruments (the Swiss, for instance, are co-financing the World Bank's Structural Adjustment Credit to the Kyrgyz Republic and DFID uses multilateral channels for the majority of its assistance). The existence of the PRSP does not seem to affect this choice. Small DFID programmes mean influential bilateral budget support is unlikely, and DFID is likely to continue to use multilateral channels. In the Kyrgyz Republic, a consultants' report notes that donors feel that 'preconditions do not (yet) prevail that would allow the final step towards general budget support.'<sup>73</sup> There is some move on DFID's part towards more strategic projects, as in Serbia, where DFID is funding a PRSP policy coordinator post, and in the Kyrgyz Republic where DFID funded a consultant to support to PRSP process.

It is worth noting that there are difficulties with aid management and transactions costs. For instance, Georgia is often unable to meet its budgetary commitments because WB and IMF money is delayed and unpredictable. In Albania and elsewhere, much aid is off-budget. Armenia's PRSP gives an impression of the transactions costs involved in projects (see Box 12 above).

It is noteworthy that for these non-HIPC countries the PRSP does not mean additional funds, only continued access to concessional lending and bilateral aid.

### **9.1 IMF instruments**

Half of the transition countries covered by this brief have PRGFs, though these may be suspended at various times for various reasons.<sup>74</sup> Other countries have Staff Monitoring Programmes (SMPs) or Stand-By Arrangements (SBAs). Table 2 overleaf shows instruments agreed, although note that this is liable to rapid change.

**Table 2. IMF instruments**

Country	Staff Monitoring Programme	Stand By Arrangement	Poverty Reduction and Growth Facility
SEE			
Albania			PRGF agreed June 2001
BiH		SBA agreed August 2002	
FRY		Extended Fund Facility agreed in May 2002.	
Macedonia	No arrangement agreed.		
LICIS			
Armenia			PRGF agreed May 2001.
Azerbaijan			PRGF agreed July 2001
Georgia			PRGF agreed January 2001
Kyrgyz Republic			PRGF agreed December 2001
Moldova			PRGF agreed December 2000
Tajikistan			PRGF agreed in December 2002.

## 9.2 WB Instruments

The World Bank uses a variety of instruments in the transition countries. Most of the countries in this study are IDA countries, although Macedonia has now graduated to IBRD status (see Box 11) and Albania and FYR may also graduate in the near future. The WB has approved a PRSC in Albania (see Box 13 below), has structural adjustment credits in some countries (Armenia, Azerbaijan), and has projects in several countries (including poverty alleviation projects, as in Tajikistan). The PRSP is a necessary (but not sufficient) condition for accessing WB concessional lending in future.

### Box 13. Albania's PRSC

Albania's PRSC is the fourth in the world and the first in Eastern Europe and Central Asia. Albania is the first country where the PRSP, the CAS and the PRSC all went to the Bank Board together. The PRSC essentially rolls up a World Bank credit on social protection and a Structural Adjustment credit – although it is closely linked to PRSP policy objectives, it does not reconfigure the Bank's programme in Albania. The PRSC is linked to milestones in four key reform areas: promoting growth and private sector development; strengthening capacity for policy monitoring and evaluation; improving service delivery and social safety net effectiveness; and improving core public sector functions and institutional arrangements. The first tranche is for \$20 million, a relatively small proportion of total WB funding in Albania. Projects appear to be the dominant mode for World Bank assistance in Albania, and it is not clear whether the Bank intends to move towards more programmatic lending. The World Bank claims that future PRSC tranches will depend on performance and total IDA resources available for Albania, as well as the relative priorities of other operations. There is also some question over whether Albania will remain eligible for IDA lending or whether it will graduate to IBRD status. Development of the PRSC has not been accompanied by dialogue on the part of the World Bank on moving bilateral and other multilateral donors more in the direction of budget support.

Source: DFID

The World Bank's CAS process is not entirely linked with the PRSP process yet. In BiH, the Bank decided that it would draft an interim CAS pending completion of the PRSP – however, they then set an extremely tight (according to both DFID and the EU) timetable for PRSP completion of 4 months after distribution of the complete I-PRSP. The Albanian CAS was originally supposed to go the Board before the PRSP was endorsed. This has now been changed and the two went before the Board at the same time. In some countries the processes are more closely linked: in the Kyrgyz Republic the CAS was delayed pending completion of the I-PRSP, and the Kyrgyz authorities submitted a 40-page (prioritised) summary of their PRSP to the World Bank in order to feed this into the CAS process. However, it is clear from a consultancy report that this prioritisation took place in order to meet the Bank's CAS timetable.<sup>76</sup>

### 9.3 Debt and HIPC

In the five most heavily indebted LICIS countries, external debt service consumed an average of one-third of central government revenue in 2000.<sup>77</sup> The IMF and World Bank note: 'To reduce poverty significantly, [the CIS] countries also need to implement credible debt reduction strategies.'<sup>78</sup> However, it is not clear that the Highly Indebted Poor Countries (HIPC) is the appropriate strategy for these countries, for several reasons. There is little appetite for HIPC among any of the transition governments. The debt profile of these countries varies considerably, with varying levels of bilateral and multilateral debt, and varying levels of debt sustainability according to the criteria of debt-to-export ratios and/or debt-to-government revenue. In addition, bilateral creditors may or may not be members of the Paris Club and so may or may not offer Naples Terms rescheduling of bilateral debt. At present, the IFIs and authorities are adopting a case-by-case approach, and have stated that 'multilateral debt relief including under the enhanced HIPC initiative could only be considered if and when it became clear that traditional debt rescheduling approaches were insufficient.'<sup>79</sup> Furthermore, they believe that the amount of reduction that could be achieved through HIPC would be relatively small. Given the high and growing levels of debt, ways of managing or canceling debt will remain an important issue for debate.

## 10. Forward looking issues and issues for further research

---

- Most of the experience to date concerns the development of PRSP strategies. This experience suggests there is a need for more capacity building around participatory methodologies and the drafting of strategies in a consultative manner. Although the first full PRSPs are nearly complete in many of these countries, this remains an important issue for future iterations of the strategies and for those countries that have not yet produced a draft (I)PRSP. It may be that the transition countries present special challenges for participation that are not encountered in other regions – further research on this issue would highlight areas of concern and opportunities for innovative support.
- Wider government involvement in PRSP formulation has been weak. Line ministries may have been consulted but it is not clear that they have been closely involved in working groups. Local governments and parliaments are more weakly involved in the process. The PRSP process exposes weak links between government bodies, but also provides an opportunity for addressing this in future iterations of the process. In addition, it may be that expectations around ownership and institutional involvement should be tailored to suit the transition environment, and analytical work on this may be appropriate.
- Countries have pursued different institutional frameworks for PRSP development, with approximately half choosing the Ministry of Finance to lead and most of the remainder choosing a unit close to the President or equivalent. However, it is not yet clear what impact these differing choices will have on implementation - this issue should be monitored and analysed when appropriate evidence has been gathered.
- It is likely that links between the PRSP and the budget/MTEF will require considerable support given weak institutional links between policy, planning and budgeting. The Albanian case studies could be disseminated more widely as a first step, but further research on the current experience of integrating MTEF and PRSP processes in the transition economies would be beneficial, to highlight key constraints and opportunities.
- There are a number of transition countries that are nearing completion of their PRSPs and will shortly be moving into the implementation and monitoring phase.
- As more countries complete their first full PRSP, donors will need to support processes of accountability to national stakeholders for delivery on the PRSP, and find suitable ways to balance this with their own needs for performance assessment.
- Monitoring and evaluation will be a key issue for implementation and accountability. There is limited

experience of this to date in the low income transition economies, and it will be crucial to share lessons as countries begin implementation. Building consensus around an appropriate institutional framework for monitoring is likely to be crucial, as is building on lessons from other PRSP countries and other transition economies.

- Civil society capacity for engaging with the various phases and elements of the PRSP process is extremely low, and should be supported where possible. During the implementation phase, participatory monitoring efforts should be supported, whether these are official plans or proposals from civil society. It may be that the transition countries would benefit from exercises that combined participatory elements with data collection or monitoring objectives. Donors may wish to consider the possibilities for PPAs or similar exercises in countries with severe data constraints. In addition, existing work to strengthen parliamentary involvement in the PRSP process should be built on and new work initiated where appropriate.
- There are at present only isolated examples of PSIA work in progress and more could be done to support work in this area. Early experience from Armenia (supported by DFID) and Albania (supported by the World Bank) should be exploited for the benefit of other transition countries.
- Donor behaviour is a wide-ranging area, with several important aspects. The behaviour of the World Bank and IMF is a crucial part of the PRSP story in the transition countries, given the links between the PRSP and their concessional loans. In the near future, JSA processes and the links between the CAS and the PRSP are likely to loom large as PRSPs are completed. The behaviour of other donors is also important, especially the EU in South Eastern Europe. The question of how to resolve SAA processes and PRSP processes will remain critically important in these countries. Bilateral donor coordination structures will also become increasingly important if aid instruments remain project focused. Further research into the constraints faced by donors in the region may be useful in highlighting areas for possible action or influence.
- Although PRSPs are national rather than regional documents, regional issues (especially trade, security, and shared resources such as water) are of vital importance to all these countries. It is not immediately clear how the PRSP process can take account of these factors, but the issue is worth further consideration by donors, governments and civil society alike. Furthermore, stakeholders appreciate experience shared from within the region, and welcome opportunities to promote regional cross-fertilisation. Although broad regional events such as the PRSP Forum are useful, more tightly focused events or exchanges may also be appropriate in some cases. Appropriate lesson-learning exercises could be facilitated with other PRSP countries or with non-PRSP transition countries.

## Endnotes

---

1 This Synthesis Note was prepared for the PRSP Monitoring and Synthesis Project by Erin Coyle with Alison Evans. This Project is a three-year project funded by the Department for International Development (DFID) through the Overseas Development Institute (ODI), London. We provide monitoring information and advice to DFID staff on issues arising in the implementation of PRSPs at country level. The project responds mainly to short-term demands for information designed to feed into DFID's decision-making process. The outputs are largely factual in nature, they are not based on in-depth research nor are they intended to proxy for such research. This note does not reflect the views of DFID. Please see our website for more details: [www.prspsynthesis.org](http://www.prspsynthesis.org)

2 World Bank 2001, 'Transition: The First Ten Years'

3 DFID email

4 This has implications for donor behaviour in terms of utilizing appropriate lesson-learning.

5 See World Bank 2001

6 Note that Kazakhstan and Uzbekistan have recently begun PRSP processes although they will not be covered in this note. There is very little information available on these processes, which is understandable as they are unlikely to have progressed far as yet. The Government of Kazakhstan has recently made plans to create a comprehensive poverty reduction strategy for the period 2003-2007 with assistance from ADB. Uzbekistan has just been declared IDA-eligible and is currently drafting an I-PRSP. The IMF agreed a six-month Staff-Monitored Program there in March 2002.

7 World Bank Board date: June 20, 2002

8 See the JSA of the recent I-PRSP for more details.

9 World Bank Board date: August 8, 2002

10 World Bank Board date: December 14, 2000.

- 11 World Bank Board date: May 22, 2001
- 12 World Bank Board date: July 5, 2001
- 13 World Bank Board date: January 11, 2001
- 14 World Bank Board date: December 4, 2001
- 15 DFID EECAD Learning Event - attended by several DFID advisors who have worked in the region for several years. References to this event refer to the views aired by the advisors during the discussion, not the views of the presenters.
- 16 DFID EECAD Learning Event
- 17 FCO, April 2002
- 18 DFID, July 2002
- 19 Richard Gerster and Roman Mogilevsky, 'Independent Evaluation of Swiss Development Cooperation's Bilateral Engagement in the PRSP Process: Kyrgyz Republic', December 2002
- 20 Richard Pomfret, 'Uzbekistan, Kazakstan, and Kyrgyz Republic' 1997 (available on request)
- 21 Governments report against these working programmes.
- 22 'Informative Note (from the Presidents Office): The current situation on elaboration of the poverty strategy program', 01/10/01 (unofficial translation by DFID staff)
- 23 Moldova I-PRSP 2002
- 24 Booth et al, 'Institutionalisation of PRSPs in Eight African Countries', 2001
- 25 There are currently proposals to strengthen the role of the Secretariat for the monitoring and implementation phase – see next section.
- 26 World Bank and IMF, PRSPs: Progress in Implementation, September 2002
- 27 Gerster and Mogilevsky, *op. cit.*
- 28 KPMG Consultant's Report on Support to the Costings of PRSP Social Priorities Working Group Proposals, August 2002
- 29 Mokoro 2002, Technical Note 03/03 (Incomplete draft) 'Implications of GPRS for Public Expenditure Plans'.
- 30 The World Bank Institute case study is available on their website ([http://www.worldbank.org/wbi/attackingpoverty/events/Austria\\_1029/II-B%20Albania%20MTEFCase%20Study\\_Eng.htm](http://www.worldbank.org/wbi/attackingpoverty/events/Austria_1029/II-B%20Albania%20MTEFCase%20Study_Eng.htm)) Mokoro have also produced a detailed case study of the Albanian MTEF experience that may be useful – available on request.
- 31 DFID July 2002
- 32 World Bank 2001, 'Transition: The First Ten Years', *op. cit.*
- 33 DFID Country Strategy Paper 2000, Central Asia and South Caucasus
- 34 Note that the Kyrgyz CDF (on which the PRSP is based) became part of an election platform during an election campaign.
- 35 In BiH international aid flows may have serious political consequences, where the election of non-nationalist groups is felt to depend on their ability to work closely with the IFIs and secure donor funding.
- 36 DFID EECAD Learning Event
- 37 World Bank and IMF, PRSPs: Progress in Implementation, September 2002
- 38 Albania PRSP, November 2001
- 39 Gerster and Mogilevsky, *op. cit.*
- 40 DFID CSP 2000
- 41 DFID EECAD Learning Event
- 42 World Bank and IMF, PRSPs: Progress in Implementation, September 2002
- 43 Asian Development Bank, Contribution to the IFIs PRSP Review, 2001
- 44 DFID Albania CSP 2001
- 45 DFID CSP 2000
- 46 DFID EECAD Learning Event

- 47 DFID EECAD Learning Event
- 48 Asian Development Bank, Contribution to the IFIs PRSP Review, 2001
- 49 Hranush Kharatyan, 'Hazarashen' Socio-ethnological NGO, Armenian PRSP Newsletter Interview
- 50 Commission of the European Communities, Report from the Commission, 'The Stabilisation and Association process for South East Europe: First Annual Report', April 2002
- 51 DFID EECAD Learning Event. However, note that a recent telegram to DFID re: Azerbaijan says that April is the 'deadline' for the first draft of the PRSP.
- 52 See, for instance, BiH – <http://www.bih.prsp.info> Kyrgyz Republic – <http://eng.gateway.kg/prsp> Azerbaijan - [http://economy.gov.az/PRSP/Index\\_PRSP.htm](http://economy.gov.az/PRSP/Index_PRSP.htm) Albania - <http://www.minfin.gov.al/initiatives/gprs/gprsindex.html>
- 53 Albania PRSP, November 2001
- 54 Tajikistan draft PRSP, April 2002
- 55 Tajikistan draft PRSP, April 2002
- 56 PRSP in BiH Website <http://www.bih.prsp.info>
- 57 SCFUK Submission to PRSP Review
- 58 Gerster and Mogilevsky, *op. cit.*
- 59 DFID, Albania CSP 2001
- 60 DFID EECAD Learning Event
- 61 World Bank and IMF, PRSPs: Progress in Implementation, September 2002
- 62 World Bank and IMF, 'Poverty Reduction, Growth and Debt Sustainability in LICIS Countries', February 2002
- 63 PRSP Working Groups in Macedonia have therefore drafted chapters for the PRSP that focus primarily on providing analysis of the nature and extent of poverty in Macedonia.
- 64 World Bank and IMF, PRSPs: Progress in Implementation, September 2002
- 65 DFID memo, July 2002
- 66 DFID EECAD Learning Event
- 67 Gerster and Mogilevsky, *op. cit.*
- 68 The Stabilisation and Association process offer the prospect of eventual membership of the EU. A key element in the process is the signing of a Stabilisation and Association Agreement. So far Macedonia has signed an SAA, Albania is in negotiation, and Consultative Task Forces have been established in BiH and Yugoslavia.
- 69 DFID CSP 2000
- 70 As evidenced at its 2002 annual meeting.
- 71 For instance, in Kosovo, the UN has protectorate and peacekeeping responsibilities, and the United Nations Children's Fund (UNICEF) is providing immunisation, education, and safe water services for refugees on the border of Afghanistan and Tajikistan.
- 72 Gerster and Mogilevsky, *op. cit.*
- 73 Gerster and Mogilevsky, *op. cit.*
- 74 For instance, the IMF has recently suspended its negotiations with Azerbaijan and returned to surveillance only.
- 75 Note that disbursements under the PRGF arrangement may be suspended at various times for various reasons.
- 76 Gerster and Mogilevsky, *op. cit.*
- 77 IMF and World Bank 2002
- 78 *Ibid.*
- 79 *Ibid.*