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Monitoring and Evaluation of Poverty Reduction Strategies in Latin America – 2006
Executive Summary

Accountability for Poverty Reduction

Preface

The Poverty Reduction Strategy (PRS) process was designed as a response to growing concerns about high and seemingly permanent levels of poverty in many development countries. The process seeks to achieve sustained and significant poverty reduction with the implementation of country-specific medium-term poverty reduction plans, each of which is created through a national participatory process. Donors are expected to support national poverty reduction plans with resources and debt relief.

The Swedish International Development Cooperation Agency (Sida) contracted the Institute of Social Studies (ISS) to monitor and evaluate this process in three Latin American countries – Bolivia, Honduras, and Nicaragua – between 2003 and 2007. The reports produced by ISS are independent assessments that do not necessarily represent the views of Sida staff.

Each year, the ISS team (which includes both ISS staff members and local consultants) prepares three country reports, a regional report that compares experiences in the three countries, and a thematic report that looks in depth at one particular topic. The analysis in the reports is based on a combination of interviews with stakeholders at the national and subnational level and analysis of secondary sources and data.

The 2006 country and regional reports provide an update of the status of the PRS process and examine whether the process has strengthened downward accountability systems. The 2006 thematic report is on the subject of gender and the PRS process. In past years, the reports have addressed participatory processes, pro-poor growth, decentralization, results-oriented budgeting, local economic development, and cost-effectiveness in primary education spending. Aid effectiveness and rural development will be the subject of the 2007 reports. All reports can be downloaded at www.iss.nl/prsp.

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Executive Summary Regional Report 2006

”Accountability for Poverty Reduction”

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Content

1. Introduction

Under the framework of the PRS (Poverty Reduction Strategy) process, national governments agreed to devise country-specific PRSPs (Poverty Reduction Strategy Papers) through participatory processes and to implement them over the medium-term. Civil society was to participate in the creation and then monitoring and evaluation of the strategies, and donors were to support the strategy with debt relief and more flexible forms of aid (such as budgets support and sectoral support). Ultimately the process was expected to produce more effective and lasting poverty reduction policies, to increase the results-orientation of both governments and international cooperation agencies, and to put governments in the drivers' seat of aid relationships. Bolivia entered the PRS process in 1999, followed by Honduras and Nicaragua in 2000. The ISS has, since 2003, monitored the evolution of the PRS process in the three countries, at the request of Sida.

There is no evidence yet that poverty reduction in these three countries has accelerated with the PRS process. Latin America in general has seen little reduction in monetary poverty since the turn of the century, and Bolivia, Honduras, and Nicaragua are no exceptions:

– In Honduras, the most recent official statistics show virtually no change in monetary poverty between 2001 and 2005 (from 65.2 to 65.8%) and a small reduction in the incidence of extreme poverty (48.4% to 47.1%) Inequality has increased during this period.
– Bolivia's National Institute of Statistics reports that monetary poverty increased from 62.6% in 1999 to 67.3% in 2003. Extreme poverty dropped between 2000 and 2004 before increasing again in 2005.
– In Nicaragua, 45.8% of the population was poor in 2001, and no other official figures have been published as of October 2006.

The three countries have had somewhat more success at extending basic services to the poor: in general, they have followed trends similar to those in other Latin American countries. Despite the lackluster results to date, the PRS process continues to be the official framework for donor-government relations, and the Paris Declaration reaffirms many of the basic principles of the PRS process, such as the need for national ownership of policies and aid and for donor alignment with national priorities.

In this year's report (the fourth of a series of five annual evaluations), we focus on three objectives of the PRS process: (1) what the PRS process has meant for poverty reduction policies: (2) whether the PRS process has managed to strengthen downward accountability systems, which could help ensure a long-term government commitment to poverty reduction, and (3) what has happened with respect to harmonization, alignment, and aid modalities.

2. The PRS Process and Poverty Reduction Policies in the Three Countries

Bolivia

The PRS process had a short life in Bolivia. Many things contributed to the rapid death of the process, including the fact that Bolivia qualified quickly for HIPC debt relief (Table 1) and was therefore not under as much pressure to implement or retain the original PRS. President Sánchez de Lozada created a draft revised PRS shortly after he was elected in 2002, but it was rejected by the donors because it was not created through a participatory process. No President since has tried to produce another revised PRS, though each government has produced at least one new plan.

The government of President Evo Morales (elected in 2005) has never officially spoken about the PRSP or the PRS process. Instead, the new government created a National Development Plan (PND), without a prior participatory process. Civil society actors or donors in Bolivia show little interest in or hope of revising the PRS process. Nonetheless, donors would still like to have a framework around which to organize their relationships with the government, and they do not feel that the PND can serve that purpose in its present form. Given the uncertainty about the PND, bilateral and multilateral donors are structuring their work with the government in a variety of ways, such as through detailed sector plans that are aligned with the PND, by simply moving ahead with their own existing aid programs, or by identifying areas of common interest with the government.

Table 1: A Summary of the PRS Process in the Three Countries

	Bolivia	Honduras	Nicaragua
Interim PRP	Jan 2000	April 2000	August 2000
HIPC decision point	February 2000	July 2000	December 2000
Approval of original PRS	June 2001	October 2001	September 2001
HIPC completion point	June 2001	April 2005	January 2004
PRS Monitoring and Evaluation reports	Several written in 2002–2003, but not approved by IFIs Replaced by MDG monitoring	Nov 2003 March 2005 June 2006	Nov 2002 Nov 2003 Nov 2005 May 2006
Changes of government * if through elections	June 2002* Oct 2003 June 2005 Jan 2006*	Jan 2002* Jan 2006*	Jan 2002* Jan 2007*
New national plans * if officially approved as a PRS	Government Plan 2002 Revised PRS 2003 Productive Bolivia 2004 National Plan 2005 Emergency Plan 2005 National Development Plan 2006	National Plan 2002 Expanded PRS 2003 Government Plan 2005 Revised PRS 2006	National Development Plan (PND) 2002 Revised PND 2003 PND-O 2004 New PND* 2005

During the last 5 years, there have been few changes in the sectoral distribution the national budget in Bolivia or in the poverty reduction policies that are being implemented, despite the fact that national plans have changed on a regular basis. It is still too early to determine whether the new PND will lead to real changes, though it certainly aspires to change directions. There has been a major shift in the political power towards previously marginalized groups, and the PND calls for institutionalizing these changes. There is also a new interest in tackling some of the fundamental economic issues that were left out of the original PRS. The PND's economic plan calls for investing resources from gas in productive activities and envisages a much more direct role for government in promoting pro-poor economic development.

Nicaragua

Nicaragua's first PRSP was presented in 2001, following a largely symbolic participatory process. When President Bolaños assumed power in 2002, he agreed to implement the strategy of his predecessor in order not to threaten the possibility of obtaining HIPC II debt relief. At the same time, however, he worked on revising his own development plan with a view towards having this plan accepted by the international community as a revised PRSP. The country reached HIPC II completion point and qualified for debt relief in January 2004. In November 2005, the donor community accepted Bolaños' revised National Development Plan as the new PRSP (PRSP II). The PRSP II was not subject to a national participatory process, but the government did organize consultations at the departmental level.

With the official recognition of the PRSP II in Nicaragua, the structure of the PRS process has been preserved. The PRS process in the country has also been supported by a continued effort under President Bolaños to strengthen national monitoring and evaluation systems, by the continued production of PRS progress reports, and by a recent overhaul of the National Council for Economic and Social Planning (CONPES), an institution that brings together civil society and government representatives and that has been at the center of national consultation processes surrounding the PRS. It remains to be seen what stance the newly elected President Ortega will take towards the CONPES, the PRSP II, and the PRS process in general.

The PRSP II itself shows much continuity with the original PRSP. For example, the PRSP II retains an emphasis on increasing efficiency in education and expanding coverage in health. However, the new plan places much more emphasis on growth as the single motor for poverty reduction, without serious concern for pro-poor growth. The plan sees social assistance as the way to help poor households who do not benefit from growth.

Honduras

Shortly after Honduras presented its PRSP in October 2001, President Maduro was elected. This President entered government with his own "National Plan", which introduced a period of uncertainty about the future of the PRSP. Ultimately, however, the government decided to accept the PRSP in the interest of qualifying for HIPC II debt relief. In April 2005 the country reached the HIPC II completion point and began benefiting from debt relief. At the end of 2005, President Zelaya was elected. Shortly thereafter he announced his intention to change the PRSP. So far, the government has produced only an early draft of the revised PRSP.

The debt relief Honduras has received to date has primarily been used to cover salary increases for teachers and health staff and to increase security forces. The government's budget included an additional 887.6 million lempiras to be used for "PRS expenditures." Congress decided to allocate 700 million of this sum to the municipalities for local-level PRS-related investments. Municipalities are required to use 55% of their allocation for productive projects, 30% for social projects, and 10% for institutional strengthening.

Of the three countries, Honduras is the one where the national government, donors, and civil society show the most signs of wanting to move forward with the PRS process. The tripartite Consultative Council of the PRS (CCERP) remains active, and monitoring and evaluation reports have been produced. Even the Congress is starting to show some interest in the PRSP, after its role in deciding how to spend the debt relief funds. On the other hand, donors are growing increasingly concerned about the current government's commitment to poverty reduction, there has been little consultation in the preparation of the revised PRS, and the results of a participatory process for prioritizing investments have not been put into practice.

Between 2001 and 2005, Honduras' poverty reduction policies have been fairly stable, though the PRS has been updated and expanded to include a wider range and proportion of government expenditure over time. The early draft of the Zelaya government's revised PRS proposes to further expand the definition of PRS expenditure to include more investment aimed at increasing economic growth and improving governance. Compared to the original PRS, this draft plan has more emphasis on growth, and on the state's role in promoting pro-poor growth through integrated actions to increase the assets of the poor.

Conclusions

Has there been continuity in poverty reduction strategies and poverty reduction policies?
Ensuring continuity in the implementation of poverty reduction policies was one of the key objectives of the PRS process. Stability was seen as desirable because it would give governments time to implement, evaluate, and improve programs. The experience in Bolivia, Nicaragua, and Honduras suggests that:

1. stability in strategies is hard to achieve when governments change frequently and once the carrot of debt relief is gone;
2. despite changes in plans, there has been much stability in policies actually implemented, dating even from before the original PRSPs;
3. there is little evidence that this stability has facilitated incremental improvement in policies and programs.

Has there been a positive evolution in visions of how to reduce poverty?
With successive revisions of the strategies in the three countries, the plans have increasingly been transformed into national development plans that encompass a large percentage of the national budget. This has enabled governments to include many of their political priorities within the PRS without abandoning most of the original content. The visions expressed in Bolivia's PND and in the early draft of Honduras' revised PRS appear to be steps in a positive direction: both recognize that the state needs to take a stronger role in directing the benefits of economic growth to the poor. In Nicaragua, the increasing emphasis on growth for growth's sake, and the relegation of poverty reduction to the realm of social safety nets, is a cause of concern.

Does having a PRS show a commitment to poverty reduction?
The PRS process is based on the idea that having a national comprehensive poverty reduction strategy is an indication of a country's commitment to reduce poverty. There are two reasons to question this assumption. First, donors are under great pressure to accept national plans as official poverty reduction strategies, even when they have doubts about commitment, because so much aid is tied to this prerequisite. Second, in all three countries, continuity in poverty reduction strategies arises despite, and not because of, national poverty reduction plans.

What has happened to participation?
Participation of civil society in the creation and monitoring of PRSPs is a central tenet of the PRS process. In these three countries, participation in strategy design has diminished with each new plan produced. This is not necessarily a negative development. The participatory processes have been valuable, but they are also costly and have led to much frustration. In the long-term, it would be more fruitful to find and support spaces for continuous participation and dialogue rather than concentrate on large one-time events that generate high expectations. Participation in the monitoring and evaluation of the strategies has been less frequent, in part because it is difficult to monitor unstable strategies. But these three country cases also suggest that civil society has less interest in monitoring and evaluation than in finding ways to participate more directly in policy making and project selection.

3. Institutionalizing Downward Accountability for Poverty Reduction

In both international and national circles, there is a general recognition that choosing the right economic, social, and investment policies is only half the battle in the fight against poverty. Institutional changes are also critical. In this year's report, we look at one type of institutional change that could support a sustained national effort to reduce poverty: the strengthening of accountability systems. In this case, we are interested in downward accountability systems in which governments feel a responsibility to the public to achieve poverty reduction results, and the public in turn holds government officials accountable for achieving these results. The PRS process could in theory help strengthen downward accountability systems both through requirements for increased government transparency and reporting about results achieved and also by giving civil society a role in monitoring and evaluating the poverty reduction strategies.

In our analysis, we distinguish between three different components of a downward accountability system.

– *Transparency and Reporting* is broadly about providing information to the public. Government officials make data available, provide information about decision-making processes and policy objectives, and report on results obtained and resources used.
– *Action* refers to the response of the public (represented by individuals, civil society organizations, or social movements) to the information the government provides. Action could take many forms, such as providing comments, asking questions, denouncing shortfalls, presenting alternative analyses, or demanding change.
– *Response* is when government officials respond to the "action" by explaining decisions or actions, changing policies, or improving procedures.

The three phases are mutually reinforcing. Transparency and reporting facilitate public action, and the objective of public action is to generate a response from the government. Weaknesses in any one of the three phases weaken the entire system.

Transparency and Reporting at the National Level

In the last six years, Nicaragua and Honduras have made considerable progress in improving the production and dissemination of information about government expenditure and financial management. In Bolivia, there has also been progress, but the many changes of government in the last three years have led to serious problems with the updating of information on government websites.

In contrast to the advances in the area of financial management, there has been surprisingly little continuous progress in developing and publishing poverty data and social indicators. In Bolivia and Honduras, the most recent household survey results are from 2003–2004. In Nicaragua, the most recent widely-accepted data on poverty in Nicaragua is from 2001. Nicaragua and Honduras have created PRS tracking systems, but the database systems and web pages that store and share this type of information are often outdated. Bolivia does not have an integrated monitoring system for development indicators at present. All three countries continue to produce PRS, PND, or MDG monitoring reports (though not as regularly as originally intended) and share them with a wider public via internet, but none of the three countries has really consolidated a tradition of reporting on the achievement of development results.

The use of the internet to distribute information has increased in all three countries. This medium has the advantage that it reduces the cost of publishing information, but has the disadvantage that it excludes those who do not have access to the internet. The three countries have also made moves (with limited success) to facilitate citizen access to government information over the past 6 years. In Bolivia, President Mesa's decree on this topic has been abandoned, and in Nicaragua, a Law Regarding Access to Public Information got caught up in the National Assembly. Honduras did pass a Law Regarding Transparency and Access to Information at the end of 2006, but it has been quite controversial because many types of information are excluded from the law.

Action and Response at the National Level

The PRS process sought to create new spaces for interactions between government and civil society, spaces which could facilitate the "action" and "response" required in a downward accountability system. One type of participatory space is the dialogue and consultation process. Civil society organizations express many critiques of these processes in the three countries, but they agree that these events help organize and develop the capabilities of civil society groups, which in the long run should help build their capacity to play an active role in a downward accountability system.

The PRS process also created more permanent participatory bodies. In Bolivia, the MNCS (National Social Control Mechanism) is an independent organization of civil society representatives, recognized by law, charged with monitoring the use of debt relief funds and the implementation of the PRS. Honduras' CCERP (Consultative Council of the PRS) joins civil society, government, and donors. Nicaragua's CONPES (National Council for Social and Economic Planning) brings together government and civil society actors. Both bodies have a role in consultation as well as in monitoring government action.

In all three cases, civil society oversight of government action has been relatively weak. The majority of the "action" observed involves in raising issues of concern, suggesting policies, and pushing for projects. In this sense, the participatory bodies are active political spaces and more appropriately seen as consultative bodies than as part of a monitoring and evaluation system. The lack of attention to monitoring and evaluation is partly related to capacity and funding deficits, but there also appears to be a genuine preference for focusing on the future rather than evaluating the past. Donors have stepped in with funding to help support the functioning of these organizations and also to provide support for other civil society monitoring efforts. This means that much of civil society "action" is highly dependent on donor interest and funding.

Because there is not yet a tradition of monitoring and evaluation, it is difficult to talk about the government "response" to civil society action. In Nicaragua, civil society does appreciate the increased openness of intermediate levels of government, and in Bolivia the new government has opened itself to critique at least from nongovernmental actors associated with the government. In Honduras, it is too early to draw conclusions about relationships between civil society and the Zelaya government.

The Role of Congress

Congress is another possible route through which the public can hold the national government accountable for producing results. The ERP process has not strengthened the role of Congressional representatives in an accountability system, nor (with the possible recent exception of Honduras) has it awakened much interest in Congress for the fight against poverty. Civil society does not appear to use Congress as an avenue for communicating with and pressuring government; these groups prefer direct access to the Executive, such as the access they obtain through participatory bodies. In Honduras, the direct election of representatives (for the first time in 2005) may in the long-run improve the relationships between representatives and their constituents and thus make Congress a more integrated part of a downward accountability system.

Downward Accountability at the Local Level

Local governments and institutions can play two possible roles in a downward accountability system. First, as service providers and executives themselves, local government officials have the responsibility to be transparent, report on results, and respond to criticisms and comments. Second, local governments and institutions can provide a link between citizens and the national government. On the first point, there are some local structures (e.g. Vigilance Committees in Bolivia, Transparency Commissions and social audits in Honduras) that could form the basis for a local-level system of downward accountability, but the PRS process has had little impact on strengthening and developing these systems, aside from general support for decentralization. On the second point, the PRS-related dialogues have created some opportunities for information exchange between individuals and organizations at the local level and the national government. Nicaragua is trying to institutionalize these information channels through the development of its national participation system (PASE). It is, however, too early to say that local institutions play a real role in linking localities to the national executive branch in a national downward accountability system.

Conclusions

The major conclusions drawn from this cross-country analysis mirrors findings of other studies[1]:

- The PRS process has done more to stimulate the production and dissemination of information than to develop monitoring and evaluation systems. Improvements in information availability have been largely limited to the national level.
- There is more current data available, and more reporting done about government expenditure and earnings than about development results. Reports about development results are often produced with too much of a time lag to make them very useful for evaluating the work of the present administration.
- Civil society's role in monitoring and evaluation is hampered by lack of access to information and by problems of financing and analytical capacity. It is also clear that civil society is more interested in proposing solutions and policies, than in monitoring and evaluating results achieved.
- Much of what has been done at a national level to develop and support a downward accountability system has been financed by donors, which raises questions about the sustainability of the advances made to date. Donor support for the participatory institutions introduced through the PRS process increases the chance that governments will take these institutions seriously.

1 A review of the current literature on this subject is available in the full report.

4. The International Donor Community and the PRS Process

In past reports, we have noted that many of the advances that have taken place in donor coordination and in the move towards more flexible forms of aid (such as budget support) have less to do with national PRS processes than with international process such as the Rome and Paris declarations about alignment and harmonization. For this reason, we begin our analysis of donor activity this year with a review of where the three countries stand on the Paris Agenda principles. This is followed by an update on budget support and then conclusions.

The Paris Agenda

Ownership: Aid-recipient countries exercise leadership over policies and development strategies and coordinate implementation

Changes of government have meant high staff rotation in Bolivia and Honduras, which has in turn held back advances toward multi-annual budgets and hampered leadership at sector-level roundtables for government-donor coordination. Nicaragua has not had this problem, but even here some sectoral roundtables suffer from lack of government participation. Few of the roundtables that are functioning in the three countries have any participation of civil society or the private sector.

Alignment: Donors base their assistance on national strategies, institutions, and procedures

In Honduras and Nicaragua, the PRSPs (or other national plans) remain officially the central reference point for the work of the international donor community. In practice, however, the plans are broad enough to accommodate most donor activities and not concrete enough to provide indicators or projects for sectoral budget support. As a result, alignment with national poverty plans means little in practice. As for alignment with systems, all aid in Nicaragua and most aid in Bolivia and Honduras now appears in the national budget. There is still a long way to go with alignment with other national systems (e.g. banking, project implementation, monitoring and evaluation).

Harmonization: Donor actions are harmonized, transparent and collectively more effective

In Nicaragua, there are basket funds for education and health with coordination of missions and evaluations, but contributions to the funds have suffered because of donors' dissatisfaction with implementation. In Honduras there is only sub-sectoral coordination in the Education for All program and on specific diseases in health. In Bolivia, some sectoral plans and basket funds developed by the previous government are still functioning. Nonetheless, in all three countries, most aid is still project aid. Budget support was 23% of aid to Bolivia between 2000 and 2005. In Nicaragua during this period it was 14%, and in Honduras it is almost certainly less.

The Paris Declaration's discussion of harmonization is about aid programs, not donor's political agendas, because it assumes that donors align themselves with government priorities. However, as this is not always the case, harmonization of donors' agendas can lead to increased political power of the international donor community. At the moment, the donors in Bolivia do not have a unified position on the current political situation in the country. In Honduras, this last year saw both unified donor actions (for example, taking a strand about how debt relief funds will be distributed to municipalities) and independent actions (such as the IDB's support for a participatory process that other donors considered to be unnecessary). Nicaragua has two bodies for political coordination (the Mesa Global and the Budget Support Group). The Budget Support Group this year used its political weight to pressure the National Assembly and executive branch to follow IMF instructions.

Results-orientation: Better management of resources and use of results-oriented decision-making

There are few advances in this area in Bolivia or Honduras. In Nicaragua, the government has moved forward with multi-annual expenditure frameworks and has continued to produce PRS progress reports. In all three countries, there has been some movement towards the use of results indicators (see below).

Mutual accountability: Donors and aid-recipient countries hold each other accountable for development results

In all three countries, donors and governments have agreed on Harmonization and Alignment plans. Nicaragua's plan is the most advanced. It is unclear whether these plans will be implemented after changes in governments.

Budget Support

Budget support is the aid modality most consistent with the principles of ownership and alignment because it leaves decisions about how to use aid funds to the governments. When donors join their budget support programs, they also promote harmonization. In the vision of the PRS process, national PRSPs would facilitate the move towards joint budget support programs and away from uncoordinated project aid. In practice, however, having a PRS has never proven to be a necessary or sufficient condition for budget support. There is pressure from donor central offices to offer budgets support even in the absence of a PRS (e.g. Bolivia in 2005), and the PRSs in these three countries were not concrete enough to, on their own, serve as the basis for a budget support program. Moreover, donors often set other non-PRS conditions (e.g governance) to be completed as pre-requisites for budget support. Rather than wait for the conditions they see as pre-requisites to be met, donors are now starting to use budget support to influence policies and thus generate the required conditions. For example, if a PRS is not concrete or updated, donors and the government negotiate the poverty reduction goals to be met and actions to be undertaken, leaving aside the spirit of the PRS process, which was that priorities and goals should be determined through a national participatory process.

Harmonization of budget support
Since 2005, Bolivia and Nicaragua have had joint budget support agreements. This does not mean, however, that budget support is harmonized. Some of those who signed agreements do not provide budget support or have their own budget support program on the side. Bilateral agreements generally take legal precedence over multilateral agreements. Not all donors give the same weight to the conditions in the budget support agreement. And, finally, some budget support providers are not part of the joint agreements. In Honduras, multilateral donors have their own budget support programs. Sida convened a Budget Support Group in 2006 to try to coordinate these multilateral programs as well as the actions of some bilateral donors.

Conditions attached to budget support
An analysis of the conditions attached to budget support indicates that in general there has been a hardening of conditions – there are now more preconditions for obtaining budget support. Even when these preconditions have not been met, bilateral donors begin budget support programs in the hope that the preconditions established in budget support agreements will influence policies. Budget support by multilateral donors also includes an increasing number of preconditions for a first disbursement and of "triggers" for subsequent disbursements. In some arrangements (performance-based loans of the IADB and budget support of the European Commission), the amount disbursed depends on the degree to which goals have been met. This all means that the chances that governments do not receive funds, or that payments are reduced, have increased. As budget support becomes a larger percentage of aid, this means that more aid is dependent on achievement of certain conditions (including IMF required reforms) and the predictability of aid decreases.

The number of results-oriented conditions attached to budget support programs has increased in comparison with the 1990s. All of the budget support agreements now have some results indicators. But we also observe that process-oriented indicators (which identify policies to develop or actions to take) have not decreased. This means that the total number of conditions has increased over time and that there is still a large amount of donor involvement in pushing for the implementation of specific policies and development of certain laws.

The number of sectors subject to conditionality has also increased over this period. Macroeconomic stability and structural reforms are still important conditions, but there are also now many conditions related to poverty reduction, the social sectors, and public financial management.

The Donor Community and Poverty Reduction

It is hard to draw conclusions about whether the activities of the donor community have promoted policies that will reduce poverty. If all project aid were aligned with national strategies and if national strategies were successful at promoting poverty reduction, then aid would have helped. It is a positive development that most aid is now in budgets and that there are attempts to improve coordination in sectoral roundtables. As for budget support, it is too early to evaluate the results because the agreements are recent. In Bolivia and to some extent Nicaragua, the most tangible impacts of budget support to date may have been improvements in public financial management. Further impacts are limited in Bolivia because budget support was discontinued and in Nicaragua because the major coordinated action of the budget support group focused on achievement of IMF ordered reforms, rather than actions specifically related to poverty reduction.

5. Reflections about Poverty Reduction Strategies

The experience with the PRS process in Bolivia, Nicaragua, and Honduras raises some fundamental questions about the assumptions behind the process. At the heart of the PRS process lies the idea that countries must have a national poverty reduction strategy. We question how valuable it is to keep insisting that these national strategies form the basis for relationships between government and the donor community because the original PRSPs (and the strategies that have replaced them) have not in practice met the expectations of the PRS process:

- *The PRSPs are supposed to provide multi-sector comprehensive visions of how to reduce poverty and to clearly identify priority actions.* In practice, the strategies have become broader over time, without providing a truly integrated multi-sectoral view of poverty reduction and without identifying priorities.
- *The participatory process through which PRSPs are designed is expected to improve the quality of the strategies and generate commitment inside and outside the government to implement them.* In practice, the participatory processes had little direct influence on strategy content and did not generate widespread or lasting commitment to the strategies. Moreover, donors have placed less importance on participation in the design of revised strategies, and government commitment to "their" strategies has increased.
- *A national PRS is expected to produce policy continuity and permit monitoring of the strategy over time.* In practice, there has been much continuity in policies implemented in the three countries, but this has been more by default than due to a strategy. The strategies have not enabled monitoring and evaluation. This is due in part to the fact that the strategies have been changed on many occasions, but even the most stable strategies (e.g. Honduras) have not overcome all the hurdles to institutionalizing a monitoring and evaluation tradition. The strategies, and the process surrounding them, may have increased attention to the problem of poverty, but it is not clear that one needs a national poverty reduction strategy to do this.
- *National PRS are expected to facilitate a move towards more flexible forms of aid.* The strategies were neither sufficiently detailed nor sufficiently prioritized to serve as the basis for sectoral budget support. Nor has having a strategy accepted by government and the donors proven to be a necessary precondition: budget support was provided even in the absence of an accepted strategy.

– *A national strategy shows a commitment to poverty reduction*. Because the strategies do not reflect what is actually implemented, they are not a good measure of commitment. It would make more sense to evaluate results and progress reports, though, given the state of monitoring systems, it is difficult in practice to evaluate the results achieved by the current government.

If the original PRSPs and the strategies that have replaced them have not in practice achieved the objectives set out for them, would it not make sense to consider other alternative approaches to structuring the relationships between government and donors? Two options that deserve consideration are:

– Working together on a limited agenda, where the strategy to pursue is clear and monitoring is easy;
– Developing and implementing sectoral strategies, which admittedly sacrifice the goal of comprehensiveness but may stand a better chance of surviving government change and may be more feasible to implement.

More fundamentally, to achieve the objective of monitoring, evaluating, and adjusting (based on results) a country's poverty reduction policies, it will be important for donors and governments to continue to support efforts to systematize the production, dissemination, and analysis of reliable and recent data about poverty and about the results of government action.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development.
Sida provides resources and develops knowledge and expertise, making the world a richer place.

Sida

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