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**Politics and the PRSP Approach:  
Synthesis Paper**

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## Acronyms

ADN	<i>Acción Democrática Nacionalista</i>
CDF	Comprehensive Development Framework
CPRGS	Comprehensive Growth and Poverty Reduction Strategy (Vietnam)
CSO	Civil society organisation
CUG	Citizen's Union of Georgia
EBRP	<i>Estrategia Boliviana de Reducción de Pobreza</i> (Bolivia)
EDPRP	Economic Development and Poverty Reduction Program (Georgia)
HIPC	Heavily Indebted Poor Countries
IFI	International financial institution
INGO	International non-governmental organisation
MFPED	Ministry of Finance, Planning and Economic Development (Uganda)
MoF	Ministry of Finance
MOLISA	Ministry of Labour, Invalids and Social Affairs (Vietnam)
MTEF	Medium-term expenditure framework
MPI	Ministry of Planning and Investment (Vietnam)
NGO	Non-governmental organisation
NRM	National Resistance Movement (Uganda)
PAF	Poverty Action Fund (Uganda)
PEAP	Poverty Eradication Action Plan (Uganda)
PEM	Public Expenditure Management
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
PSR	Public service reform
SWAps	Sector-wide approaches
UPPAP	Uganda Participatory Poverty Assessment Project

This paper is the culmination of a study of the political dimensions of the Poverty Reduction Strategy Paper (PRSP) approach, which was commissioned by the PRSP Monitoring and Synthesis Project, a DFID-funded project based at the Overseas Development Institute, London. The research team on the study comprised Alison Evans, Laure-Hélène Piron, David Booth, Tim Conway, Kate Hamilton, Erin Coyle, Zaza Curran, Ruth Driscoll and Andy Norton. Professor Rob Jenkins acted as peer reviewer in the early stages of the study. The final version of this paper benefited from comments and corrections from David Booth and Tim Conway. The views expressed in this paper are those of the authors and do not reflect DFID policy.



# 1. Introduction

## 1.1 Background

This paper is a synthesis of findings from four country case studies and background research on the political dimensions of the Poverty Reduction Strategy Paper (PRSP) approach. It aims to make a contribution to the debate on the relevance of politics in order better to understand and improve development and poverty reduction processes, and in particular the new kind of aid relationships promoted by the PRSP approach. It illustrates, through the use of concrete examples, how development assistance in support of PRSP processes cannot but be embedded in national political systems and processes.

Critical as background to this research are two contrasting visions of the intention or project behind the PRSP approach, and the implications that this might have for what can be achieved through the approach. On the one hand, the PRSP approach is viewed as offering a potentially transformative agenda of pro-poor reform, and as providing opportunities for national governments to become more committed to pro-poor policymaking and for donors to work more in line with country-owned priorities and processes. In this view, any measure that requires a government to consult more widely with its citizens is likely to enhance both the quality of the resulting policies and the accountability of decision-makers to domestic constituencies.

In the alternative perspective, the very fact that the PRSP approach is being led by donors is seen as predisposing it to have a negative effect on national political development. According to this line of argument, the assumption that weaknesses in public decision-making can be addressed through an internationally-driven prescription flies in the face of evidence. Instead of the PRSP principles supporting a transformation in what governments do, they risk overriding or derailing domestic political and policymaking processes by imposing international priorities and undermining local level political accountability.

In practice, the two visions are less sharply opposed; many on both sides would agree that incremental progress is possible through the PRSP approach but at the same time are aware of the major challenges involved in the consistent implementation of pro-poor policies. What the two visions do share is a common assumption that politics and political processes are at the heart of pro-poor policymaking. This resonates with earlier research carried out by the Overseas Development Institute (ODI) which observes that the PRSP experiment has to work through the political systems and policy processes of the countries concerned if it is going to work at all (Booth *et al.* 2003). The PRSP approach will either engender new relationships and dynamic processes within countries, which will result in poverty policies being handled in new and more effective ways, or it will not. What happens in this respect will be highly political, both because formal political systems are a powerful influence on what happens in the public policy realm, and because the informal arrangements and understandings that inform policy in the real world are as much political as they are technical.

It was on these grounds that the PRSP Monitoring and Synthesis Project, based at ODI, commissioned a series of studies on PRSPs and politics. While most studies of PRSP experience to date have made some reference to the ways the processes have interacted with countries' political structures, few have paid attention to the interaction between political systems, PRSP processes and longer term political development. Two aspects are of particular interest. One is the way the politics of the country shapes the field of possibilities arising from the PRSP initiative – that is, the opportunities for doing things differently or not. The second is the contribution that the PRSP process has made, for better or worse, to political change and the development of political

institutions in the country. These two concerns define the scope of the country studies and this synthesis paper.

## 1.2 Study methodology

The approach of the research project involved four country case studies through which the relationship between politics and PRSPs was examined. Field visits were undertaken in Bolivia, Georgia, Uganda and Vietnam between October 2002 and February 2003 and complemented by a review of the relevant literature and, where possible, some limited updating.<sup>1</sup> The countries were not selected as part of a 'controlled' comparative research framework, but rather to reflect the diversity of political and historical settings in which the PRSP approach is being introduced. Case study researchers were required to examine a series of issues and out of this to construct an interpretation of the interaction between PRSPs and politics. These included: (i) the political background and current political dynamics; (ii) the process of developing (and starting to implement) the PRSP and the engagement of various political actors therein; (iii) the interaction between PRSPs, policymaking, politics and development assistance; and (iv) the role of donors as political actors.

Much of the information generated is inevitably country specific; however, reading across the case study reports reveals several important themes that transcend the country cases and this forms the basis of this synthesis report. These themes are only indicative at this point but are nevertheless suggestive of some interesting issues and patterns.

The research has adopted an institutional approach focusing on the formal and informal 'rules of the game', including formal political systems, the nature and ideology of regimes, the operation of political parties and the impact of electoral rules, relations between executives and the legislature (as well as between central and local governments), and processes within the executive (such as the functioning of cabinets, and relations between presidents and ministries). This state-centric approach is complemented by also analysing state-society relations, such as the nature of civil society, citizens' engagement with the state, and informal political processes and norms.

The synthesis is structured as follows. Section 2 presents the analytical framework for the research and Section 3 introduces the country case studies. Section 4 examines how PRSPs have been developed and implemented in particular political contexts. Sections 5 and 6 examine the extent to which PRSPs in the case study countries have been transformative, both of domestic politics and policymaking and of the aid relationship. Section 7 draws together the main conclusions and suggests some initial recommendations for aid agencies.

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<sup>1</sup> The four country studies are published separately. They were authored by: David Booth with Laure-Hélène Piron – Bolivia; Tim Conway – Vietnam; Kate Hamilton – Georgia; and Laure-Hélène Piron with Andrew Norton – Uganda.



## 2. Theoretical framework

### 2.1 Background to PRSPs

PRSPs have become central to the provision of development assistance in terms of both grants and loans. The idea of linking aid flows to the development by recipient countries of a comprehensive poverty reduction strategy originates from the discussions which led up to the formulation of arrangements for the Enhanced Heavily Indebted Poor Countries Initiative II (HIPC) in 1999. The idea of the Poverty Reduction Strategy Paper, once adopted as the framework for HIPC, came rapidly to be seen (by the Boards of the International Monetary Fund and World Bank) as having the potential to be the overarching country-level policy document to serve as a framework to guide all concessional development flows. The decision was taken to replace the Policy Framework Paper (a tripartite document of the Fund, the Bank and the country government – but usually written almost entirely by the Fund) with the requirement that countries prepare a PRSP. This resulted in the IMF's decision to change its framework for assisting low-income countries with concessional lending from the ESAF (Emergency Structural Adjustment Facility) to the PRGF (Poverty Reduction and Growth Facility). In a similar move, the World Bank has developed the PRSC (Poverty Reduction Support Credit) to support PRSP implementation.

The PRSP approach is meant to learn from past assessments of the failures and limitations of traditional approaches to development assistance. Points raised in these assessments include concern over the tendency for aid to undermine national capacity by creating parallel systems; the failure of policy conditionality to lead to the effective use of resources by recipient governments; and the need to refocus international assistance more firmly around poverty reduction.

According to the World Bank and the IMF, the PRSP approach is based on six core principles. PRSPs should be:

- *Results-oriented*, with targets for poverty reduction that are tangible and monitorable.
- *Comprehensive*, integrating macroeconomic, structural, sectoral and social elements.
- *Country-driven*, representing a consensual view of what actions should be taken.
- *Participatory*, with all relevant stakeholders participating in formulation and implementation
- Based on *partnerships* between government and other actors.
- *Long term*, focusing on reforming institutions and building capacity, as well as short-term goals.

Owing, perhaps, to the origins of the debate in the context of HIPC debt relief, the PRSP approach has tended to focus heavily on countries which are: (i) at the poorer end of the spectrum of countries eligible for concessional lending; (ii) at the more aid-dependent end of the same spectrum; and (iii) predominantly African. It could be argued that, as time has gone on, a model of development assistance geared to these 'types' of country situation has come to be applied in countries and regions (such as much of Asia) where donors are a far less significant influence on the governmental policy process. This is not a trivial issue, as the key hypotheses around the potential of PRSPs to produce significant gains in poverty reduction derive from concerns about the negative effects of aid dependency. In contexts where the aid relationship is a less significant driver of policy change, expectations of beneficial change arising from the adoption of a PRSP approach might, therefore, be more modest.

## 2.2 The political agenda behind the PRSP approach

Poverty reduction is fundamentally a political objective: relations of power, access to state resources, government policy priorities, legislative frameworks, and even constitutional guarantees may need to be transformed if there are to be enhanced opportunities for the poor to secure livelihoods, enjoy access to state services and become less vulnerable. Even if poverty reduction is not necessarily a zero sum game, there will inevitably be winners and losers in the process of change, as vested interests are no longer protected, discriminatory practices come to an end, and policies become more broad based and benefit wider social groups.

At first sight, their origins can be viewed as largely technocratic. PRSPs represent an instrument for channelling debt relief, and a recognition of the need to improve aid effectiveness by drawing on available best practice. In particular, they reflect the view that ‘ownership’ is instrumentally important to the efficient use of aid. This is grounded on the premise that the state – usually limited to the executive branch of government – is a decisive agent of national development.

However, the PRSP approach can also be interpreted as having a more radical political agenda, in line with some new thinking in aid agencies. State effectiveness, or lack thereof, is regarded as a key variable in explaining the trajectory of both poverty and growth outcomes in most countries (WDR 1997). More recently, mainstream development discourse has recognised the importance of political systems, including political parties and parliaments, as key factors explaining success and failure in achieving poverty reduction (WDR 2000/01). In particular, they are seen as potentially constraining development, owing to a lack of institutionalisation, accountability, representativeness and responsiveness, and to the pervasiveness of corruption or personalisation of state power.

The more radical political agenda behind PRSPs can thus be interpreted as an attempt to influence domestic political processes in a progressive direction. The production of a strategy paper might itself require some changes in policymaking style; more importantly, it might expose some of the political contradictions preventing the successful pursuit of poverty reduction and growth in the country. In addition, political relations between recipient countries and international donors<sup>2</sup> are being addressed. By moving away from specific policy conditionalities, towards process conditionality, it is hoped that unequal power relationships will be somewhat readjusted, increasing the relative importance of governments’ accountability to their own citizens.

These elements taken together suggest that the success of the PRSP approach rests on at least three crucial ‘gamblers’:<sup>3</sup>

- First, if governments are obliged to discuss poverty and what they are doing about it with their citizens, they are likely to regard these things more seriously, and to be held to account more effectively. By making this assumption, and starting a particular process of policy prioritisation and planning, it is hoped that poverty reduction will end up, and stay, closer to the top of the domestic agenda.
- Secondly, if the international community has a PRSP around which to organise, then aid will be better managed and transactions costs significantly lowered.
- Thirdly, if the PRSP is taken seriously by both governments and donors, then the relationship between them will change to emphasise domestic (political) accountability to citizens over external (technocratic) accountability to donors.

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<sup>2</sup> In line with common usage, the term ‘donor’ will be used in this paper to refer to providers of not just grants, but also of concessional loans.

<sup>3</sup> See Approach Paper by Andrew Norton (2002).

## 2.3 The politics of the PRSP principles

- If the political aspects underlying the PRSP approach are not openly discussed in technocratic circles, neither are the political implications of the core PRSP principles. This is understandable, since the international financial institutions (IFIs) in particular interpret their mandates as imposing clear limitations on their ability to engage with ‘political’ topics. This has inevitably influenced the official discourse and guidance around PRSPs. However, as we attempt to illustrate below, the changes required by these principles are in fact highly political, in that they imply shifts in power relations between state institutions and society.
- *Country ownership* is an ambiguous concept. It seems to refer to more than ownership by the ‘state’ (a political entity) and is possibly not identical to the ‘nation’ (a concept with cultural dimensions). The principle seems to call for some consensus between national actors, beyond the state elite, but it remains open which actors should be paramount. Government ownership is normally considered more legitimate than civil society ownership, except when governments are highly unresponsive or unrepresentative, but this is often not made explicit. How consensus is to be achieved through messy political processes (such as multiparty political competition, internal party debates, and civil society protestation rather than cooptation) is also not discussed, with a preference on the part of the IFIs for technical arguments rather than open political debates.
- *Participation* can also mean a number of things: who should participate, in what processes, with what power, and with what legitimacy? At a minimum, guidance suggests that there should be ‘technical’ consultations with pre-selected stakeholders. To institutionalise participation in policymaking would require that political processes themselves become more open and participative – a process that is beyond the remit of the PRSP exercise.
- *Comprehensiveness* requires bringing together macroeconomic frameworks and poverty reduction goals. It seems in particular to suggest a certain degree of state capacity (to develop a coherent and comprehensive strategy), as well as state authority and legitimacy (control over the national territory to collect taxes and implement policies consistently; ability to coordinate between different parts of government).
- *Results orientation* requires that governments be explicit about the goals they are meant to achieve. This would seem to imply a radical shift away from systems where results are limited to specific gains by elite groups and their clients (bias), or where corruption and the absence of the rule of law are likely to prevent the fair and transparent use of national resources for broad-based purposes (capture).
- *Partnerships* between different actors, particularly government and civil society, or government and donors, imply a consensual style of policymaking among relatively equal participants. Yet, the state is usually more powerful than civil society; an elected government is usually considered more legitimate than the opposition; and donors remain financially more powerful than individual countries.
- Identifying *long-term* goals also demands a different approach. In very insecure political environments, the dominant incentives of those in power are to acquire resources quickly and distribute them to supporters, and to identify other strategies to remain in power (which may include political repression, though democratic systems too have to face the pressure for visible short-term results). The PRSP principles demand that government legitimacy be redirected towards poverty reduction, greater responsiveness to the poor and building a more effective state – goals which may not have short-term political appeal.

In the rest of the synthesis paper, we look at how the process of developing PRSPs has to be understood in diverse political contexts, and we assess the extent to which the PRSP approach has been transformative in the ways suggested above.

### 3. PRSPs in the country cases

The four countries examined during the research (Bolivia, Georgia, Uganda and Vietnam) are extremely diverse. They represent different continents, with different histories of colonialism and domination, different political systems, different economic models, as well as different levels of aid dependency, economic growth and poverty. What they have in common are experiences of struggling against poverty, of relying heavily on foreign aid (albeit to different degrees) and, most recently, developing and (except for Georgia) implementing PRSPs. Three of the case study countries – Vietnam, Uganda and, until recently, Bolivia – are seen to be ‘performing well’ in terms of conventional judgements by donors with regard to reform processes and donor-recipient relations.

#### 3.1 Political systems

Our case studies present four contrasting political systems. Until 2003, Bolivia was considered to have a reasonably well established multiparty democratic system, with parties alternating in government, usually in the form of coalitions, following free and fair elections. The threat of military intervention in politics is no longer very great. Indigenous groups are becoming better represented at the national level. However, parties operate as patron-client machines and sustain, rather than combat, institutionalised corruption and the politicisation of the bureaucracy. In addition, and related to the failings of political parties, state-society relations are often conflict-ridden: dissatisfaction with state policies is mainly expressed not through the ballot box, but through street protests which provoke violent repression. The recent overthrow and exile of the incumbent president in October 2003 following mass protests suggests that the system was not as well institutionalised as was generally perceived.

Georgia is still in the process of developing, with difficulty, a pluralistic and representative system following the end of Soviet rule and independence in 1991. At the time of the research, there was no guarantee that a competitive and institutionalised political system might emerge. Parties were not well institutionalised, and the constitutional framework was not yet fully operational (with the Upper Chamber of Parliament not in place, for example). President Shevardnadze’s party, the Citizen’s Union of Georgia (CUG), appeared to be split into competing factions and was unable to provide a solid programmatic base. Power was centralised in the Presidency (the State Chancellery) and personalised around allies of the President. Parliament was unable to act as an effective check on state power. A peaceful revolution following unfair elections in November 2003 demonstrated the fluidity of the system.

The other two case study countries do not represent competitive multiparty politics. Uganda’s ‘no-party’ system was put in place following the successful military victory of President Museveni’s National Resistance Movement (NRM) in 1986. The Movement system is an inclusive mechanism aimed to prevent a return to ethnically-based sectarian politics and violence. Candidates for elections are not allowed to represent different parties, and are to be elected on merit. There is also a multi-layered system of elected local councils. However, the political system is currently under considerable stress, as voices continue to demand the lifting of restrictions placed on parties and express concerns at the lack of pluralism within the Movement. Uncertainty remains as to what will happen in the 2006 elections, when President Museveni is constitutionally required to stand down and not seek re-election, though he has taken steps during 2003 in the opposite direction, including lifting the restrictions on party-based competition.

Vietnam is one of the few remaining countries ruled by a Communist Party. A policy of economic liberalisation has been pursued since 1986, leading to demonstrable progress on poverty reduction, but political reforms have been slower. There is still a strong overlap between the state and the Communist Party, which also dominates the National Assembly, and there are no fully independent civil society organisations. There have been some reforms in recent years, including provisions in the 1992 Constitution to increase the autonomy of the National Assembly *vis-à-vis* the executive. Despite this, there is still a weak separation of powers and no official tolerance for talk of moving towards competitive multiparty politics. Change – in the form of the Grassroots Democratisation Decree, which is meant to increase participation in local government – has been slow.

### 3.2 Poverty, growth, aid dependency and ‘good performance’

The case study countries differ in the socio-economic and aid profiles, as illustrated in the table below. Vietnam has the largest population, highest per capita economic growth rate with a medium-level poverty rate and relatively low levels of aid dependency. By contrast, Georgia has the smallest population; it is relatively aid-dependent and has had a negative growth rate in recent years, but also has a relatively low level of income poverty and the highest human development ranking of the four countries. According to the published statistics (which may not be strictly comparable), Bolivia has the largest proportion of the population living in poverty and a poor growth rate but is the least aid-dependent country in our set. Uganda is the most aid-dependent country and the only one ranked in the ‘low human development’ category of UNDP’s human development index.

**Table 3.1 The case study countries compared**

	<b>Bolivia</b>	<b>Georgia</b>	<b>Uganda</b>	<b>Vietnam</b>
<b>Population</b>	8.5 million	5.4 million	22.8 million	78.7 million
<b>Per capita GNP growth 1991–2001</b>	1.3%	-2.4%	3.9%	6.1%
<b>Population living in poverty (below US\$1/day)</b>	60%	11%	35%	32%
<b>Share of aid in central government expenditure</b>	23.9%	45.4%	76.8%	26.1
<b>Human Development Indicator rank</b>	114 (medium)	88 (medium)	147 (low)	109 (medium)
<b>Corruption perception rankings</b>	106	124	113	100

*Source:* Country Profile pages of the World Bank (2001). Aid figures from World Development Indicators (2003). HDI from UNDP Human Development Report (2003). Corruption perceptions from Transparency International 2003 survey.

Three out of four of the study countries are viewed by the international development community as ‘good performers’.<sup>4</sup> Uganda and Vietnam in particular have been relatively effective at combating poverty. Effectiveness is often seen as associated with ‘political commitment’ backed up by relatively strong states able to deliver on their agenda. Bolivia has been less successful in reducing absolute poverty levels but is seen as a good performer because it has followed a liberal reform agenda while paying increasing attention to poverty and social issues.<sup>5</sup>

<sup>4</sup> We use this expression in response to the ‘new’ donor agenda of ‘poorly performing countries’ (DFID), ‘difficult partnerships’ (OECD Development Assistance Committee), ‘low-income countries under stress’ (World Bank), and ‘failed/failing states’ (USAID).

<sup>5</sup> Recent events in Bolivia are raising questions about how effectively social issues are really being addressed.

'Good performance' is also (and perhaps more frequently) assessed by the degree of collaboration with international partners. Bolivia, Uganda and Vietnam have taken part in a number of innovative approaches to international development cooperation:

- Bolivia, Uganda and Vietnam were pilots for the Comprehensive Development Framework (CDF).
- Uganda and Vietnam are recipients of new IFI lending instruments (PRSC and PRGF).
- Uganda was a test case for the shift towards programmatic support (in particular budget support) and away from project-based assistance.
- Bolivia and Uganda have been developing sectoral approaches with pooled donor resources to support sector programmes.
- A medium-term approach to budgeting (MTEF) is being implemented in Uganda and is being developed in Vietnam.

Georgia, by contrast, has not been performing well, either in terms of prioritising and achieving poverty reduction, or with respect to the level of collaboration from international partners. Following the fall of the Soviet Union, international commentators optimistically expected a smooth trend towards economic and political liberalisation. After a decade of unproductive transition, international assistance to Georgia seems to be on the decrease. Recent elections, conducted under a shroud of allegations of major fraud, resulted in increasingly vocal public opposition to the President, who eventually resigned and was peacefully replaced in late 2003. The inauguration of a new president (a US-trained lawyer) in January 2004 was attended by high-level US representation, hinting at a change in international interest in Georgia.

However, such crude assessments of performance in the four countries mask a number of domestic constraints on development. It is more difficult for donors to attempt to address these constraints, which are firmly rooted in domestic politics, although this is nonetheless necessary in order to improve aid effectiveness. In particular, all four countries are seriously affected by corruption. The Transparency International Corruption Perception Index, although not to be used for sophisticated comparisons, confirms that corruption is a serious problem in all four case study countries: they are all placed very close to one another in the bottom fifth of the index for 2001–3.<sup>6</sup>

Two of our case study countries are affected by violent conflict, which limits the control of the state over the entire national territory and creates different conditions for development assistance. Uganda both has been embroiled in regional conflicts (in particular an intervention in the Democratic Republic of the Congo and tense relations with Sudan), and also faces internal rebellions, in particular in the North. In Georgia, no solution has been found to the problems of self-proclaimed independent republics, such as Abkhazia and South Ossetia, which has led to violent unrest and internal displacement. Peaceful conflict resolution and political settlements remain preconditions for greater prosperity in both countries and for the state regaining control over the full national territory.

### 3.3 The PRSP process

The most important common thread across the case countries is that they have all engaged in preparing PRSPs, with two out of the four forming part of the first wave of countries to have adopted a PRSP. Both Bolivia and Uganda can claim to have influenced the PRSP approach adopted by the IFIs. In 1997, the Banzer Government of Bolivia undertook a national dialogue to

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<sup>6</sup> The rankings are: 75 for Vietnam, 84 for Bolivia, and 88 for Uganda (the third lowest score) out of 91 countries surveyed in 2001 (Georgia not being listed); 85 for Georgia and Vietnam, 89 for Bolivia and 93 for Uganda, out of 102 countries surveyed in 2002; and 100 for Vietnam, 106 for Bolivia, 113 for Uganda and 124 for Georgia, out of 133 surveyed in 2003 (Georgia's fall being consistent with our analysis of external perceptions and domestic challenges). *Source*: [www.transparency.org](http://www.transparency.org).

assist in developing its *Plan de Gobierno* (Plan of Government); in the same year, the Government of Uganda launched its Poverty Eradication Action Plan (PEAP), which was to be subject to regular revision. Uganda's revised PEAP eventually became the basis of its PRSP in May 2000 – the first official PRSP worldwide – and Bolivia's *Estrategia Boliviana de Reducción de Pobreza* (EBRP) was endorsed by the IFI Boards in June 2001. Both countries are currently engaged in revising their first PRSPs.

In Vietnam, the production of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) followed hard on the heels of the preparation of the Ten-Year Socio-Economic Development Strategy and Five-Year Plan for the 2001 Ninth Party Congress. The national plans were completed first, according to a pre-set Party and state planning cycle; the CPRGS was effectively compiled from selected highlights extracted from these documents, with some efforts at additional prioritisation and linkages and some genuinely new policy commitments added. The CPRGS was endorsed by the IFI Boards in September 2002.

Once again, Georgia appears an outsider. The process began in February 2000 but there were significant delays to both processes – the I-PRSP and the PRSP. The I-PRSP was not approved until January 2001, largely because of doubts about the credibility and content of the document. The Economic Development and Poverty Reduction Programme (EDPRP) was finally endorsed by the IFI Boards in November 2003.<sup>7</sup>

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<sup>7</sup> The full PRSP was initially called the Poverty Reduction and Economic Growth Programme (PREGP); it was renamed the Economic Development and Poverty Reduction Programme after major redrafting.

## **4. The development of PRSPs in particular political contexts**

As already implied, the formulation of a PRSP is not simply a technical exercise. The process interacts with institutional constraints, in particular those which originate from the nature of the state, its historical antecedents, and the way its power is exercised. Formal aspects of the political system matter as well as the informal rules by which they operate. These institutional norms influence the options available for individual political actors as well as how 'political ownership' can be identified and interpreted. In this section we explore a number of 'meta' themes emerging from the country studies. These relate to the interaction between underlying political systems and processes of political change on the one hand, and the PRSP on the other.

### **4.1 History and the 'political capital' of poverty reduction**

A comparison between Uganda and Vietnam hints at an important finding regarding the importance of history and ideological choices, one which would need to be tested in other countries. This is relevant not just for PRSPs but also for understanding more generally how countries can become committed to poverty reduction. Both countries seem to have well established domestic political projects of nation-building that include elements of poverty reduction. These projects originated in post-war contexts and played a 'unifying' role. Uganda's violent past has been used to legitimise a consensus-based, 'no-party' political system since 1986, with the provision of firstly security but also poverty reduction seen as essential for national unity. This has given the National Resistance Movement significant 'political capital'. In Vietnam, a socialist vision of welfare and equality has been a strong driving force behind Communist Party policies. Performance in delivering economic and social development became particularly important in defining state legitimacy following the end of the war and reunification of North and South in 1975.

By contrast, Bolivia and Georgia both seem to have incomplete state-building processes and no strong political project around which the 'nation' can unify itself. This makes any kind of national political project, whether around poverty reduction or around some other goal, more difficult to achieve. Recent clashes between social movements and the state in Bolivia are a stark reminder of the exclusion of the majority indigenous population from mainstream politics. Poverty reduction generally has less political capital in Georgia than in any of the other case study countries: poverty is a relatively recent phenomenon and affects a smaller percentage of the population than in the other three countries. The limited political salience of the poverty reduction agenda explains in part why the EDPRP is viewed as having less chance of becoming a truly national strategy, able to capture the imagination not just of politicians and technocrats but also of the population at large.

PRSPs are thus to a significant extent affected by the degree to which poverty is politically salient and to which there is 'political capital' to be derived from poverty reduction efforts. This is affected in turn by the nature of the nation-building project and associated political ideologies.



**Table 4.1 Historical and ideological factors**

	<b>Context</b>	<b>Impact on PRSP</b>
<b>Bolivia</b>	Poverty is of concern to the majority of the population and is a political issue, but sectoral interests and patronage systems dominate. Ruling parties have introduced pro-poor reforms (agrarian reform, municipalisation etc.) but the political system is unable to create a strong alliance of and for the poor. Social movements have a confrontational style.	The PRSP process in 2000 was largely bypassed by most significant social movements and political struggles at the time. It did not tackle a number of outstanding national issues (land distribution, coca eradication, natural gas, pensions, etc.). However, it did contribute positively to the processes of state-building and redistribution associated with the Law on Popular Participation (municipalisation).
<b>Georgia</b>	Poverty is a recent phenomenon. There is no history of government-sponsored pro-poor initiatives. Parties have not made poverty a political issue and there is no obvious social mobilisation apparent around poverty issues. Nationalism is more powerful. Clan-based allegiances and patronage are powerful.	EDPRP has brought 'poverty' into the light map and offers a chance for a more strategic approach, particularly at sector level; there has been no real policy change as yet. The lack of focus on governance issues in the EDPRP is a concern. There is no evidence yet that the process has been able to undermine a robust culture of government built on vested interests in the <i>status quo</i> .
<b>Uganda</b>	There were sectarian conflicts and the destruction of the state after independence. The Movement political system is historically legitimised by its 'inclusive' nature. Poverty reduction is seen as a way of achieving a less divisive society and to reduce sectarian divisions.	The dominance of the Movement prevents an alternative political project from emerging and President Museveni's backing of the PEAP makes it an effective statement of state policies. The PEAP has become the 'grammar' around which more detailed sector policies can be discussed. The PEAP is seen as being broad-based and non-controversial, even by political opponents.
<b>Vietnam</b>	A 'Communist' national project encompassed the need to integrate the South into state policies and provision. There is a strong ideology of providing minimum social welfare for citizens. Reforms, including economic liberalisation, are accompanied by considerable investments in targeted poverty programmes.	The CPRGS is seen as a logical extension of strong ideological commitment to balancing growth, equality and poverty reduction. The CPRGS process has reflected growing concerns with inequality and the need to address them via a range of public actions. Although the CPRGS is seen as closely aligned with the party manifesto, as set out in the Ninth Party Congress in 2001, this manifesto (the Ten-Year Strategy and Five-Year Plans) continue to take precedence.

## 4.2 The relevance of formal political structures

The nature of political systems is also relevant for understanding 'political ownership', or political engagement with the PRSP. Here we examine in particular the relationship between the executive and the legislative branches of governments, and impacts on executives. Bolivia and Georgia provide examples of relatively 'competitive' electoral politics. In Bolivia, where the Constitution gives the legislature more significant powers than in any of the other case studies, Congress was involved in the EBRP to a greater extent. A law formalised several of the key decisions that emerged from the consultations and set in motion a revision timetable. Politics are less well institutionalised in Georgia, where Parliament was divided into 'factions' rather than parties and

acted in opposition to President Shevernadze. As a result, there was limited engagement with the PRSP, which was seen largely as an initiative of the executive and the international community.

The nature of the political system also influences how power is organised within the executive. Coalition governments in Bolivia (resulting from electoral rules) mean that it is harder for Cabinet to operate in a coherent fashion, with different ministries allocated to different parties and with the President having to rely on coalition partners. Highly personalised politics in Georgia meant that ministries and ministers were less trusted than in any of the other case countries, and there was no Cabinet in operation. Interestingly, the country case study notes that, to some extent, the PRSP process has 'bucked the trend', being managed by a team led by the President's Economic Adviser, one of a few powerful individuals who had been able to remain in post while other important officials were moved around regularly.

In both Uganda and Vietnam, a centralised and non-competitive political system operates, with limited space for other national projects to develop and challenge the vision of the dominant party. This is not to say that dominant parties do not have internal consultative processes. In Vietnam, for example, there is a relatively high level of internal democracy: major policy decisions involve extensive consultation within the Party and associated mass organisations. In both countries, however, parliaments cannot seriously challenge the executive, although reforms are underway. Powers for the National Assembly in Vietnam are growing, and there are efforts to increase autonomy (particularly fiscal autonomy) for provincial governments. In Uganda too, there are efforts to enhance the role of Parliament in the budget process. In both countries, however, the executive dominates policymaking processes and is only held to account by Parliament to a very limited degree. PRSPs are seen as more effective statements of government policies in these countries as compared with the other two case studies.

**Table 4.2 The impact of formal political structures on PRSPs**

	<b>Context</b>	<b>Impact on PRSP</b>
<b>Bolivia</b>	The President is the most important political figure but is usually elected indirectly by Congress and has to constitute coalition governments. Policy coherence is weakened by patronage-oriented party machines and the lack of a permanent civil service. The Finance Ministry and budget process are relatively weak.	The President initiated and Cabinet approved the PRSP (EBRP). The political importance of Congress partly explains the decision to pass a law enshrining key results of the national dialogue ( <i>Ley de Dialogo</i> ), although Congress did not vote on the EBRP as such. Lack of a modernised budget and public expenditure management system prevented EBRP priorities from being translated into spending plans beyond the HIPC allocations.
<b>Georgia</b>	The current political system is not fully established (the second chamber is not operational). The President is elected independently from Parliament. The presidential party (Citizens' Union of Georgia) is divided into factions. There is centralisation of power in State Chancellery but limited presidential control over or trust in ministers – no Cabinet operates.	The President initiated the PRSP and assigned responsibility to a trusted political ally in the State Chancellery, who has stayed the course. It is difficult to build ownership in other Ministries, where trust is weak internally and externally, and in Parliament, where opposition to the President is openly expressed.
<b>Uganda</b>	The inclusive 'no-party' Movement has centralisation of power around the President and his close allies. There is a limited role of Parliament and dominance of the Ministry of Finance (MFPED).	The PEAP was presented as a 'national' policy developed in a consultative manner. The MFPED was 'empowered' to impose strict budget constraints on line Ministries. 'Ownership' of the PRSP is shared between political (Movement) and technical levels (MFPED in particular) but there is no parliamentary ownership.
<b>Vietnam</b>	The one-party state has strict political control over bureaucracy. The National Assembly has limited power (although gradually increasing) and is dominated by Party members. About 90% of National Assembly deputies are Party members, while almost all of the Cabinet ministers are members of the Party Central Committee. Party committees exist at every level of the bureaucracy. The Party's authority is reinforced through the hierarchies of Party-affiliated mass organisations.	The CPRGS started from a 'cut and paste' from the Ten-Year Strategy and Five-Year Plans. The Planning ministry (MPI) retains control over the planning process and CPRGS preparation/roll-out. Despite a high level of <i>internal</i> democracy on major policy decisions, the CPRGS has failed to engage significantly with the representative structures at the national level (National Assembly) or at sub-national levels (People's Councils).

### 4.3 Political timing and elections

Initially, PRSP timelines were set externally. The year in which the PRSP approach was launched – 2000 – corresponded to different political events and processes in the four case study countries. In both Uganda and Vietnam there seems to have been a relatively fortuitous coincidence between national and international timetables, allowing both governments to use ongoing domestic processes to feed into PRSP formulation, helping to shape them as 'nationally owned' strategies. Timing proved less favourable in Bolivia and Georgia.

**Table 4.3 The timing of PRSPs**

	<b>Context</b>	<b>Impact on PRSP</b>
<b>Bolivia</b>	Violent demonstrations and repression took place in both 2000 (EBRP preparation) and 2003 (scheduled EBRP revision). There was a change of government in 2002 between the EBRP and its first revision. Plans for a National Dialogue are still in place. Initially donors were more interested than the government in EBRP revision, despite this being enshrined in law and thus a 'policy of the state'.	Political demonstrations distracted public attention from the EBRP process and made consensual consultations more problematic. The EBRP had been developed and approved towards the end of the term of the ADN government, and was passed on to a newly elected MNR-led coalition. Street protests in February and the exile of the President in October 2003 have seriously delayed the revision process, but the National Dialogue II will go ahead with a somewhat broader remit and scope than originally envisaged.
<b>Georgia</b>	This is the final term in office for the President, decreasing his political relevance and increasing divisions in Parliament, including in the presidential party, which is divided in factions.	The President is less able to develop a platform around the PRSP and there are limited incentives for parties to do so. The PRSP is seen as a document of the executive and the international community. Aside from the importance of external finance, the PRSP appears to have no 'political legs'.
<b>Uganda</b>	The first PEAP was prepared in 1997 and presented as a PRSP in 2000. The third PEAP revisions were in 2003. There were elections in 1996 and 2001. There is a question mark over whether President will attempt to stand for a third term – no political successor has been identified. The next elections are in 2006, where an element of multipartyism may be allowed.	A national document (PEAP) is already under preparation. The GoU is able to convince IFIs that the (summary of the revised) PEAP can be accepted as PRSP. The PEAP as both a political (Movement) and technocratic 'project' means no derailment during elections. The PEAP is linked to the budget/MTEF, although political pressures on the budget persist. Sustainability may be an issue if space for political dissent opens in 2006.
<b>Vietnam</b>	The Ninth Party Congress in 2001 aimed to develop a new Ten-Year development strategy and Five-Year Plan.	The effect of linkage/sequencing is open to interpretation. Positively, the CPRGS was developed in the context of a Communist Party planning process and presented as a summary of agreed actions: thus, ownership is judged to be high. But critics argue genuine IFI commitment to ownership should have led them to accept the unmodified Ninth Party Congress documents as the PRSP; the CPRGS, following close after the Ten-Year Strategy and Five-Year Plan, is, at least at present, less well known and less valued than these earlier documents in most of the Party-state system. If it had been possible to start PRSP engagement a year earlier, this could <i>perhaps</i> have influenced core Ninth Party Congress documents. The public investment programme is still largely disconnected from the CPRGS process.

The country studies also confirm an unresolved tension on the part of the international community between the wish, on the one hand, to adopt 'nationally owned' strategies as the basis for international assistance, and to respect, on the other hand, the decisions and priorities of newly elected governments, whose legitimacy should derive from free and fair elections, even if their poverty reduction credentials are weaker. The case studies point to a technical perception of PRSPs by donors, who tend to see the PRSP as a policy commitment that should be binding on one government after the next, on the grounds that it constitutes a technically sound strategy to address issues (poverty reduction and growth) which ought to be politically salient for any government.

They do not, however, provide a rationale as to why – beyond the need for external financing – governments should adopt their predecessors’ strategies.

Bolivia was the only case where the PRSP (EBRP) has straddled a change in government (in 2002). There has also been a proposal to revise the EBRP around a set of ‘compacts’ between the state and specific groups (see Box 4.1). In Georgia, it will be informative to see whether and how the new government adopts the EDPRP, which was developed under Shevernadze.

A conclusion from the research is that ‘political ownership’ might well be enhanced by following political cycles more closely and using domestic strategies, such as the *Plan de Gobierno* in Bolivia or the Five-Year Plan in Vietnam. Uganda’s PEAP has, of course, become the dominant policy planning document and provides an example of accommodation between domestic and international cycles. Bolivia also offers an example of an alternative strategy, that of specific pacts, which might be more politically feasible than an overall strategy.

#### **Box 4.1 The EBRP and change of governments in Bolivia**

Initially, observers took the view that official commitment to the EBRP might not survive a change in government, and in fact the MNR did not attempt to encompass the EBRP in preparing its plan of government (*Plan Bolivia*). In reality, however, there was never any question of the PRSP disappearing entirely from view, at least as long as Bolivia remained eligible for and in need of IMF assistance and IDA credits. Donor interest in retaining the PRSP was substantial, and quite intense at times. The question became not whether but when and how the new government would turn its attention to revising the EBRP. Eventually, the government began to articulate a position which included both recognition of the Dialogue/PRSP process as a state policy, and a strong critique of the content of the EBRP of 2000. Events in February 2003 and again in October 2003 seriously affected the government’s ability to respect the legally required timetable for the new National Dialogue and hence EBRP revision. Nevertheless, the basic approach did not change and the proposal for a new EBRP was presented to donors in October 2003.

Bolivia’s government proposes to build EBRP II around a limited number of pacts or compacts (i.e. agreements to undertake specific tasks) between the government and a modest number of key interest groups, with some groups making agreements bilaterally without government participation. This stems from the need to work more closely with what is politically feasible and defensible. As an approach, it is untested in international terms; if it works to any significant extent, it may generate new institutions that have a continuing role and provide some counterweight to the politics of confrontation.

## **4.4 State-society relations and consultations**

In addition to differences between their formal political systems, our case study countries also help us to identify the diversity of state-society relations and, in particular, relationships among civil society organisations (CSOs), parliamentary bodies and governments in power. As might be expected, different patterns of state-society relations appear to lend themselves to different forms of consultations as part of the PRSP process.

Out of our four case study countries, Bolivia probably has the most developed and institutionalised set of CSOs. These are mostly organised on the basis of grassroots unions, regional federations and apex confederations serving functional groups (teachers, peasants, etc.). These organisations are willing and able to use direct protests to get their views heard. The National Dialogue process privileged geographical rather than functional consultations in an attempt to avoid such confrontation and to build up alternative, more constructive forms of social dialogue. The absence of some key mass-membership groups may have led, somewhat ironically, to a more focused debate during the Dialogue. At the same time, however, their absence meant that the discussions failed to produce an overarching consensus that would be binding on these crucial actors.

**Table 4.4 State-society relations**

<b>Country</b>	<b>Context</b>	<b>PRSP consultations</b>
<b>Bolivia</b>	Civil society is highly organised, representing different functional interests ( <i>cocaleros</i> , peasants, mine workers, small business organisations, professionals, pensioners). There is a tradition of state cooptation, though weaker than in the past, and a dominance of street protests, with new links to a large representation of indigenous opposition parties in Congress.	The government-led National Dialogue in May-August 2000 took place during violent protests, and therefore was not fully inclusive. The national peasant confederation, which had not participated, brought the country to a standstill following the Dialogue. A parallel Church-led civil society consultation – the National Forum, organised by the Jubilee 2000 campaign – preceded the official dialogue, was more comprehensive in its coverage, but less focused in its conclusions. The revision process aims to be inclusive but is focused on economic reactivation in selected commodity chains.
<b>Georgia</b>	The state is weak; the Georgian public responds with profound mistrust to the government. The rights to form political parties and non-governmental organisations are well established and actively taken up. There is a growing independent media, including newspapers and television channels. The problem is not one of restricted freedoms, but of the inability to make these manifest through effective rule of law and rational government.	Under donor pressure, a Communication and Participation Plan was developed which led to numerous consultations during 2002. Focus was on improving the quality of document, prioritising the ‘discussion materials’, and turning them into a more workable strategy. CSO representatives largely played the role of ‘experts’. The more broad-based organisations do not seem to have used their credentials as representative bodies in the consultations. Representatives of religious or ethnic minorities do not appear to have participated in the process.
<b>Uganda</b>	Traditional institutions (i.e. of the various kingdoms) have had their role severely restricted. There is a restrictive legislative framework on NGOs. The media is relatively independent and vocal, but there is state interference on a number of occasions. Most visible CSOs have been given privileged access to policymaking processes and have benefited from large inflows of donor funding.	Trade unions and NGOs too closely associated with political opposition are not involved in the PEAP consultations or implementation processes. ‘Consultation’ has come to mean institutionalising a specific kind of participation in policymaking with selected CSOs. These organisations cannot really be seen to represent alternative political views or developmental approaches. Should they become too vocal, they may no longer be invited to take part in policymaking.
<b>Vietnam</b>	Organised civil society independent of Party-state structures is underdeveloped and marginal. Mass organisations linked to the Party form the bulk of the non-government community. Domestic NGOs are growing in number, particularly with increased donor engagement: many are largely focused on service delivery, but there are also quasi-autonomous research organisations which provide openings for policy innovation	The process was very controlled and fell short of the ideal expressed in PRSP principles. However, it did bring in some new actors and new voices, including domestic NGOs who participated in the drafting process. Consultations with the poor did draw in citizens outside the Party-state structures, helped to put some new items on the policy agenda, and offered some new ways of bringing together conventional policy actors.

Uganda and Vietnam have much ‘weaker’ civil societies in terms of autonomous organisations able to represent the interests of different social groups and to hold the state to account independently. In the case of Uganda, participation around the PEAP has been dominated by the involvement of selected NGOs in key processes, with less trusted organisations, such as political parties or trade unions, kept at a distance. This ‘insider/outsider’ division was also a key feature of the process in Georgia (see Box 4.2).

These examples illustrate how difficult it is, if not impossible, to separate political from ‘civil’ society. Yet, as argued earlier, the practice of the PRSP approach implies that such a separation can be made. What is evident from the case studies is that driving a wedge between civil and political society is more possible for some governments and some political systems than others. Consulting with more radical groups has been essential for the survival of a ruling coalition in Bolivia (at least at a political level), whereas in Uganda and Vietnam, governments have been able to select with whom they consult, and to prevent the process from becoming a source of contestation about government policies and state authority. The lack of institutionalised politics in Georgia and the politicisation of key aspects of civil society meant that there was relatively little space for meaningful contributions from non-governmental actors during the PRSP process.

#### **Box 4.2 Insider and Outsider status: CSOs in Georgia**

CSOs came to split into two groups around the EDPRP process. The Alliance for Business Environment Development (ABED) held an insider status, with a number of its individual members brought in as technical experts, including a donor-funded participation expert who drew up the consultation process. The outsider group, the PRSP Watchers’ Network (a coalition of NGOs supported by Oxfam and the Soros Foundation) remained more distant and was reportedly given less access. The outsiders had organised separate consultations prior to the new Participation Plan and sent comments on the draft strategy. These were not fully appreciated as they were seen as too long and ‘too critical’ of the government, both in the content of the comments and in the membership of the Network. In fact, both groups are politicised. While the leaders of two of the PRSP Watchers’ Network NGOs have recently aligned themselves with political parties, the Participation Expert is also a politically active person. His status as a member of autonomous civil society would seem compromised by the fact that he is also a government official, from the Ministry of Environment, and was also involved in drafting the political programme of the ruling party, the Citizens’ Union of Georgia.

## **4.5 Engaging with parliamentarians and lower levels of government**

Our case studies indicate that PRSP participation has not been limited to civil society organisations, or selective direct consultations, but that political actors – beyond the executive – have been involved. However, once again, the degree of involvement has been significantly dependent on the nature of the political system.

Consultative policymaking has in some cases included parliamentarians, for example, as members of the technical sub-commissions in Georgia and of the PEAP working groups in Uganda. In Bolivia they were at first formally excluded from the National Dialogue; only later was a ‘Political Agenda’ developed (though the planned Political Forum did not take place). These consultations have, however, been mostly marginal. This is in part because, as noted earlier, very little electoral political capital is derived from such participation. Despite the importance of poverty reduction to the Movement’s political agenda in Uganda, MPs will not gain a greater chance of being re-elected should they engage in a PEAP discussion (closely associated with the executive) and may risk losing Movement support if they assert themselves too much.

Parliamentary participation is a function of the place of parliament in the political system and a decision by the executive to share ownership with another branch of government. In Vietnam, the National Assembly approves the Ten-Year Strategy but was largely bypassed in the preparation of the CPRGS. This indicates that the government did not think it necessary to legitimise in this way a document prepared for donors to the same extent as it would a Party strategy and plan.

Consultations have also involved lower levels of governments. In Bolivia, these built on the success of the *Ley de Participación Popular* (LPP), covered all the municipalities of the country, and further expanded the role of local Vigilance Committees. By contrast, local-level consultations in Georgia and Uganda and regional ones in Vietnam appear to have been more tokenistic, consisting for the most part in only one-day workshops. They do not seem to have fully used local political institutions and instead often attempted to consult directly with selected individuals.

The case studies show some of the difficulties in translating PRSP principles into practically relevant tools for particular political contexts. The requirement of participation is probably the one most open to different interpretations. It is presented as a mechanism for both consensus-building and for legitimising national development plans, as well as one for improving the technical quality of analysis underlying those plans. Formal political institutions and political representation have tended to be excluded from the scope of consultation mechanisms, with a preference for technical consultations or for using civil society organisations which may appear to be apolitical. It is thus necessary to examine the legitimacy attributed to participation in particular contexts and point out the potential danger of bypassing formal institutions, which may already be weak, as this may further undermine national political development processes. Political participation also presupposes a degree of 'national unity' and formal equality among citizens – assumptions which may not be realised in practice.



## 5. PRSPs and political development

In the Introduction, we noted that the PRSP approach, as conceived by the international development community, could be interpreted to entail a transformative objective: it is hoped that by discussing poverty with their citizens, governments will become more committed to poverty reduction and more accountable to domestic constituencies for policy change, with net benefits in terms of political development. However, we also noted an opposing view, that PRSPs risk overriding or derailing domestic political and policymaking processes by imposing international priorities and undermining local-level political accountability. It is a matter of no small importance which of these views is right, or how to strike a reasonable balance among the aspects of reality they each reflect. In this section, we pull together some of the insights provided by our four case studies on the relationship between PRSPs and political development.

A key finding is that, although there are signs of the beginnings of a transformation in aspects of the policy planning process in some of the case study countries, the politically transformative role of PRSPs should not be overemphasised. This is in part because PRSPs remain in many cases very much an executive and technocratic initiative, still dominated by donor influence. Their impact is also very much a function of the historical trajectory of individual countries, meaning that the effects of PRSPs can be highly varied even if similar processes are followed. Contrary to the negative view, we have not found substantial evidence that PRSPs might ‘harm’ political development any more than previous forms of donor modalities. However, it is still too early to say whether these processes have significant ‘political legs’ and whether they can be sustained for long enough to contribute to a material change in poverty in the study countries.

### 5.1 Opening up policymaking processes

The case studies seem to indicate that PRSP processes have opened up central policymaking spaces to a broader set of actors: in particular municipalities in Bolivia and, to a lesser degree, local governments in Uganda, as well as different kinds of NGOs in Georgia, Vietnam and Uganda. PRSP processes have also been associated with ‘direct consultations’ with selected groups, inspired by the experiences with Participatory Poverty Assessments (PPAs) in the late 1990s. This finding is in line with previous studies of PRSPs (such as Booth 2003).

The contribution of this research project is to highlight the fact that these ‘developments’ only make sense if they are interpreted within a particular historical context, one defined by what the Bolivia case study calls ‘structure’ (long-term features and trajectory) and ‘conjuncture’ (short-term combination of circumstances). Seen this way, consultation with quasi-independent NGOs in Vietnam is unlikely to be more than cosmetic at this point in time, given the nature of the political system; consultation with civil society in Bolivia is more complex and confrontational because of both pre-existing space to organise and deep social cleavages that the political process has not been able to manage. Consultations and the role of NGOs in Georgia’s PRSP process reflect the much larger unfinished state-building process and historical weaknesses in Georgia’s political system.

**Table 5.1 Impact on policymaking processes**

<b>Country</b>	<b>Context</b>	<b>PRSP process</b>	<b>Impact</b>
<b>Bolivia</b>	The 1994 <i>Ley de Participación Popular</i> created a new layer of elected representatives with territorially based grassroots <i>Comités de Vigilancia</i> , meant to provide a check on elected councils and mayors.	Municipalities and the Vigilance Committees were used as the basis for nationwide consultations and are to be included in the mechanism for ‘Social Control’ or stakeholder monitoring of EBRP/HIPC agreements. The National Dialogue did provide some opportunity for functional organisations to meet with the state.	The process of involving the municipalities further reinforced their national importance. Getting NGOs, unions, producer associations and government representatives to sit together was an unprecedented experience. Agreement on a social control mechanism institutionalises downward accountability for use of HIPC funds.
<b>Georgia</b>	NGOs are considered to be politicised – associated with various political factions. Local governments are not significant.	One group of NGOs was invited as ‘technical experts’ and involved in the editorial process. They improved the prioritisation of the document. ‘Outsiders’ also contributed comments and organised independent technical consultations.	NGO participation in policymaking was new. However, participation was on the basis of ‘expertise’ rather than to provide a mechanism for voice and policy contestation.
<b>Uganda</b>	A ‘consensual’ style of policymaking, the UPPAP has institutionalised direct consultations with the poor to inform MFPED.	A CSOs Task Force was formed and invited to MFPED meetings, organised regional consultations, and felt that it had had some influence on process. Some groups (parties, trade unions, churches) were not involved. UPPAP influenced the revision of the PEAP and identified new priorities (e.g. security).	CSO participation has been institutionalised. Changes cannot only be attributed to the PRSP/PEAP but also to other reforms (e.g. MTEF sectoral working groups, PAF monitoring). UPPAP has also been institutionalised.
<b>Vietnam</b>	There is very limited space for autonomous organisation outside of the Party and mass organisations. PPAs in 1999 provided an experience with direct technical consultations on the priorities of the poor.	Party mass organisations were only marginally involved in CPRGS consultations, but some quasi-independent institutes were involved in sectoral debates with MPI and line ministries. Six grassroots consultations were organised by MPI officials with support from donors and INGOs.	Participation by quasi-autonomous bodies was limited and does not mark a significant shift in policymaking style. However, it creates an ‘innovation’ which might be replicated in the future. There is still some Party resistance to ‘direct’ consultations, though the limited grassroots consultations are reported to have influenced some aspects of the CPRGS.

## 5.2 Better intra-governmental policymaking processes

The case studies also suggest that there has been some improvement to domestic policymaking systems, mainly through the experience of the intra-governmental coordination required to produce a PRSP. In Georgia, for example, cross-governmental participation and coordination has been enabled by the recruitment of Liaison Officers, who could bridge the divide between the Secretariat’s need for a coherent document and sectoral ministries’ interests in their specific areas. Those concerned perceive this as a step towards enabling coordinated government in general. In Bolivia, the EBRP process is credited with the achievement of consensus on both a strict ring-fencing and a highly progressive distribution formula for HIPC-funded expenditures. In Vietnam,

the CPRGS drafting committee was an unusual exercise in bringing together line ministries *as a group* with the MPI (Ministry of Planning and Investment) and MoF (Ministry of Finance), enabling all (governmental) actors, including sectoral actors, to engage in holistic debates about poverty and poverty reduction and to set these in the context of a broad macroeconomic and public expenditure context. The fact that some of the ministries did not take full advantage of this opportunity qualifies the significance of this achievement but does not entirely negate it.

Apart from Uganda, however, where the PEAP has been institutionalised through the MTEF and its associated sector working groups, we do not have much evidence yet that this new experience of policymaking will be sustained. In Bolivia, the political incentives remain for parties controlling individual ministries. Even in Uganda, MFPED (the Ministry of Finance, Planning and Economic Development) has not been able to control military or State House (presidential and Movement) spending.

The case studies have also confirmed that parliaments have not been significantly involved in PRSP processes, which are executive-dominated affairs. It would, however, be too strong to suggest that donor-driven PRSPs undermined the role of parties and parliaments in national policymaking to a greater extent than other aid modalities, in particular given the limited role that parties and parliaments may have as a result of the nature of the political system and longstanding capacity weaknesses. A focus on broadening participation and ‘national ownership’ has included efforts at consulting with MPs, which might not have happened under previous approaches. This needs to be sustained, as does assistance to help build the capacity of parliaments, parties, and other political actors and institutions.

**Table 5.2 Impact on intra-governmental processes**

<b>Country</b>	<b>Context</b>	<b>PRSP process</b>	<b>Impact</b>
<b>Bolivia</b>	Coalition governments have with different parties controlling different ministries. Policy coordination is achieved in principle by a 'superministry', usually one with a development mandate, but not the finance portfolio.	Consultation and drafting responsibilities were farmed out to an independent Technical Secretariat and a consultant respectively, not mainstreamed in ministries.	Inter-ministerial relationships are not significantly affected.
<b>Georgia</b>	Policymaking is centralised, orientated towards the State Chancellery.	Liaison officers assigned to the sub-commissions facilitated communication with the Secretariat and between sub-commissions and improved coordination within the sub-commissions and their working groups.	Liaison officers helped generate consensus on policy priorities, as opposed to further competitive institutional interests, with a longer-term focus, and coordinated across government. There is no indication that this style of policymaking will be repeated in the future.
<b>Uganda</b>	MFPEP leads policymaking and controls spending through the MTEF. It receives political support from the President and significant technical assistance from donors.	The PEAP indicates the broad areas of activities but its effectiveness lies in associated instruments. The Poverty Action Fund, sector working groups, MTEF prioritisation process, and publication of budget papers have improved coordination across the government. There is an acceptance of a 'hard' budget constraint.	An example of unexpected impact has been greater collaboration across the Justice, Law and Order Sector – JLOS – which is more coordinated than other justice sectors in Africa. However, this has not increased its status and financial allocations.
<b>Vietnam</b>	Consensus-based policymaking was led by MPI, with line ministries and (a selection) of other interested political actors, through <i>ad hoc</i> drafting committees. The Ministry of Labour, Invalids and Social Affairs (MOLISA) saw itself as lead on poverty reduction, defined in terms of targeted programmes rather than overarching policy.	The CPRGS process created some space for more reform minded or innovative staff of line ministries to take part in policymaking. In addition, it opened up to a greater set of actors processes which are normally fragmented and dominated by the MPI, with new references to overarching cross-sectoral policy objectives.	The CPRGS was the first time that most ministries and most donors were collectively engaged in a debate about holistic, cross-sectoral policy, linkages and priorities. However, links with the budget and PIP are unclear/undeveloped. It is also unclear whether inter-ministerial working is fully embedded as a 'new way of doing business'.

### 5.3 Supporting decentralisation

Almost everywhere now, decentralisation is being promoted as a 'pro-poor' policy, even though the evidence for this is patchy. The term covers a wide range of policies, including political, fiscal and administrative decentralisation. Only two of our case study countries (Bolivia and Uganda) are seriously pursuing decentralisation policies, and in both cases this has been associated with the

PRSP process. It is in Bolivia that the experience has been the most positive, with EBRP consultations with municipalities reinforcing the move towards redirecting resources to the local level. In Uganda, the evidence is mixed. Although there have been significant reforms and a greater allocation of resources to local governments, there are concerns from some quarters that the PEAP is promoting centrally set priorities with little room for local flexibility, and undermining local planning processes. In Vietnam, it remains to be seen whether the new budget law, which provides the context for greater provincial autonomy in planning and resource allocation, helps to ensure CPRGS implementation at provincial levels, and if so, how. Given the historical split between planning and finance, it is likely that more significant institutional changes will be required to bring about effective links between poverty priorities and the budget process. Some provinces (along with four sectoral ministries) are about to pilot MTEFs, as an attempt to move this agenda further ahead.

**Table 5.3 PRSPs and decentralisation**

	<b>Context</b>	<b>PRSP process</b>	<b>Impact</b>
<b>Bolivia</b>	'Municipalisation' already implied a substantial redistribution of national revenue towards locally controlled spending.	The National Dialogue involved over 1,200 encounters at municipal levels with all municipalities.	Probably as a result of their overwhelming presence in the dialogue, small, rural, poor municipalities gained disproportionately from the allocation of HIPC and other concessional funds.
<b>Georgia</b>	There is no decentralisation policy.	There are very superficial regional consultations.	There was no noted impact.
<b>Uganda</b>	There is an ongoing policy, one of the central elements of the Movement's agenda for democratisation. The 1997 Local Government Act allocates more resources to local governments. There is a significant political dimension, with locally elected representatives at five levels.	NGOs organised some limited direct local consultations. Local government officials are consulted and trained in PEAP process. Resources are allocated to local governments through the Poverty Action Fund (PAF) in the form of conditional sectoral grants. There is limited local flexibility in use of funds, and also low capacity.	The assessment is mixed, with more resources allocated to local governments but not just as a result of the PEAP process. Some commentators note a contradiction between centralised PEAP planning and local empowerment. The PEAP cannot be associated with improvements in local political accountability.
<b>Vietnam</b>	The new budget law provides for greater provincial autonomy in planning and resource allocation decisions, plus a greater role for the National Assembly in scrutinising government budgets. The Grassroots Democracy Decree is intended to institute more participative local policymaking and greater accountability at the commune, precinct and township levels.	Only six 'grassroots' consultations have taken place. The CPRGS makes reference to the Grassroots Democracy Decree.	The CPRGS does not seem to have added significantly to the political momentum of this particular policy. It does not appear to have strengthened fiscal and administrative decentralisation at the province, district and commune levels, although it is very early days.

## 5.4 Limits to institutionalisation

To become ‘transformative’, and not just a one-off affair, the PRSP process and related policy intentions need to become institutionalised in state systems. The PRSP approach assumes that, because the PRSP process is meant to have generated more broad-based and shared ownership across government and civil society, pro-poor commitments should become more difficult to ignore and the state should become better able to deliver poverty reduction in a sustained manner. Public service reform (PSR) and public expenditure management (PEM) are key to institutionalising these aspects of the PRSP approach.

Results-based planning and budgeting in particular have a transformative potential: governments should state their aims explicitly, attempt to achieve them by allocating resources appropriately, and ensure that resources are used for intended purposes. This open system of resource allocation may, however, run counter to political interests, in particular in patron-client systems which require a more discretionary approach to resource use.

Institutionalisation can be seen when PRSP priorities are allocated sufficient resources and these are actually disbursed through the national budget. This requires a link to be made between the PRSP and the budget. There is little evidence that this is happening in Bolivia, Georgia or Vietnam, though donors are certainly pushing for PEM reforms. Uganda is the only case where the PEAP has actually become institutionalised in state systems precisely through the use of the budget.

The transformation of the aid relationship requires not only a change in donor behaviour, but also sensitive domestic ‘governance’ reforms to improve domestic capacity, some of which may turn out to be highly sensitive and political. IFIs prefer to refer only to technical aspects, but technical and political reforms cannot be neatly separated. For example, donors in Bolivia have been funding an unsuccessful Institutional Reform Programme that aims to create a merit-based civil service. As was predicted by an unusually explicit World Bank assessment, the process has failed, as it did not carry with it the political parties who benefit from the patronage opportunities offered by a less institutionalised system. Yet, without a more effective and efficient public service, the implementation of the EBRP will not be successful, and GoB’s (Government of Bolivia) poverty reduction objectives will probably not be achieved.

**Table 5.4 Constraints in public expenditure management/public service reform**

	PEM /PSR	Constraints
<b>Bolivia</b>	There is recognition that PEM and PSR needed, but not much progress.	There is little interest in government or Congress to undertake reforms that might transform the nature of the political system by changing parties’ access to patronage based on the distribution of government jobs.
<b>Georgia</b>	No plans are identified.	A more stable political system and reform-minded politicians would seem to be missing prerequisites. Clan-based and personalised politics and corruption pose a constraint.

	<b>PEM /PSR</b>	<b>Constraints</b>
<b>Uganda</b>	PSR was initiated in 1990s with substantial impact on pay and employment, but reforms have slowed down since the late 1990s. By contrast, PEM is progressing better, with MTEF being institutionalised.	Tackling corruption in the public sector is a serious challenge, to which the government seems only partially committed, probably because this would also remove a source of political resources for the Movement. Central PSR, sector-wide reforms and decentralisation push in different directions and may need better coordination.
<b>Vietnam</b>	There have been some reforms to improve the effectiveness of Cabinet and the National Assembly; progress to wholesale PSR and PEM reform is gradual and incremental, but potentially significant in the long term.	There is very little public information on the budget, which was until recently a state secret. Public administration reform is a huge government project – donors have access only to certain parts of it. Pay reform etc. is kept out of donors' reach.

## 6. Donors, PRSPs and politics

Two of the ‘gambles’ noted in the Introduction explicitly aim to transform donor behaviour. The first is that aid would be better managed and transaction costs reduced if the international community organised around a PRSP; the second is that donor-recipient relations might change by introducing an emphasis towards domestic political accountability to citizens and prioritising this over external technical accountability to donors.

In this section, we assess the extent to which donors, in the selected case study countries, have been able to adjust their relationships with other international organisations, recipient governments, and other national stakeholders. This involves them moving towards ‘partnership’-based approaches, supportive of ‘local ownership’, with enhanced donor coordination behind the shared goal of poverty reduction.

The case studies reveal that there were some changes in practice, with some cases in which donors had begun to use their power differently. PRSPs were most effective where there was a ‘conjunction’ of interests between political, technical and international actors, as was the case in Uganda. We did not find, however, that all donors were equally focused on poverty reduction, or that as a result of PRSP processes donors were able to deal better with issues less obviously directly related to the aid relationship. Thus the absence of the rule of law and respect for human rights, corruption, defence expenditure and violent conflict remained outside the consideration of many donors, while nonetheless fundamental to national development. To a greater or lesser degree, political dialogue on these issues remains difficult to reconcile with PRSP partnership principles.

### 6.1 Partnerships: a conjunction of interests

In the four case study countries, new partnerships have been developed in recent years within the donor communities as well as between donors and governments. Indeed, Bolivia, Uganda and Vietnam were all chosen as pilot countries for the CDF and efforts to build new aid relationships had begun before domestic PRSP processes were initiated in 2000 (see Box 6.1).

#### **Box 6.1 Pre-existing efforts at ‘partnership’ in Vietnam**

In 1999, donors in Vietnam worked with the government in an attempt to describe key aspects of the aid relationship, including an attempt to quantify the transaction costs of aid modalities. They also worked together to promote sectoral approaches, joint analytical work and financing and efforts to harmonise donor procedures. A government-donor-NGO Poverty Working Group was established as a basis for dialogue on poverty issues and guided the poverty assessment ‘Attacking Poverty’ (published by the World Bank) in late 1999. A smaller Poverty Task Force was later formed: this provided the main forum for interaction over the processes for nationalising the MDGs (in the form of Vietnam Development Targets) and drafting the CPRGS. By and large, GoV welcomed these technical inputs. This example illustrates how partnership efforts can be supportive of the government’s search to nationalise international principles into nationally defined development targets, which in turn became important inputs into the CPRGS.

The extent to which partnerships have been successful in delivering more pro-poor development assistance depends for the most part on whether there was a coincidence of interests between donors and both politicians and technocrats, and the extent to which the latter were given some autonomy to operate while benefiting from strong political support. In Uganda, a mutually beneficial relationship has been developing over a number of years. It predates the PEAP and helps explain its success as an instrument for both aid coordination and government planning. Uganda’s high degree of aid dependency is one reason why donors have been given such a significant degree of access



and influence, but their interest in reform and poverty eradication coincided with a domestic political project, which in turn gave significant power to technocrats to work closely with donors. Vietnam is less aid-dependent and has a greater degree of policy divergence with the aid community, as well as a closed political culture which makes it hard for external actors (national and international) to understand how decisions are made and resources allocated. However, an active Bank-led process of donor engagement helped to develop closer working relations.

By contrast, political commitment to poverty reduction by successive governments in Bolivia has been weaker. As a result, political debate in Bolivia has not provided as fertile ground for closer government-donor partnerships. Policy divergence with regards to issues such as IMF conditionality, coca eradication or the production of natural gas is indicative of both contrasting positions within the donor community (e.g. US concern with security and drugs versus the poverty reduction agenda) and a lack of domestic consensus on those issues, even though the EBRP process itself did bring about unprecedented coordination between bilateral donors. In Georgia, where there is no obvious political capital in poverty reduction and state capacity is very limited, donors are united in their commitment to economic growth as a prerequisite for development and in their recognition that weaknesses in governance pose serious obstacles to change. The EDPRP process was considered to be an opportunity to address these issues in a concerted fashion. However, a ‘hands-off’ approach, intended to get the Georgian government to take responsibility for the process, was also being used to justify donor criticism of the EDPRP and, in some cases, a scaling down of assistance overall.

**Table 6.1 Three levels in partnerships for poverty reduction**

	<b>Political</b>	<b>Technical</b>	<b>Donors</b>
<b>Bolivia</b>	Political commitment by government to poverty eradication is possibly limited. Other issues dominate the agenda. The EBRP was initiated by the Vice-President/President and deliberately insulated from party-political influences.	The budget process and civil service are not favourable to operationalisation of the EBRP. There are few steps to align public policy with the EBRP, other than by way of the formula for distributing HIPC funds and concessional loans.	Bolivia is not highly aid-dependent, with limited donor coordination and continued dominance of project-based assistance. There is some common-basket funding not aligned to the EBRP. There are significant external agendas (e.g. coca eradication).
<b>Georgia</b>	There is not much political appeal in poverty reduction policies. Nationalism and related issues dominate the agenda. The EBRD was initiated by President and assigned to trusted Economic Adviser.	The EDPRP was located at the heart of government, in the State Chancellery, indicating a degree of political support and the potential for technocratic ownership. Weak political control over policymaking and a limited tradition of strategy development did not make it a 'serious' document in terms of planning.	Georgia is aid-dependent but the government is losing trust with the aid community. Donors seem poorly coordinated but established a Donor Framework Group in 2001 to respond to the PRSP.
<b>Uganda</b>	There is a domestic political (Movement) project for poverty reduction. The PEAP was initiated by government, with presidential and donor support.	By comparison with other African countries, there is significant MFPED capacity to allocate and control resources. Capacity is not extended to other parts of the public service, and is donor-dependent. There is some degree of MFPED divergence from the President. There is willingness to use donor technical advice.	Uganda is highly aid-dependent. There is a PEAP Poverty Working Group with donors, government and NGOs. Serious efforts are made for aid alignment, budget support and sector funding on the part of donors (see PEAP Vol. 3).
<b>Vietnam</b>	There is a domestic (Party) political project for poverty reduction, with areas of convergence and divergence with the international community on economic and political reforms. Access to politicians is difficult. The CPRGS was initiated by the government, based on domestic plans.	There are relatively well developed centralised policymaking processes and a tradition of state planning. Policymaking is dominated by the Party. It is sometimes difficult for technocrats to access the CPRGS process: much depends on the ministry involved. There is a good level of state capacity by comparison to other case studies.	Vietnam is not highly aid-dependent and not a HIPC country (it does not have large debts and balance-of-payment gaps). There is a World Bank agenda of supporting innovation and donor coordination. The Poverty Working Group predated the PRSP.

## 6.2 Donor engagement, ownership and technical quality

The tension between national ownership and technical quality vividly illustrates the struggle that donors have faced in trying to use their influence in a more restrained manner while still striving towards internationally acceptable, nationally owned poverty reduction objectives. Donors were significantly engaged in the process of PRSP development in all the case study countries. The

nature of the political system, the capacity for planning by the administrative system and the degree of aid dependency seem to explain different levels of donor involvement.

The Georgia case study illustrates the role that donors played in encouraging different forms of national ownership, while at the same time aiming for a technically improved document. It presents donors as arbiters of both the degree and types of ownership, and of the technical quality of the document. Donors simultaneously took a relatively hands-off approach, and yet seemed to have been able to direct the process so as to ensure that their own expectations were being met (for example, by supporting participatory processes and funding technical experts). As a result, the final draft document may have been technically better but it was still not fully acceptable to donors, and domestic political ownership and trust may have been undermined. In Vietnam, by contrast, donors engaged with a strong government which had opted to develop a PRSP (the CPRGS) on its own terms. They were less directly involved in the process, accepting that the final document would differ from IFI standards, particularly with regard to the breadth and depth of consultation.

**Table 6.2 Donor involvement, quality and ownership**

	<b>Donor involvement</b>	<b>Quality</b>	<b>Ownership</b>
<b>Georgia</b>	Donors were organised in a new Donor Framework Group in autumn 2001 in response to perceived failings in the process. They pushed for a better process to broaden participation to a wider group, as well as to improve quality. Commentators feel that donors should have been more explicit about what they expected instead of later redirecting the process, causing a year of delays.	The initial PRSP draft, referred to as ‘discussion materials’, consisted of unprioritised wish-lists. Donors funded technical experts on macroeconomics and costings. The donor-funded Participation Expert encouraged technically minded consultations, which improved the quality of the document in terms of prioritisation.	The initial draft PRSP had resulted from a closed process. Donors pushed for wider intra-governmental ownership and opened up the process to non-state actors by funding a Participation Expert. This was seen as having led to excessive civil society ownership and donors pushed for a final round of government inputs.
<b>Vietnam</b>	The case study notes that officials from the IFIs were explicit in acknowledging that ownership was prioritised over technical quality.	On a number of points, the policy content of the CPRGS differed from the international consensus, for example in maintaining state owned enterprises (SOE). In terms of style, the document is something of a hybrid between international and Vietnamese ways of writing policy documents: the CPRGS’s embeddedness in domestic political processes is seen in the somewhat underdeveloped emphasis on prioritisation, reference to budget constraints, and the detailed analysis of linkages between problems, objectives, and instruments.	The (relative) coincidence in timing between the PRSP initiative and the production of the Ten-Year Strategy and Five-Year Plan provided GoV with its own resources on the basis of which to develop a document which would be suitable to (broad-minded) donors, and yet consistent with GoV political priorities

In all the case study countries, donors pushed for a consultative process, and in particular funded participation experts and consultation exercises. These were, however, not occasions where donors explicitly pushed for domestic political reforms – and they tended to be willing to accept the limitations of current systems.

It seems, for example, that in Vietnam donors were not going to insist that fully independent organisations should be established, allowed and involved in the CPRGS process. They did, though, push for some opening up, which led to some participation by quasi-autonomous policy NGOs. In doing so, the donors implicitly recognised that the political process could not involve in the consultation process any challenge to the authority of the Party. In Uganda, donors have certainly played a powerful role in insisting that NGOs take part in policy formulation and monitoring processes, and were instrumental in the establishment of the PEAP CSO Task Force. Donors have also funded a number of organisations as well as giving them space (such as involvement in sectoral groups) within which to operate. At the same time, however, donors have accepted the limitations of political space in Uganda. They seem to consider that NGOs can be seen as ‘acceptable proxies’ for different political voices in the absence of multiparty politics, and have been criticised by some commentators for being ‘softer’ on President Museveni than on other African rulers.

### **6.3 Shifting accountability towards domestic actors**

Few of the case studies offer evidence of a major shift towards improved domestic accountability structures as a result of PRSPs. Ultimately, the PRSP process would be truly transformative if it made political systems take poverty more seriously. A domestic political system where poverty reduction has become a politically powerful issue, with officials making public statements and technocrats required to deliver on it, and both groups held accountable for their actions, would be the best guarantee for donors that recipient governments would continue to allocate and spend resources along pro-poor objectives. Our case studies seem to indicate that there has not yet been such a discernible impact as a result of the first round of PRSPs. This is not an unusual finding and confirms the proposition that PRSPs should be iterative processes, in which improvements can be built upon over time, with ‘reformers’ gaining ascendancy as they build popular support within the political system and society.

Bolivia does provide two examples of reforms associated with the EBRP process which enhanced accountability to citizens for the use of donor funds and created mechanisms to involve citizens in the process via the geographically-based Vigilance Committees (although there are concerns that the ‘social control mechanism’ unhelpfully bypasses state systems and is more akin to a donor project: see Box 6.2).

### **Box 6.2 Enhanced vertical public accountability mechanisms in Bolivia**

A dominant aspect of the 2000 National Dialogue was the discussion in every municipality of the use of debt relief monies. This broad-based participation resulted in an increased allocation of national resources for municipalities, multiplying by three what poor municipalities were getting from the initial population-weighted formula. This, along with associated reforms based on the 1994 Popular Participation Law, enhanced the role of the local Vigilance Committees in planning and monitoring of the use of HIPC II funds at municipal levels.

The ‘Social Control Mechanism’ is an associated process that also built domestic accountability. The bottom of the mechanism consists of networking between Vigilance Committees in different municipalities and with departments. Departmental committees are composed of representatives of the lower-level networks and interest groups. Finally, a national-level executive, assembly and secretariat are able to interact with the government and donors. The purpose of this nation-wide mechanism is to monitor the use of donor funds and investigate complaints. There are, however, concerns that the Social Control Mechanism is unhelpful as a parallel system to monitor the implementation of the EBRP (whereas the strategy is meant to be implemented through state systems). It may also have created vested interests in donor groups that are supporting it (e.g. DFID) and in the Church and the Comité de Enlace, which are prominent in its structure. It is, nonetheless, an innovative response to a new allocation of donor resources, involving at the grassroots the Vigilance Committees, which are meant to provide a structure for enhanced local-level accountability of municipal funds. The PRSP and donor monitoring mechanisms are thus intertwined with domestic institutions.

Opting for the greater use of the state’s own financial systems is probably the most visible way through which some donors have attempted to shift accountability domestically – although they have retained a significant degree of power through the ability to turn on/off the general budget support tap. This has been achieved to the greatest extent through the increased use of budget support in Uganda and in more partial ways in the form of SWAs in Bolivia and Vietnam. The move to budget support is justified in technical terms as it avoids parallel structures that have been shown usually to undermine state capacity (by attracting staff and attention to donor-funded enclave projects). To become effective, and to diminish donors’ fiduciary risks, it has required reform and capacity building in public expenditure management systems, improving mechanisms for domestic financial accountability.

However, financial accountability is only a means to an end and does not amount to full blown political accountability. As a result, some donors are turning their attention to helping parliaments to become better able to monitor the executive (in Bolivia, Uganda and Vietnam) and supporting other ‘horizontal’ accountability structures (such as pooled support for the Ombudsman in Bolivia).

The case studies indicate that domestic and donor accountability systems are not necessarily opposed. Enhancing accountability to donors can be a first step toward building domestic accountability. In Uganda, the move to direct budget support is somewhat mitigated by the continued existence of the Poverty Action Fund (PAF), which was set up before the HIPC II and PRSP initiatives. The PAF has been protecting a growing share of public spending with a pro-poor focus, initially limited to donor funding and debt relief, from in-year budgetary cuts. Some argue that this is having a distortionary effect on the budget; other officials believe that it remains a useful mechanism to protect spending against politically motivated reallocations (for example towards military spending or to cover election costs). Accountability to donors through the PAF is seen as useful at this stage in Uganda’s development and also partially builds up domestic accountability through the involvement of civil society organisations (Uganda Debt Network) in PAF monitoring. In Vietnam, donor demands for greater financial transparency and accountability in the use of their

resources also has the potential eventually to create new mechanisms for national accountability. It is as a result of donor pressure that budget information, though partial, is being made public at the national level, and that some non-state and non-Party organisations participated in CPRGS consultations.

## 6.4 Political dialogue

The country studies provide some evidence that donor-recipient relations are changing. The degree to which this is happening depends on, among other things, the political context. Political dialogue also remains important to most donors, especially bilateral ones, but less clear is whether the PRSP offers a realistic mechanism for taking forward such dialogue in a systematic or less politically contentious manner.

Donors do not always publicly push for political reforms. The case studies note a degree of self-censorship on the part of donors who prefer to maintain a good working relationship rather than engage in what might be perceived to be difficult dialogue around political issues. In Vietnam, self-censorship is most visible over human rights issues. In Uganda, some donors have preferred not to criticise explicitly some of the political failings of the system, such as the limitations on political rights, in order largely to maintain good dialogue on other issues and because of a belief by some that the political system suits Uganda's historical situation.

There are, however, a number of examples of evident, although not always direct, donor pressure. The IMF imposition of macroeconomic conditionality has been seen as the origin of the February 2003 political unrest in Bolivia. In addition, US pressure to put an end to coca production is constraining the range of domestic options available to address social protests led by the *cocaleros*. In Uganda, donors are having to weigh how to continue providing large amounts of assistance (largely in the form of general budget support) with a desire for greater democratisation ahead of the 2006 elections.

Early experience from the case studies suggests that PRSPs do not always offer a realistic mechanism for donors to engage in more sensitive dialogue while respecting a 'process approach'. For example, governance reforms are not always seen as central to poverty reduction by recipient governments, and are not always prioritised, because of the political costs attached to them. Public service reform or corruption in Uganda and Vietnam, or the issue of coca in Bolivia, are cases in point. The dilemma facing donors is when and how best to establish dialogue on such issues. In Uganda, the PEAP and associated PRSC Matrix was not seen as a fully adequate mechanism and a Governance Matrix and donor coordination group were established as an additional tool (see Box 6.3). In Georgia, donors seemed to lose interest in the country, while still demanding that a PRSP be prepared. In Vietnam, explicit discussion of political governance issues has more or less been left out of the CPRGS, giving donors who seek to align their own country strategies with the CPRGS fewer options for opening up an explicitly political dialogue. The case studies did not offer examples of the Memorandum of Understanding approach adopted by DFID in Ethiopia, Mozambique and Rwanda, which creates a separate mechanism for political and human rights dialogue.

A complicating factor is that political dialogue can often be led by different parts of a donor's government and, hence, have limited influence over the PRSP discussion. In Vietnam, political analysis and human rights démarches (e.g. on freedom of expression or association) are mostly undertaken by Embassies and diplomatic staff, whereas development agencies, most obviously the IFIs but also many bilateral agencies, prefer to maintain a focus on support for poverty reduction. Some Nordic agencies committed to human rights-based approaches, such as Sida, attempt to do

both. In Uganda, the Donor Democracy and Governance Group includes both development and diplomatic representatives (though representatives of the same government may have slightly different priorities). Given the degree of aid dependency, donors are certainly more politically influential. It should be noted that some within the Ugandan government would be in favour of limiting external aid in order to limit what is considered to be international meddling in domestic political affairs; at the same time, local NGOs are appreciative of donors' political influence and the counter-balancing role they can play that domestic institutions cannot.

### **Box 6.3 Political dialogue in Uganda**

Donors in Uganda are concerned about a range of political issues but are also committed to supporting the PEAP, in the case of some, through budget support. Issues of concern include: the appropriate level for and content of defence spending (given continued insurgencies); monitoring excessive use of force; illegal detentions (e.g. safe houses) and unconstitutional trials (e.g. Operation Wembley) by justice sector institutions; the abolition of the death penalty; high levels of corruption; how to open up the political system towards multipartyism; and whether the constitution should be amended to allow for third term for President Museveni.

External pressure has been exerted, at times successfully: for example, through Consultative Group meetings. In 2001, donors were explicit about demanding more progress on the effective implementation of the government's anti-corruption strategy, which eventually resulted in the adoption of the Leadership Code, a specific priority for the IFIs (though overall progress has been limited). The 2001 CG also provided an opportunity for a joint NGO statement complaining about restrictions on NGOs imposed by the NGO Amendment Act, which has still not been adopted. Aid has also been suspended (or disbursed with delays) by donors, e.g. in response to the continued intervention in the Congo or over what was considered to be inappropriate and excessive defence spending.

The PRSC Matrix, used for policy dialogue between donors and government around PEAP implementation, excluded a number of issues which the IFIs felt were beyond their mandate but which had to be addressed to ensure progress in governance reform. As a result, a separate Governance Matrix has been developed, with its counterpart in the Office of the Prime Minister, which includes issues such as transparency and accountability, human rights, democratisation and security. Donors have elaborated a multi-level Donor Democracy and Governance Group (from technical staff to heads of missions) to monitor the situation and, when needed, raise concerns with senior government officials. This is a useful structure for information sharing, developing common positions, and attempting to speak with one voice to government. There are plans in the future to attempt to integrate the Governance Matrix with the PRSC Matrix, thus possibly integrating explicitly political conditionality in a PRSP process.

The case studies show that donors seem to have been able to use their political and financial power in increasingly sophisticated ways. The objectives of 'partnership', 'ownership' and 'domestic accountability' have required that donors collaborate not only with one another, but also with various domestic actors (politicians, government officials, NGOs), and broadly speaking they have been able and willing to do so. Partnerships have been most effective when there is a coincidence of 'projects' for poverty reduction at three levels (political, technical and international), which have further been supported by civil society.

At the same time, constraints remain on the way in which donors (and external assistance generally) are able to respond to some domestic challenges. Among other issues, corruption, conflict and public service reform have been identified as barriers to poverty reduction which clearly require political and not just technical dialogue. It is not clear at present whether PRSPs are providing a realistic vehicle for responding to these continuing challenges. The extent to which aid can 'fix' these problems also needs to be kept firmly in perspective. On the other hand, sophisticated political analysis, the ability to act on it, and better understanding of the political choices associated with various developmental decisions should contribute to more effective assistance and more fruitful political dialogues.

## 7. Conclusion

### 7.1 Conclusions

It was noted at the start of this paper that there were two contrasting visions of the PRSP approach. In the first, it was seen to offer a potentially transformative agenda of pro-poor reform, covering both national governments and donors. The second vision is based on a perception that, instead of transforming what governments do, PRSPs run the risk of overriding or derailing domestic political and policymaking processes by imposing international priorities and undermining local level political accountability. The findings of the case studies suggest that pro-poor change is possible but that change is largely incremental. Examples of incremental progress include improved policymaking, mainly through more intra-governmental coordination, and a gradual opening of the policymaking process in each of the country cases. There are findings that suggest that local level systems of political accountability are weak and that the PRSP could be an unhelpful distraction, but there is no real evidence that this is any worse (and some evidence that it may in fact be better) than in previous donor-led approaches. Finally, there are examples of donors trying to use their ‘power’ differently, particularly through partnership groups, but there are still major challenges for donors in reconciling their dialogue around PRSPs with their dialogue in areas less traditionally related to the aid relationship, but still fundamental to national development (such as human rights, corruption and violent conflict).

What this study suggests is that the pace and trajectory of change around the PRSP will be, to a large extent, a function of where countries started out. This is not a surprising finding, but a key implication is that the effects of PRSPs on state systems and state-citizen relationships are going to differ depending on the country case and the historical ‘moment’ within which PRSPs are being introduced.

The importance of a country’s starting point and the political dynamics behind processes of change suggests that donors, rather than denying or resisting domestic political processes, need to understand them better and factor them into the design of their support behind the PRSP approach. We list below four possible areas in which it would be possible to improve the synergy between donor engagement and the political context within which PRSPs are being implemented.

### 7.2 Recommendation areas

- *The overwhelming importance of context.* Historical and conjunctural considerations play an important part in shaping the possible reach of the PRSP process, and determining what can reasonably be expected from it. It is essential to understand both the ‘political moment’ and the medium to long-term ‘drivers of change’. As a corollary, what was possible and useful in one conjuncture may not be a good guide to what can and should be expected at another moment, even in the same country with the same political actors. The implication is that donors engaging with PRSP processes need to be continuously updating their knowledge about the specificities of recipient politics and political processes at country level. Equally important is managing institutional expectations that the benefits of the PRSP will not (i) be linear and (ii) necessarily become clear within one or even two iterations of the process. The PRSP process and the principles driving it are long term and the benefits, particularly those having an impact on political processes, are likely to emerge incrementally. This implies that donor agencies need to develop and sustain a capacity for high quality political analysis over a long period, and create



the necessary institutional incentives to ensure that such knowledge is retained and continually improved.

- *Domestic strategies and domestic political cycles.* The country studies confirm an unresolved tension on the part of the international community between the wish, on the one hand, to adopt stable ‘nationally owned’ strategies as the basis for international assistance, and to respect, on the other hand, the decisions and priorities of newly elected governments, whose legitimacy may, in some cases, derive from free and fair elections, even if their poverty reduction credentials are weaker. The case studies point to the importance of building on the political capital that is contained in existing strategies and processes – even if they do not explicitly include poverty in the title! It is interesting to speculate as to whether ‘political ownership’ might be enhanced if domestic political cycles were followed more closely, and domestic strategies (such as the *Plan de Gobierno* in Bolivia or the Five-Year Plan in Vietnam, and as demonstrated by the PEAP in Uganda) were accepted as PRSPs. The latter might not be as detailed, prioritised or costed as donors would like, but they could be considered as a statement of political direction, possibly complemented by annexes on costing and implementation to meet international donor requirements. This is likely to be as important for future rounds of PRSPs as it is for this current round.
- *Interpreting the requirement of participation.* The case studies point to a range of interpretations of the ‘participation’ element in the PRSP process that require further understanding by donors seeking to constructively support the process, especially in second generation PRSP countries and in those countries only just engaging in the PRSP approach (such as countries affected by conflict), including:
  - The depth of participation: via political representatives (national or local), through CSOs (excluding groups that are seen as too political) or directly with selected groups amongst the ‘poor’ (through Participatory Poverty Assessments).
  - The kind of consultations (e.g. on a functional or geographical basis).
  - The object of consultations: use of HIPC funds, broad policy options, or priorities for the poor.
  - The amount of consultations: a state-led process and/or complemented by alternative consultation processes (e.g. Bolivia, Georgia).
- *Political dialogue.* The PRSP approach involves a potentially substantial recasting of old ways of doing business for donors and governments. The transformation of the aid relationship requires not only a change in donor behaviour, but also domestic ‘governance’ reforms to improve national capacity, some of which may turn out to be highly sensitive and political. But governance reforms are not always seen as central to poverty reduction and are not always prioritised in PRSPs, even though corruption, conflict, and public service reform have all been identified as barriers to poverty reduction that clearly require political and not just technical dialogue. Bringing together these political realms of dialogue with more conventional assistance to the PRSP process is likely to be an increasingly important aspect of donor support as countries enter the more complex implementation phase. Constraints inevitably remain on the way in which donors are able to respond to some domestic political challenges, and it is important that donors acknowledge the limits of their engagement as well as the possibilities. However, sophisticated political analysis, increased awareness of the political choices associated with various developmental decisions, and innovative dialogue mechanisms should contribute to more effective assistance over time.

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