

EB/EVC/02/3

December 18, 2002

To: Members of the Evaluation Committee (Mr. Callaghan,
Chairman; Ms. Jacklin, Mr. Ondo Mañe, Mr. Padoan,
Mr. Shaalan, Mr. Wijnholds, and Mr. Zurbrugg)

From: Michael DaCosta, Committee Secretary

Subject: **Draft Issues Paper on the Evaluation of the PRSP/PRGF**

Attached for information of the Evaluation Committee and other Executive Directors is a copy of the draft issues paper for the proposed evaluation of the PRSP/PRGF. The draft will also be posted on the IEO's website, with a deadline for comments of January 13, 2003.

The IEO plans to hold an informal workshop on the proposed evaluation for interested Executive Directors and their staff in January.

Att: (1)

Other Distribution:
Members of the Executive Board
Department Heads



INTERNATIONAL MONETARY FUND
INDEPENDENT EVALUATION OFFICE
WASHINGTON, D.C. 20431



Evaluation of Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility

Draft Issues Paper

December 13, 2002

List of Abbreviations

BWI	Bretton Woods Institutions
CSO	Civil Society Organization
ESAF	Enhanced Structural Adjustment Facility
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IEO	Independent Evaluation Office
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
MDGs	Millennium Development Goals
NGO	Non Governmental Organizations
OED	Operations Evaluation Department
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
WB	World Bank

EVALUATION OF THE PRSP/PRGF APPROACH DRAFT ISSUES PAPER

In late 1999, to enhance the contribution of their interventions to international poverty reduction efforts, the International Monetary Fund (IMF) and the World Bank (WB) adopted a new strategy for their assistance to low-income countries. The main planks of this strategy were twofold: (i) both institutions were to base their concessional lending and debt relief to low-income countries on Poverty Reduction Strategy Papers (PRSPs) prepared by the countries themselves; and (ii) IMF concessional lending was to be provided through a revised lending facility, the Poverty Reduction and Growth Facility (PRGF)--with a stronger poverty reduction focus.

Of the 77 countries that are eligible for the PRGF, 28 have produced interim PRSPs and another 21 have produced full PRSPs. Almost all of the latter countries are currently engaged in PRGF-supported programs¹. There should now be sufficient evidence on how the approach is working in practice for an independent evaluation to be undertaken, so as to allow at a still relatively early stage for any adaptations of the approach that might appear desirable. In view of the relevance of the PRSP for the World Bank and of the joint IMF-WB nature of the many components of the process, the evaluation undertaken by the IMF's Independent Evaluation Office (IEO) will be conducted in parallel with and complemented by an evaluation of the PRSP process by the Operations Evaluation Department (OED) of the World Bank.²

The purpose of this paper is to lay out the main issues to be addressed by the evaluation. Section 1 provides some background information on the objectives of the PRGF and PRSP initiatives, the main findings of internal reviews undertaken to date, and key criticisms formulated by external stakeholders. Section 2 presents the main questions to be addressed by the evaluation. Section 3 discusses the methodological approaches envisaged.

This draft issues paper is being circulated to seek inputs from all interested parties on the questions to be addressed and the methodology to be followed. ***Comments may be submitted to the IEO by e-mail addressed to ieo@imf.org by January 13, 2003.*** Once finalized, this issues paper/terms of reference will be posted on the IEO website for reference. Comments or contributions on the substance of the issues covered are also invited from all interested parties and may be submitted at any time to the address indicated above.

¹ Details on PRSP and PRGF status of PRGF-eligible countries as of 9/30/2002 are provided in the Annex.

² Information on the evaluation to be undertaken by OED is available online at this address: www.worldbank.org/oed/prsp

I. BACKGROUND INFORMATION

Main objectives of the PRSP and PRGF initiatives

From 1987 to 1999, the bulk of IMF concessional lending was provided under the Enhanced Structural Adjustment Facility (ESAF). Internal and external evaluations conducted in 1997 and 1998, respectively, identified a number of problems that hindered the effectiveness of programs supported by this facility.³ In particular, the external evaluation highlighted the following as major problem areas: (i) lack of national ownership; (ii) weaknesses in the analytical and empirical bases of the social policy content of programs; and (iii) insufficient attention to tradeoffs involving policy choices that imply significantly different paths for growth and social welfare.

Initially, after considering the lessons from the two reviews, the Executive Board endorsed several recommendations of IMF staff and the external evaluators aimed at strengthening the effectiveness of ESAF-supported programs. Subsequently, it became clear that bolder and broader steps were needed, in particular to ensure that debt relief under the enhanced HIPC Initiative –which was also agreed upon at that time -- had a significant poverty reduction impact.

A new approach to supporting reform and adjustment programs in low-income countries was therefore developed by the staffs of the World Bank and the IMF and subsequently endorsed by their respective Boards. The key element was to be the development by countries themselves of poverty reduction strategies, set out in a new vehicle: the Poverty Reduction Strategy Paper (PRSP). While stating clearly that the ultimate goal of the new policy was poverty reduction and the achievement of related international development goals, the initial policy framework did not spell out explicitly the objectives of PRSPs. It merely listed a number of process requirements, as well as expected outputs and intermediate outcomes.

- Process:

The process was to be based on five key principles: (i) country driven, with broad-based participation of civil society; (ii) results-oriented; (iii) long-term perspective; and (iv) comprehensiveness (to address the multi-dimensional nature of poverty and the policies needed to reduce it); (v) partnership (with all stakeholders and with/among donors, particularly between the IMF and the World Bank). The World Bank and IMF support the process, with their operations oriented around the objectives and strategy set out in the PRSP. In approving this framework, IMF Executive Directors stressed that its implementation would require a closer collaboration between the staffs of the Bank and the Fund, and they welcomed the clear delineation of responsibilities proposed, with the IMF focusing on macroeconomic policy and related structural aspects. They emphasized that IMF staff should

³ See IMF, 1998 a; IMF, 1997 and IMF, 1999 a.

not be expected to become directly involved in areas that are primarily the responsibility of the Bank.

- Primary outputs:
 - focused document laying out realistic but challenging poverty objectives, along with the policies needed to achieve them;
 - suitable basis for IMF and World Bank concessional lending;
 - key instrument for low-income countries' relationships with the donor community

- Intermediate outcomes:
 - development of participatory processes for the setting of poverty reduction goals and the monitoring of the implementation of poverty reduction strategies
 - improved understanding of links between policies and poverty reduction outcomes
 - setting of priorities and design of public actions to achieve poverty goals
 - development of appropriate diagnostics and indicators of progress in poverty reduction
 - deepening of a shared vision across civil society regarding poverty reduction strategy

To complement this new tool, the IMF Executive Board endorsed the Managing Director's proposal to transform the ESAF into the PRGF. Prominent features that were to distinguish PRGF from ESAF-supported programs included:

- Broad participation and greater country ownership;
- Embedding the PRGF-supported program in a broader set of measures set out in an overall strategy for growth and poverty reduction;
- Government budgets that are more pro-poor and pro-growth
- Ensuring appropriate flexibility in fiscal targets;
- More selective structural conditionality;
- Emphasis on measures to improve public resource management/accountability; and
- Social impact analysis of major macroeconomic adjustment and structural reforms.

IMF Executive Directors, upon endorsing this change, again stressed that the IMF did not have the panoply of expertise needed to assess the quality of social spending and related issues and, therefore, that the social components of IMF-supported programs should draw, to the fullest extent possible, on the work of the World Bank or other relevant institutions.

Main findings of internal reviews to date

Since the adoption of the PRSP/PRGF approach, progress reports and internal reviews of early experience were conducted by IMF and World Bank staff in 2001 and 2002.⁴ Given the limited amount of time elapsed and of full PRSPs available, these reviews focused on process issues and on experience with I-PRSPs. The latter reviews also drew upon extensive external consultations (discussed in the next Section). The main findings of these internal reviews are summarized here to provide background to the evaluation. They are not endorsed by the IEO.

Regarding the PRSP

- broad agreement among all stakeholders involved on the validity of the objectives of the PRSP approach and its usefulness in tackling poverty;
- general recognition that there have been improvements over time in PRSP process and content;
- widespread agreement that the four key achievements of the PRSP approach to date are: (i) a stronger sense of ownership among most governments; (ii) a more open dialogue; (iii) a prominent place for poverty reduction in policy debates; and (iv) an acceptance by the donor community of the principles of the PRSP approach;
- focus should now shift beyond process to content and implementation; hence the importance of improving knowledge of the linkages between policies and poverty outcomes; and of utilizing and building local capacity in core areas;
- areas that will need continuing attention are: realism in the setting of goals and targets as well as in managing expectations; the importance of openness and transparency; the importance of flexibility, to allow for different country circumstances; the desirability of debate about alternative policy choices; and the importance of patience and perseverance with implementation;
- problems identified in a significant number of cases included: the lack of involvement of specific groups, including Parliaments, in the participatory process; unsatisfactory modalities for donor involvement (apart from the Bretton Woods Institutions); lingering weaknesses in poverty data and analysis and in target setting; lack of adequate poverty and social impact analyses; lack of satisfactory monitoring indicators and/or institutional arrangements; insufficient prioritization and specificity of public actions identified in PRSPs; uneven coverage of cross-cutting issues such as gender, HIV/AIDS, good governance and rural development; persistent weaknesses in public expenditure management systems and accountability in general; uneven

⁴ See IMF 2002(a) and 2002(b) and IMF and World Bank, 2001 ; 2002(d) and 2002(d).

integration of the PRSP process into existing decision-making processes; and need for more opportunities for learning and disseminating lessons and good practices.

While still refraining from providing strict directives as to the content of PRSPs and the implementation of the process, these internal reviews nonetheless identified a number of “good practices” in all the areas of the PRSP process.⁵

Regarding the PRGF

- In all three fundamental areas for change, namely program content, country ownership and the IMF’s role, there has been substantial progress, but more can be done.
- Areas of progress include consistency between the policy goals and macroeconomic frameworks of PRGF-supported programs and PRSPs, increased allocation of resources toward poverty reduction spending, streamlined structural conditionality and better coordination with the World Bank.
- Areas leaving most scope for further improvements include the more systematic incorporation of poverty and social impact assessments (PSIAs) into program design, increased efforts towards improving the quality and management of public spending, and a perceived need to encourage deeper and broader discussion and analysis of the macroeconomic framework and the policies in PRGF-supported programs, with increasing focus on the analysis of the sources of growth.

Main external criticisms of the PRGF and PRSP initiatives⁶

While the PRSP process has been welcomed by many external commentators as putting increased emphasis on a country-driven, participatory process and on the role of poverty diagnostics in policy design, a number of concerns have also been raised. The following brief summary is not meant to be a comprehensive review of the various critiques, and the IEO does not yet have its own view on the issues raised, but the following broad sets of issues that have been raised are relevant for the evaluation.

⁵ See IMF and World Bank, 2002 d) and e) and *The PRSP Sourcebook*, available online on the World Bank’s internet site at <http://www.worldbank.org/poverty/strategies/sourctoc.htm> .

⁶ This summary of issues raised by the external commentators draws upon the *Synopsis of External Comments and Contributions on the Joint Bank/Fund Staff Review of the PRSP Approach, IMF (2002c)* as well as on a number of additional commentaries cited in the attached bibliography. A review of the external literature on the PRSP/PRGF process will be part of the evaluation.

Roles of the IMF and the World Bank

Some external critics have argued that the continuing dominance of the Bretton Woods Institutions in agenda setting and the choices of the reforms to be pursued, as evidenced by the need for a joint staff assessment (JSA) of the draft PRSP, “clearance” of this assessment by the Boards of the two institutions,⁷ and the HIPC link, remains a serious impediment to country ownership. Some characterize this process as little more than a relabelling of previous IMF and World Bank policy practices. Some observers have also argued that this dominance is an impediment to meaningful donor alignment since donor views are still not sufficiently taken into account.

Participatory process

Concerns also relate to the nature and extent of domestic participation. Some external critics argue that while stakeholders have been consulted, their influence on the choice, design, and implementation of policies has not increased markedly. This is partly related to the limited technical capacities of civil society and other groups that represent the poor but it also reflects, in their view, flaws in the design of the process, including an underestimation of the time and resources required to build the capacity to enable civil society to contribute effectively to policy formulation. In this context, some commentators see the need to limit the ambition and content of the PRSPs, which are currently too detailed and all encompassing, in order to avoid the risk of large divergences between realizable resources and the goals to be addressed.

Some critics also suggest that the level of civil society participation tends to decline or break down altogether as the PRSP process approaches key final stages, including the joint staff assessment. They argue that the final document tends to be substantially different in language from the penultimate one discussed with stakeholders. Thus, while the participatory process initially raises a number of expectations on the evolution of policies, the final PRSP does not always reflect conclusions of the civil-society based consultation process. Other observers argue that the inability of the participatory process as implemented to address conflicting interests/policy tradeoffs means that it inevitably has a limited impact at the implementation stage. Such problems may be greater for macro-economic policy formulation than for sectoral policies.

Some external critics also suggest that the participatory process gives insufficient weight to the views of parliamentarians, the private sector, and, within civil society, those of rural dwellers—with adverse consequences for the comprehensiveness of the policy debate. In contrast, other observers have argued that the objectives set for the PRSP with regard to participation are unrealistic and vague. They have also expressed concern that a participatory

⁷ Technically, the two Executive Boards do not clear the PRSPs themselves, but make a judgment that they constitute a suitable basis for their own lending programs.

process that is largely separate from existing political institutions, including local ones, risks undermining these institutions.

Links between the PRSP, PRGF, and HIPC

Some external commentators see the need to delink the PRSP process from the HIPC framework arguing that the linkage has led to a rushed PRSP process. Delinking the two would enable governments to devote sufficient time to the participatory process required to develop innovative and effective PRSPs.

With respect to the PRGF, commentators note that while the PRSP process has made it possible to discuss social sector issues and poverty in a participatory framework, the macroeconomic policies embedded in PRGF-supported programs do not yet derive from a participatory process. It is thus difficult to tell at this stage the extent to which the PRSP process has informed the policy content of PRGF-supported programs. Some critics therefore see the policies supported by PRGF as traditional structural adjustment programs in another guise. More generally, there is a concern that by putting the emphasis on process changes, the PRSP/PRGF initiative overlooks the need for a reexamination of the traditional policy planks of structural adjustment programs based on a rigorous analysis of their impact on growth and poverty reduction.

Some civil society representatives and in-country NGO groups have also objected to the methods used to evaluate and monitor the impact of the PRSP/PRGF processes, which are often based on hastily collected and inadequate data, especially about poverty, and using methods on which there is little consensus. They highlight the need for independent and credible monitoring mechanisms, as part and parcel of the participatory framework.

One response made to these various criticisms is that the PRSP/PRGF initiative is meant to begin a fundamental change in approach, which cannot happen immediately, and that the degree of progress will depend on each country's particular institutions and starting conditions. Commentators who take this view argue that the key test is whether approaches in practice (including within the IMF and World Bank) are making significant progress in the right direction.

II. ISSUES FOR EVALUATION

The purpose of this evaluation is to assess the IMF's role in PRSP and PRGF. The evaluation will seek to assess, in keeping with standard practice in the area of aid effectiveness, the following five aspects: efficiency, effectiveness, impact, relevance and sustainability. This approach effectively entails addressing three broad sets of questions:

- Are the objectives of these initiatives suitably defined and does their design ensure cost-effective and sustainable progress?
- Is the IMF delivering on the promises embedded in the PRGF/PRSP and did it effectively change its working methods?

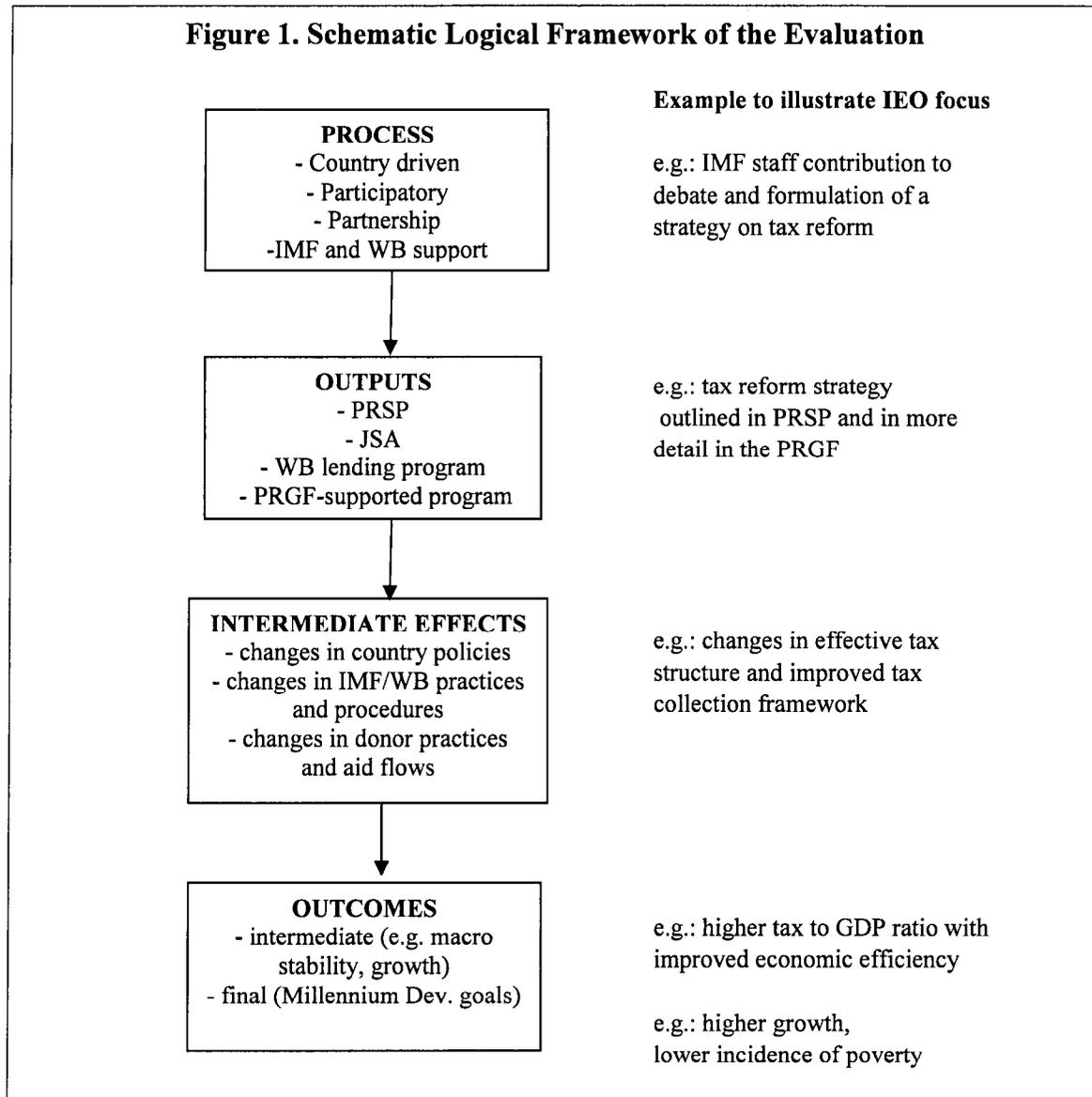
- What needs improving, either in the design of these initiatives or in their implementation as far as the IMF is concerned?

A few important considerations should be acknowledged from the outset, all dictated by a need to keep the scope of evaluation reasonably focused and consistent with the IEO's comparative advantage:

- First, the evaluation will concentrate on the role of the IMF in the process and on those dimensions of the PRSP initiative that are directly relevant to the IMF's mandate. Clearly though, the ultimate success or failure of the PRSP and PRGF initiatives will depend to a considerable extent on factors that are beyond the scope of this evaluation, such as the role of other stakeholders, in particular country authorities and the donor community, the global evolution of the volume and nature of ODA flows, and broader developments in the world economy.
- Second, the evaluation will focus on the experience with full PRSPs, based on the assumption that this experience has the greatest potential for generating lessons of importance for the IMF's role in the future. This focus implies that, owing to their one-off nature, start-up problems (such as the time pressure initially caused by the linkage of I-PRSPs with the HIPC initiative) will not be directly assessed. Nor will the evaluation examine directly issues related to countries encountering protracted difficulties either to enter into the PRSP process or to move from the I-PRSP stage to the full PRSP. While we recognize that these issues are important, we think that they would be better addressed at a later stage when it is easier to distinguish countries facing truly protracted difficulties from those just requiring a little more time to complete the process of drawing up a full PRSP.
- Third, at this stage of the process, it is unlikely that the evaluation will be able to cast much light on final outcomes. The focus will therefore be on inputs (the PRSP process and PRGF-supported programs' formulation), outputs (i.e., PRSP contents and PRGF-supported programs' design) and intermediate effects (i.e., institutional and policy changes).

The broad questions outlined above lead to a range of more specific issues involving the three dimensions just mentioned along with the overall architecture of the initiative. These issues are outlined below. The methodology envisaged to address them is discussed in Section 3.

One way of thinking about the scope of the evaluation would be in the context of a logical framework diagram (see White (1999) for an example of this approach). While we have not prepared a detailed mapping of this framework, Figure 1 gives a broad indication of the different stages. The evaluation will focus on only part of the overall framework, namely those elements of the first three stages (i.e., process, outputs, and effects) that directly concern the IMF's role.



A. Process issues

PRSP Process and IMF Inputs Into It

1. To what extent are PRSPs country-driven documents in the areas of the IMF's primary responsibility? Specifically, does IMF involvement strike the right balance between providing needed support and allowing the process to be genuinely driven by country authorities? Do the methodological tools provided by the IMF in its areas of expertise (e.g. the relevant sections of the PRSP Sourcebook) provide adequate guidance and allow sufficient scope for country-driven tradeoffs? Is IMF policy advice (including in

the Sourcebook) based on concrete evidence of the links between policies and growth/poverty reduction?

2. What is the nature of the IMF's contribution to the participatory process, in particular, in terms of : (i) provision of information to the various stakeholder groups? (ii) interaction with the donor community? Does the IMF's contribution help assess and resolve tradeoffs? Is the process by which the macroeconomic framework of PRSPs is formulated participatory and, if not, what are the practical obstacles to a participatory approach on such issues? What could the IMF do to overcome them?
3. In the areas within its mandate, does the IMF adequately assess the ability of countries to undertake an effective PRSP process and what steps does it take to help countries strengthen their capacity for domestic policy formulation?⁸

PRGF process

4. Are PRGF-supported programs derived from and consistent with the overall poverty reduction strategy set out in the PRSPs? If there are inconsistencies between the PRSP and the PRGF-supported program, where do they come from and how are they resolved?
5. Has the process of program formulation changed under the PRGF with respect to: (i) timing; (ii) scope and depth of involvement of various stakeholders' (including line ministries, parliaments, private sector, the poor, CSOs, and donors); and (iii) the analytical basis of the macroeconomic framework? In particular, how are poverty/social impact assessments incorporated into the design of the policy framework? What are the obstacles to such incorporation?
6. How have the IMF's own internal procedures been modified to take account of the need for more country-driven and participatory processes and does more need to be done? Has there been learning over time?

B. Immediate outputs

PRSP Contents

7. In the areas of the IMF's primary responsibility, to what extent do PRSPs have the general characteristics expected from results-oriented; taking a comprehensive, long-term perspective; stressing transparency and accountability?

⁸ The PRGF/PRSP evaluation will not include a comprehensive assessment of the IMF's technical assistance (TA) activities in the countries concerned. (An evaluation of IMF TA is a separate project, which is on the IEO's short list from which next year's work program will be chosen). However, the current project will examine how the IMF assesses a country's capacity to undertake the IMF-related parts of the PRSP process and how this assessment is linked to a strategy to help the countries concerned improve their capacity to effectively drive the process over time and implement the PRSP.

8. Do PRSPs improve the clarity of policy choices by providing realistic goals and projections, an analysis of tradeoffs between alternative policy options and a suitable prioritization of actions? In particular, does the costing of alternative priority actions found in PRSPs provide a reasonable guide for effective policy decisions concerning the budget and the macroeconomic policy framework?
9. Do PRSPs provide a framework firmly linked to implementation within which realistic PRGF-supported programs can be negotiated? In particular, how do PRSPs take into account the expanded time horizon over which their results will be seen, while being connected to shorter-term policy-making instruments (in particular the budget and the medium-term expenditure framework)? What can the IMF do to improve the process?

Joint Staff Assessment

10. Are JSAs candid about any weaknesses of process or substance in PRSPs? How are the tradeoffs between a country-driven process and the goal of ensuring a certain threshold of standards handled in practice? How does Bank-Fund collaboration work out in the preparation of JSAs? How have differences of view been handled?
11. What is the assessment of the usefulness of JSAs by: (i) country authorities? (ii) donors? (iii) the Executive Board? How could JSAs be improved?

PRGF-Supported Program Design

12. To what extent do PRGF-supported programs incorporate the key features intended to differentiate them from ESAF-supported ones? Is program design affected by PSIAAs (both in terms of key policy choices and adoption of countervailing measures)? Do PRGF-supported programs contain suitable monitoring/evaluation arrangements and does the IMF make suitable use of monitoring information?
13. Is streamlined structural conditionality suitably prioritized in PRGF-supported programs? Is the World Bank's (and other donors') conditionality taken into account in that process? What has happened to the aggregate level of conditionality and how are gaps between the agendas and priorities of both institutions handled?
14. Are program targets and underlying projections based on realistic assessments of the potential sources of growth? Is there adequate coordination between the IMF and the WB on analytic work underlying the main macro assumptions? How are external financing requirements derived in PRGF-supported programs and how are these estimates linked to the longer-term objectives set out in PRSPs, including debt sustainability? How is the tradeoff between accommodating the higher spending plans embedded in PRSPs and preserving/progressing toward macroeconomic stability being handled in programs?

C. Intermediate effects and outcomes

Institutional Effects⁹

15. Are PRSPs contributing to substantial improvements in the analytical bases (including relationships between policies and poverty outcomes, diagnostics tools etc) for policy debates and economic policy decisions? In particular, do PRSPs contain satisfactory monitoring and evaluation arrangements (both in terms of data, indicators and institutional arrangements)? If not, what proposals have been made to improve the situation?
16. Is the PRSP process being established on a permanent basis? In particular, how are PRSPs linked to countries' budgets and public expenditure management frameworks as an integral part of domestic policy formulation? What can the IMF do to encourage this process?

Impact on Economic Policy and Preliminary Evidence on Outcomes

17. How has the PRSP process affected the nature of the policy debate and policy outcomes on key issues within the IMF's primary area of responsibility? How has PRGF-supported program implementation been affected? Does greater ownership lead to less ambitious programs (or simply more realistic ones), particularly in the area of structural reforms?
18. What can be said of the evolution of expenditure composition parameters vis-à-vis suitable comparator group(s), looking at both budget allocations and actual spending? What has been the impact on tax structure/budgetary process and public expenditure management frameworks?
19. While it is too early for a systematic assessment of the impact of the PRSP/PRGF on final objectives, the evaluation will collect what evidence is available on the evolution of various program outcomes (e.g. GDP growth and key macro indicators) compared, for example, with earlier ESAF-supported programs?

D. Questions of architecture

The evaluation will also address several issues involving the architecture of the PRSP/PRGF approach, with a view to assessing the relevance and sustainability of the approach with respect to the ultimate objectives. Taking into account the parallel evaluation by the OED the goal would not be to examine all questions involving the overall architecture, but to address specific questions concerning the IMF's role:

⁹ In addressing some of these issues, the IEO will also draw substantially on the parallel evaluation by the OED.

20. What is the function of the JSA process and the IMF's role in it? In particular, does the need to gain JSA endorsement lead to a form of self-censorship on the part of countries, thereby making the emphasis on country-ownership and the intended "streamlining" of conditionality largely formal? What changes could be envisaged to make JSAs less of a "Washington thing" while maintaining the core assessment element?
21. What actions could/should the IMF take, within its mandate and area of expertise (e.g., as part of its broader surveillance role), to link the PRSP objectives with policies in the advanced economies that would improve the external economic environment faced by the PRSP countries?
22. What should be the long-run role of the IMF in low-income countries, particularly:
(i) in countries with clear short-term balance of payments needs but where the poverty reduction strategy or its implementation is judged inadequate? and (ii) in post-stabilization cases? What would be a suitable exit strategy from direct IMF program involvement and what functions should the IMF retain in those cases, based on its comparative advantage?

III. ENVISAGED METHODOLOGICAL APPROACH

In order for the IEO to concentrate on its own areas of expertise and avoid duplicating work undertaken by others, while at the same time letting its own judgments be informed by external analysis, the following three-pronged approach is envisaged:

- The IEO's original contribution would focus on the areas where it has a comparative advantage, namely IMF operations in the relevant countries (e.g., IMF inputs to the PRSP process, PRGF-supported programs, surveillance, and technical assistance activities) and internal IMF processes.
- Aspects of shared interest between the IMF and the World Bank both will be reviewed in collaboration with OED.¹⁰ IEO and OED will undertake some evaluative work jointly (see below) and will also share the findings of any work done independently.
- Many of the cross cutting issues related to the PRSP process have also been studied by various research and development institutions in both the low income countries themselves and in donor countries, including through case studies. While final judgments from the evaluation will remain the exclusive responsibility of the IEO, this material will be systematically reviewed and, where appropriate, drawn upon

¹⁰ This would include (but is not limited to) JSAs, Bank-Fund collaboration issues, aggregate conditionality and the analytical bases of PRSPs.

by the IEO to inform its own analyses. A survey of this literature will be part of the evaluation.¹¹ **Authors of such evaluative or analytical material related to the issues discussed above are invited to bring their work to the attention of the IEO.**

With respect to IEO's original contributions, the evaluation will follow a three-tiered approach consisting of: (i) in-depth cases studies; (ii) cross-cutting analyses of the full sample of countries with a full PRSP; (iii) control -type analyses.

The case studies would involve both deskwork (including reviews of relevant IMF documentation, both published and unpublished, as well as reviews of external evaluative evidence) and field work. They would seek the views of all relevant stakeholders (country authorities including line ministries and parliaments, civil society, donors and IMF and World Bank staff) through a combination of interviews and surveys. They would place particular emphasis on analyzing changes in the nature of the policy debate by following through a few critical policy issues in each country and assessing how their treatment has evolved under the PRSP/PRGF initiative. At this stage, it is envisaged that six case studies would be undertaken by the IEO, chosen so as to reflect diverse regional experiences and economic performance, and to offer a combination of recent and mature PRSPs and PRGF-supported programs, and of HIPC and non HIPC countries. The specific countries envisaged as case studies are the following¹²:

- (i) Tanzania
- (ii) Guinea, Mauritania, or Niger
- (iii) Mozambique or Malawi
- (iv) Honduras or Nicaragua
- (v) Armenia, Georgia or Tajikistan
- (vi) Cambodia or Vietnam

It is expected that one country case study—probably Tanzania—would be implemented as a 'pilot' case (jointly by the IEO and OED) in early 2003 in order to refine the methodological approach before the other case studies are undertaken. Case studies would include field trips and consultations with local stakeholders expected to take place through July 2003.

¹¹ The evaluation will also draw substantively on the external comments and contributions made at the time of the Bank/Fund staff review of the PRSP (see IMF and World Bank, 2002a and 2002b).

¹² In addition to these six "new" case studies, the evaluation would draw on the findings of the case studies of Pakistan and Senegal undertaken in the context of the recently completed IEO evaluation of The Prolonged Use of IMF Resources.

Submission to the IEO of external inputs on PRSP/PRGF experiences in the country case studies would be particularly welcome during that period.¹³

Cross-country analyses would be undertaken on the full sample of countries with a full PRSP as of December 2002. Their primary purpose would be to test on a broader scale the relevance of the findings made in the case studies and possibly to bring out other messages of general significance. These analyses would rely upon systematic reviews of IMF staff reports on surveillance and lending arrangements, and IMF databases on program design / implementation and economic outcomes; surveys of country authorities, donors (both at the central and the decentralized level) and other stakeholders (including the civil society networks that took part in the PRSP participatory process).

Control-type analyses are also envisaged, essentially of two sorts: first, broad-based statistical analyses of the full sample of PRGF-eligible countries, in order to compare the performance of program versus non program countries, PRSP versus non PRSP countries and ESAF versus PRGF-programs.¹⁴ Second, tentatively, a desk review of a small number of PRGF-eligible countries that chose not to engage in the PRSP process may be undertaken, in order to highlight any differences in the process of policy formulation and in actual policy choices and outcomes compared to PRSP countries. There are obvious problems of sample-selection bias in any choice of such a limited control group, but it may highlight some useful qualitative messages.

The modalities for cooperation between the IEO and the OED on their respective evaluations, will be guided by the following broad principles: (i) each institution will produce its own evaluation report which will be presented to their respective Boards; and (ii) the inputs to the evaluations will be organized in such a way as to avoid duplication of demands on member countries (e.g. with respect to country case studies). It is expected that the majority of the case studies will be conducted jointly with the World Bank's OED— including, inter alia, joint country missions and a common stakeholder survey as well as, to the extent possible, single country reports--although there will probably not be full overlap between the case studies underlying both evaluations.

¹³ The expected timing of the country visits will be posted on the IEO's website and will also be brought to the attention of those civil society groups who participated in the PRSP process in each country, in order to allow time for any submissions to be prepared. However, submissions can be made at any time during the evaluation.

¹⁴ In addition to the usual methodological problems associated with the endogeneity of participation in the PRGF/PRSP, it must also be recognized that, in practice, the transition from ESAF-supported to PRGF-supported programs has been a gradual, rather than a clear-cut one. Many of the early PRGF-supported programs were relabeled ESAF programs, with a gradual introduction of the elements specific to the new approach.

The timetable of the evaluation contemplates submission of the final report to the IMF's Executive Board in January 2004, with most of the case studies related work completed by August 2003 and cross-country analyses as well as synthesis work undertaken in the second half of that year.



Bibliography

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	PRGF approval			
	PRSP date 1/	date 3/	PRGF status 3/	HIPC status 4/
A - Countries with full PRSP (21)				
Albania	June-02	June-02	Board approval	NE
Bolivia	June-01	September-98	off track	CP
Burkina Faso	July-00	September-99	5th rev completed	CP
Ethiopia	September-02	March-01	3 rd rev completed	DP
Gambia, The	July-02	July-02	Board approval	DP
Guinea	July-02	May-01	1st rev completed	DP
Guyana	September-02	September-02	Board approval	DP
Honduras	October-01	March-99	3rd rev completed	DP
Malawi	August-02	December-00	off track	DP
Mauritania	January-01	July-99	5th rev completed	CP
Mozambique	September-01	June-99	4th rev completed	CP
Nicaragua	September-01	March-98	off track	DP
Niger	February-02	December-00	3rd rev completed	DP
Rwanda	July-02	July-02	Board approval	DP
Senegal	Oct-Dec 02	April-98	completed	DP
Tajikistan	Oct-Dec 02	Dec-2002	Board approval	NE
Tanzania	December-00	March-00	4th rev completed	CP
Uganda	May-00	November-97	completed	CP
Vietnam	June-02	April-01	2nd rev completed	NE
Yemen	July-02		SMP	NE
Zambia	May-02	March-99	4th rev completed	DP
B- Countries with PRSP pending (29)				
Armenia	Jan-Mar 03	May-01	2nd rev completed	NE
Azerbaijan	Jan-Mar 03	July-01	1st rev completed	NE
Benin	Oct-Dec 02	July-00	3rd rev completed	DP
Bosnia and Hrz	Apr-Jun 03		SBA	NE
Cambodia	Jan-Mar 03	October-99	5th rev completed	NE
Cameroon	Oct-Dec 02	December-00	2nd rev completed	DP
Cape Verde	Apr-Jun 03	April-02	Board approval	NE
Central Afr. Rep.	Jul-Sep 03		no PRGF	E
Chad	Oct-Dec 02	January-00	3rd rev completed	DP
Comoros	Jul-Sep 03		SMP	E
Congo Dem. Rep.	unspecified	Jun-02	Board approval	E
Cote d'Ivoire	Oct-Dec 02	March-02	Board approval	E
Djibouti	Apr-Jun 03	October-99	2nd rev completed	NE
Dominica	Apr-Jun 03		SBA	NE
Georgia	Jan-Mar 03	January-01	2nd rev completed	NE
Ghana	Oct-Dec 02	May-99	4th rev completed	DP
Guinea Bissau	Jan-Mar 03	December-00	off track	DP
Haiti	Jul-Sep 03		no PRGF	NE
Kenya	Jan-Mar 03	August-00	off track	NE
Kyrgyz Republic	Jan-Mar 03	December-01	1st rev completed	NE
Lao, PDR	Jan-Mar 03	April-01	2nd rev completed	NE
Lesotho	Oct-Dec 02	March-01	2nd rev completed	NE
Macedonia	unspecified	December-00	off track	NE

	PRSP date 1/	PRGF approval date	PRGF status	HIPC status
Madagascar	Oct-Dec 02	March-01	1st rev completed	DP
Mali	Oct-Dec 02	August-99	4th rev completed	DP
Moldova	Jan-Mar 03	December-00	1st rev completed	NE
Mongolia	Oct-Dec 02	September-01	off track	NE
Nepal	Jan-Mar 03		no PRGF	NE
Pakistan	Jan-Mar 03	December-01	2nd rev completed	NE
Sao Tome and Pr.	Oct-Dec 02	April-00	off track	DP
Sierra Leone	unspecified	September-01	1st rev completed	DP
Sri Lanka	Oct-Dec 02		SBA	NE
C - Countries not yet at I-PRSP stage (27)				
Afghanistan				NE
Angola				NE
Bangladesh	Oct-Dec 02			NE
Bhutan				NE
Burundi	Apr-Jun 03			E
Congo, Republic of				E
East Timor	Apr-Jun 03			NE
Eritrea				NE
Grenada				NE
India 2/				NE
Kiribati				NE
Liberia				E
Maldives				NE
Myanmar				E
Nigeria	Oct-Dec 02			NE
Samoa				NE
Solomon Islands				NE
Somalia				E
St Lucia				NE
St Vincent & Grenadin.				NE
Sudan				E
Togo	Oct-Dec 02			E
Tonga				NE
Vanuatu				NE
Zimbabwe				NE
1/ Actual date of endorsement by IMF Board for group A countries; expected date of endorsement for group B countries; expected date of endorsement of I-PRSP for group C countries.				
2/ India is eligible to the PRGF but the authorities have indicated that they do not intend to avail themselves of resources under this facility.				
3/ SBA: stand-by arrangement SMP: staff monitored program				
off track : indicates absence of review since at least 12 months.				
4/ CP: completion point reached DP: decision point reached				
E : eligible but still to be considered NE: not eligible to HIPC debt relief				