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DAC Network on Poverty Reduction

NATIONAL MONITORING OF POVERTY REDUCTION STRATEGY PAPERS (PRSPs)

Summary of the Main Report

4-5 November 2004
OECD - La Murette - Room 3

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Contact Person : William Nicol – Tel : +33 (0) 1 45 24 91 37 – Fax : +33 (0)1 44 30 63 33 – Email :
william.nicol@oecd.org

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National Monitoring of Poverty Reduction Strategy Papers (PRSPs)

SUMMARY OF THE MAIN REPORT



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Governance and Democracy Division
Supraregional Poverty Reduction Sector Project
QVA@gtz.de

Dag-Hammarskjöld-Weg 1-5
Postfach 51 80
65726 Eschborn
Germany
Telephone: +49 (0) 61 96 79-0
Telefax: +49 (0) 61 96 79-11 15
Internet: <http://www.gtz.de>

On behalf of the

German Federal Ministry for
Economic Cooperation and Development
Division 310: Poverty Reduction, Social Development
Contact: Ms. [Astrid Böhm](#)

Friedrich-Ebert-Allee 40
53113 Bonn
Germany
Telephone: +49 (0) 18 88 535-0
Telefax: +49 (0) 18 88 535-35 00
Internet: <http://www.bmz.de>

This study was conducted on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The views expressed are the independent conclusions of the authors. The BMZ views the study as a contribution to the international discussion on the monitoring of Poverty Reduction Strategy Papers (PRSPs). The complete study - the main report and the country cases - is available in German and English. The summary and the country cases studies of Burkina Faso and Nicaragua are also available in French and Spanish, respectively.

Study conducted by:

GFA - Management GmbH, Hamburg

Coordination:

Wolf M. Dio, GTZ GmbH

Layout and Production:

Heidi Mohr, CrossLink, Frankfurt am Main

Eschborn, August 2004

This study on the national monitoring of Poverty Reduction Strategy Papers (PRSPs) was initiated by Division 310 (Poverty Reduction, Social Development) of the German Federal Ministry for Economic Cooperation and Development (BMZ). On behalf of the BMZ, the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH commissioned GFA Management GmbH to conduct the study in October 2003.

The five countries were visited by one or two consultants in January 2004 for ten to fourteen days.

Collaborating on the study were:

Bernd Kadura, Hans Gsaenger, Niña Boschmann, Christoph David Weinmann, Dieter Orłowski and Ulrich Leffler-Franke.

Karl Bartels and Bernd Schubert contributed editorial and material comments on the reports.

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Abbreviations

BMZ	German Federal Ministry for Economic Cooperation and Development
CAS	Country Assistance Strategy (of the World Bank)
CDF	Comprehensive Development Framework
CWIQ	Core Welfare Indicator Questionnaire
DAC	Development Assistance Committee of the OECD
DFID	Department for International Development (UK)
ESAF	Enhanced Structural Adjustment Facility (of the IMF)
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HDI	Human Development Index
HDS	Health and Demographic Survey
HIPC	Highly Indebted Poor Countries
IEA	Institute for Economic Affairs (Kenya)
JSA	Joint Staff Assessment (prepared by staff members of the IMF and the World Bank with recommendations for both Boards of Directors)
KePIM	Kenya Participatory Impact Monitoring
LSMS	Living Standard Measurement Survey
MDG	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
NGO	Non-Governmental Organization
ODI	Overseas Development Institute
PEAP	Poverty Eradication Action Plan (Uganda)
PEM	Public Expenditure Management
PER	Public Expenditure Review
PFP	Policy Framework Paper
PPA	Participatory Poverty Assessment
PRA	Participatory Rural Appraisal
PRGF	Poverty Reduction and Growth Facility (IMF)
PRSC	Poverty Reduction Support Credit (World Bank)
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
SAF	Structural Adjustment Facility (IMF)
SAP	Structural Adjustment Programme
SDA	Social Dimension of Adjustment
SWAP	Sector-Wide Approach
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

Summary

So far, 54 countries have finalized strategies for fighting poverty in the form of interim or full Poverty Reduction Strategy Papers (as of July 2004). Originally, their primary function was to secure the remission of debt in accordance with the rules of the HIPC II initiative. Then, in addition, they became a prerequisite for a country to obtain low-cost development loans. They now increasingly provide the programmatic basis for budgetary assistance.

PRSP monitoring systems should enable all stakeholders to gain information on progress made with the implementation of the strategies, and to use their influence within the political process to ensure that governments follow their strategy and transform it effectively into action and public expenditures. Monitoring systems are the precondition for maintaining a partnership amongst governments, national stakeholders, and international donors.

This study was initiated by Division 310 (Poverty Reduction, Social Development) of the BMZ, and was commissioned by the GTZ Supraregional Poverty Reduction Sector Project in order to investigate, on the basis of five country studies, how monitoring systems are constructed in practice, how effective they are, and how donors can use the information they provide for shaping their programmes. Furthermore, the study is to examine how donors can support the development of monitoring systems.

The Foundations

The Political Context of PRSPs

The concept of Poverty Reduction Strategy Papers (PRSPs) came into being on the basis of the experience and discussion of nearly two decades of development cooperation and the indebtedness of developing countries.

The traditional approach: projects and conditionalities

The old form of cooperation consisted of projects on the one hand and on the other, of conditions imposed by the International Monetary Fund (IMF) and the World Bank in order to ensure a political framework that would foster growth and stability.

Conditions without internal consensus

Although the extensive poverty in developing countries had been discussed in international forums and reports since at least 1980, for a long time this had no influence on the policies of the IMF and, to some degree as well, of the World Bank. IMF conditions typically were negotiated behind closed doors and for the most part had no perceivable bearing on poverty. Furthermore, IMF was accused of applying very similar packages of measures to very dissimilar situations, and of pushing blueprints instead of custom-designing solutions.

Experience with structural adjustment focuses attention on the issue of poverty	<p>The discussion about poverty and its causes started becoming more intense in the mid-80s. A UNICEF study (<i>Adjustment with a Human Face</i>), the Social Dimensions of Adjustment initiative, and the 1990 World Development Report of the World Bank, which took world poverty as its theme, were the milestones of this period. While they led to numerous studies, they did not result in any fundamental change in policy amongst the donor organizations. From then on, calls to make development projects poverty-oriented did become more frequent, however.</p>
HIPC Initiative	<p>From the middle of the 90s, the pressure on the traditional foundations of development cooperation intensified. The World Summit for Social Development took place in Copenhagen in 1995; in 1996 the Initiative for Heavily Indebted Poor Countries (HIPC I) was called into being. Then in 1999, in light of the growing influence of non-governmental organizations, an explicit link was forged between the then expanded debt relief initiative (HIPC II) and the poverty reducing efforts of the beneficiary countries. PRSPs were intended primarily to demonstrate how the countries which were to have debt cancelled would employ the resources thus liberated to fight poverty.</p>
Participation in PRSP processes	<p>In order for the Poverty Reduction Strategies to be accepted by the IMF and the World Bank as the basis for debt remission, they had to have been developed on a participatory basis and discussed broadly in the given country. In many countries, this resulted in the very first broad-based discussion about issues of structure and poverty. The idea behind this condition was that, although governments would bear the responsibility for the strategies, their character should be more one of a national strategy that would not automatically be overthrown or reworked in the case of a change of government. At the same time, the general public and particularly those affected (the poor) were to be involved in the discussion such that, through this participation in political processes, they could exercise influence on the behaviour of governments and administrative bodies, thus keeping these on the agreed path. Finally, internal political processes were to acquire a different quality. Democratic principles and governments' duty to be accountable to their parliaments and people were to be strengthened.</p>
PRSPs to set the course of action for national governments and donors	<p>A PRSP that originates in this way then sets the course of action both for the governments of the developing countries in question and for multilateral and bilateral donors, who align their activities with a strategy that is owned by the country (and not imposed from outside) and that, on the basis of concrete information, strives for socially balanced growth and the sustainable reduction of poverty. The PRSP becomes the hub of a partnership built upon basic agreement on objectives and the broad outlines of processes, the details of which are to be defined and discussed during the course of implementation. Opportunities for dialogue form pillars of the partnership.</p>
Functions of PRSP monitoring...	<p>PRSP monitoring should serve above all to determine to what degree and how successfully the Poverty Reduction Strategy has been put into action. The monitoring system should be able to answer two central questions in detail:</p>

- a) Do the strategy and its actual implementation promise to reduce poverty sustainably? Is the strategy (still) valid, and is it being carried out satisfactorily?
- b) Is the government adhering to the agreed strategy? Is the common basis of the partnership still intact?

...for national stakeholders and donors

Both civil society and the donors need this information, in order to fulfil their roles in the partnership. It may well be that they need the monitoring information in different depths and forms. But without a doubt, special attention must be accorded to the aspect of civil society control.

The Challenges Facing a PRSP Monitoring System

Steering, accountability, collective learning

A reading of the most important literature reveals that, there too, PRSP monitoring is understood for the most part as policy monitoring. It has several functions, the compatibility of which is occasionally questioned. The steering function is most pertinent to the government and the donors. PRSP monitoring also serves accountability and should enable common learning.

Relationship between PRSPs and MDGs

The congruence between PRSP monitoring and the monitoring of the Millennium Development Goals was a matter of discussion for some time. In the meantime, however, PRSPs have been recognized as the national strategies through which the international development goals, in the form of the Millennium Development Goals (MDGs) are to be achieved. Thus MDG monitoring is, in principle, a component of PRSP monitoring.

Compatibility with IMF conditions

Questions of compatibility arise, too, in regard to the relationship between the PRSP goals and the triggers, benchmarks and performance indicators agreed with the IMF. The European Commission determined in 2000 that the PRSP goals rarely correspond with the conditions (in this case, the “triggers”) for reaching the HIPC “Completion Point”. Likewise, an ODI study recommends making a clear distinction between monitoring performed for the purpose of negotiation with donors and that done for assessing the progress with poverty reduction and the PRSP.

In this respect, we must ask whether overt contradictions do, in fact, exist between the IMF conditions and PRSPs, and whether or to what degree this ought to be the case. There are certainly grounds to justify some divergence:

- The goals, and above all the strategies, that are formulated in the PRSPs are quite vague in parts. Therefore, the agreements with the IMF and, for that matter, with the World Bank and the donors that provide budgetary assistance, can certainly address the specific activities that have been discussed and agreed

since the approval of the PRSP. The conditions should particularize the PRSP, without contradicting it.

- Furthermore, the different timeframes must be addressed. Agreements with the IMF and other donors can specify when particular actions must be completed.

But there should be no overt contradictions or incompatibilities. Checking this is surely a job not only for the bilateral donors, but also for an interested and committed civil society in the PRSP countries.

Monitoring per se is a political process

PRSP monitoring is an inherently political process. Which information is considered to be especially significant depends on the interests of the actors involved, and it is natural that there will be some resistance to making certain types of information available to the public. Governments cannot be expected to be interested in monitoring *a priori*, because it restricts their room for manoeuvre. On the other hand, PRSP monitoring plays a decisive role in maintaining throughout the implementation phase those dynamics of participation that emerged during the formulation of the PRSPs.

Linkages with existing systems

There is no universal blueprint for the institutional structure of a PRSP monitoring system. However, experience to date reveals that certain aspects deserve special attention, because they often are neglected in practice:

- While it is true that institutions usually are assigned areas of responsibility, the actual delineation and coordination of tasks often receives too little attention.
- The best solution for the institutional configuration of the monitoring system is aligned with and builds upon existing structures.
- PRSP monitoring distinguishes itself from other monitoring systems through the enormous breadth of information it deals with. Thus it is all the more important for PRSP monitoring to build upon existing monitoring systems in order to cover this wide spectrum of information.
- The institutional structure must be compatible with the available capacity. Excessive complexity that can be realized only through an unrealistic level of capacity building is counter-productive.

Inputs – Outputs – Outcomes – Impact

A crucial concept for PRSP monitoring is the distinction between inputs (resources, funds), outputs (the goods or services directly produced by an agency), outcomes (the direct utility or benefit to the agency's target group or clients), and impact (usually at the level of the Millennium Development Goals). At the same time, it can make good sense to observe the process of transforming the inputs into outputs, especially when outputs and outcomes can be defined only through gross over-simplification of the processes.

Information is often summarized and quantified in the form of indicators.

The “Missing Middle”

In many cases, PRSPs do, indeed, contain goals that are clearly defined at the impact level and even include a quantified time dimension, but it remains unclear how the goals are to be achieved. Equally, they make no mention of the corresponding indicators at the output and, more importantly, at the outcome levels. This is called the “missing middle”. It is problematic in that the indicators at impact level react to changes in policy or in public services only after a lengthy delay. Moreover, changes in impact indicators can be caused by factors beyond the influence of the government (for instance, weather or world market prices). This is why the most suitable indicators for monitoring policy are those at the outcome level, as they by definition relate directly to governmental action. When such indicators are missing from the list of information to be collected, there is no basis for timely steering and for exerting any meaningful influence within the political process.

Instruments and Types of Data

Statistics on poverty and social status

Household surveys and censuses are the fundamental sources of information at the impact level. They are, however, costly and time intensive, and therefore are conducted only at intervals of several years. The information provided by these instruments is most suited to representing the impact level.

Administrative data

Information and statistics provided by government administrative offices (also called “institutional data”) are the elements of many indicators used in PRSP monitoring. Particularly in the areas of education and health, the relevant ministries often (but not always) have relatively good statistical departments.

Usage by clients and/or target groups

Information about client usage and client satisfaction is very scarce however. The World Bank introduced the Core Welfare Indicator Questionnaire (CWIQ) in the attempt to close this information gap. Participatory and qualitative surveys can help to close the gap, too.

Data on public expenditure

Data on actual public expenditures are the central source of information for the monitoring of inputs. Government financial reports are becoming substantially more meaningful with the reforms of the accounting and information systems and the improvement of the fiscal systems. But the budget and medium-term financial planning are also important pieces of information that should be used for PRSP monitoring. Public Expenditure Reviews, expenditure tracking studies, and facility surveys provide supplementary information.

Qualitative investigations

Qualitative impact monitoring, “Citizen Report Cards”, and “Poverty and Social Impact Analyses” round off the set of instruments in common use.

The Findings of the Country Cases

Context, Outset, and Substance of the PRSPs

The five countries investigated – Albania, Burkina Faso, Kenya, Nicaragua, and Viet Nam – differ not only in size and state of development, but above all in their respective political culture and fundamental motivation to produce a PRSP. As was to be expected, this influences the quality of monitoring and its significance in the political process.

At the time of the study, Kenya was the only one of the five countries without an agreed design for a monitoring system. One of the reasons for this was that, after a change of government at the beginning of 2003, the strategy was re-worked. Nevertheless, the consultants found interesting elements of a future PRSP monitoring system in Kenya.

Frequently, the strategies must be worked out in more detail before the achievement of goals can be assessed within the framework of a monitoring system. This inevitably must occur parallel to the development of the monitoring structures. Such was the case in the five countries investigated.

Areas of Investigation and Instruments Used

Poverty statistics and MDG monitoring

The statistics on poverty were relatively well developed in each of the countries; Albania was the only country to have to make do with a short time series. However, comparability with the findings of earlier years is often problematic, and the measure of the incidence of poverty is very sensitive to the definition of the poverty line, because a large portion of the population lives just above or just below the poverty line. In Kenya and Nicaragua, poverty maps were produced that provide very detailed information on the poverty incidence for small geographical areas, but they display methodological weaknesses.

UNDP has assumed responsibility for MDG monitoring in many instances.

Each of the countries except Albania has carried out Participatory Poverty Assessments. Health and Demographic Surveys are carried out in three of the five countries.

Indicator lists

The lists of phenomena to be observed are in some cases extremely extensive, and include indicators on factors that are not relevant for assessing policy performance in reducing poverty.

Administrative data were used in all of the countries, but especially in the social sectors. Only in Kenya (perhaps) and Burkina Faso (as planned) are these data to be supplemented by regular studies on beneficiary satisfaction and the reasons for non-use.

Unsatisfactory indicators on economic goals

For the economic areas that the state regulates and supports, without intervening in production, the indicators are generally less satisfactory. These indicators frequently relate to the impact level only, and it remains unclear what the state agencies should contribute or have contributed in the past.

The indicators on anti-corruption and good governance, which are issues strongly stressed in many countries, are especially inadequate.

Public finance reforms

It is good to note that the implementation of the PRSP is being accompanied everywhere by the fundamental reform of the management of public funds. The systems being initiated promise to deliver information in the medium-term that is more useful in attributing expenditures to policies. Currently, however, donors often complain about meaningless figures and insufficient transparency.

Exceptional examples in the area of public finance include Kenya's Public Expenditure Review that was carried out by the government, four sectoral PERs in Burkina Faso, and an extreme willingness in Nicaragua to make current financial data available to the public. But nowhere is information on donor contributions systematically reported.

Participatory impact monitoring

Participatory impact monitoring and Citizen Report Cards are used in Kenya, and PSIAs are being employed in Burkina Faso and Nicaragua.

Preparation, Dissemination, and Utilization of the Findings

Typically, the Ministry of Finance, Ministry of Planning, or a unit in the Office of the President is responsible for preparing and compiling the findings. The sector ministries and statistics offices supply the data.

Monitoring primarily for the donors

The reporting, however, is done primarily for the World Bank and the IMF – understandably so, because further potential disbursements are dependent upon reports on the implementation of the PRSP. In contrast, the dissemination of the reports in a form appropriate for the respective target audiences is largely neglected within the country, itself. The parliament is not truly involved in any of the five countries. Versions that would be understandable to the general public are not produced, the reports are not translated into local languages, and only in Kenya are short reports on research findings prepared for the press and the public (but not within the framework of a defined monitoring system).

Generally limited impact on domestic policies

Hence it is not surprising that public discussion on PRSP implementation has practically no influence on policy in any of the countries. Nicaragua, where civil society organizations prepared a

hotly discussed alternative study, is a positive exception to this general statement.

Donor Support to PRSP Monitoring

Modalities of the donor contributions adequate on the whole

To avoid endangering the sense of ownership of the PRSP on the part of the government, donors must act as carefully with regard to PRSP monitoring as they do during the formulation of the strategy. Without question, they have achieved this in the five countries studied. They have supported the statistical institutions in a coordinated way and have financed studies and seminars. Reform measures in the public finance administrations, too, typically are supported by several donors in a coordinated fashion.

The approach practiced by DFID deserves special mention, whereby national civil society organizations and non-governmental research institutes are financed through partnership contracts. This is done in such a way that close attention is paid to the boards of directors and management structures of these partners, but they are given free hand in defining their programmes.

The question of financial sustainability

The question as to whether the monitoring structures developed can be financially sustained through the state's own resources rightfully plays no great role here. As long as donors support the poverty reduction programme, it seems only warranted that they provide funding in the area of monitoring, indeed, for some time to come.

Conclusions

Experiences and Lessons Learned

Should one want a pithy (and therefore unavoidably simplified) summary of the consultant team's observations in the five countries, the following statements emerge:

Disappointing internal impact

a) The involvement of the parliaments and civil society in the discussion about the achievements and successes in implementation of the PRSPs is so poor, that in effect, neither accountability nor dialogue is possible amongst the governments, the parliaments and the citizens. Exceptions (Nicaragua) and constructive approaches (Kenya) prove the rule. Weaknesses at instrument and data level pale in comparison.

Findings not prepared for national stakeholders

b) Progress with the reporting to donors does not seem to result in any noticeable improvement in the reporting to national stakeholders. The challenge is to ensure that the improved information flow to donors also effectively feeds more facts and analyses into the public discussion.

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| Shortcomings with regard to the economic growth goals | c) Special problems exist in trying to observe the contribution of government administrative apparatuses in working towards the goals of economic growth. Better concepts, instruments, and related indicators are needed to assess the impact, because it takes place on a level that is strongly influenced by, but not completely under the control of, the administration, and also includes elements of utilization by the target groups. |
| The integration of administrative data | d) A commonly encountered problem area lies in establishing a regular flow of meaningful information from the sectors into a comprehensive reporting system on PRSP implementation. |
| Systems generally still under construction | e) Even after two or three years of implementing the PRSP in countries such as Nicaragua and Burkina Faso, monitoring systems are still being set up. As the professed objectives of the PRSP process include a qualitative change in the political culture and a more intense dialogue between governments and civil society, considerable efforts are necessary in order to maintain the dynamics of participation that emerged during the formulation of the PRSP. |
| Long discussions delay concrete results | f) Discussions over the list of the most important indicators and the institutional set-up of the monitoring system are necessary, but in practice, they can easily become disproportionately long and costly. |

The Value of PRSP Monitoring for Donors

Sluggish alignment of donor programmes with PRSP strategies

To date, donor organizations have made very little use of the results of PRSP monitoring. This is in part because all of the systems are still in their infancy. But another important reason for the neglect so far is the very limited alignment of development projects with national poverty reduction strategies.

PRSP monitoring can provide the donors with information that is important for the design of their programmes. It also provides information about the political will of the partner governments as evidenced by their actions, and about their success in reducing poverty. If budgetary assistance is being provided, then the careful analysis of the findings of the monitoring system is indispensable.

The monitoring information could also be useful in testing the hypotheses about development impacts, in adjusting strategies for country assistance to accommodate those systematic weaknesses of the partner country that would otherwise hinder the implementation of the strategy for poverty reduction, in streamlining the work of the donors, and in coordinating the projects of different donors and aligning them with the objectives set jointly with the partners.

Outlook

What determines the effectiveness of a PRSP monitoring system? Above all, it must focus on the essential aspects of the strategy. It must capture primarily the level of outcomes, but also scrutinize the input side (the budget, its execution, and medium-term financial planning). It should include surveys that can assess the effectiveness of policy measures on the ground. It should be built upon the existing administrative information systems in the sectors, but critically examine and validate their results.

But what is crucial for political impact is that the form of reporting be appropriate to the needs of the users, which inevitably means differentiation.

A comparison of these requirements with the observed practice results in the following recommendations:

- The stage of processing and disseminating the monitoring results should receive more attention.
- The list of information and indicators that are to be reported within the framework of monitoring, must be streamlined so that important findings are not lost in a profusion of details that are not really relevant.
- Better outcome indicators are needed in the important areas of broad-based / pro-poor growth and good governance.
- Beneficiary satisfaction with government services should be assessed systematically.
- The selection of indicators is itself a political process, and therefore must be carried out as openly as the formulation of the PRSP.
- Parliaments should become the most important target group for PRSP monitoring and should be involved to a much greater extent.
- A diversity of information channels and multiple occasions for analysis impede political blockades and therefore should be included intentionally in the plan.
- Special surveys, such as impact monitoring on the ground, can enrich the public discussion and more provision should be made for them.
- In complex situations, Poverty and Social Impact Analyses could be carried out more systematically to assess the impact of planned interventions on the PRSP goals.

The following recommendations are directed specifically to donors as well as to the German development cooperation institutions:

- PRSP monitoring should be used to identify systemic weaknesses in the implementation of the given national poverty

reduction programme and to adjust the donor interventions accordingly.

- Opportunities should be sought specifically to support parliaments and civil society organizations in the utilization of monitoring results within the political process.
- The contributions that independent research institutions make to monitoring the implementation of PRSPs can foster the relevant public discussion. For this purpose, support to qualified institutes could be stepped up.
- The statistical departments of sector ministries and administrative offices are crucially important to a meaningful PRSP monitoring. They should be targeted for support, especially in the sectors of agriculture and economic development.
- Traditional project monitoring has little to contribute to PRSP monitoring. However, projects can use their monitoring experience to support the sectoral monitoring systems at a higher level.
- Donors should ensure that the improvements in reporting to the Bretton Woods Institutions have a positive influence on the reporting to national authorities.
- Although donors should not over-load a monitoring system with new and costly methods, the principle of financial sustainability should not be over-emphasized as long as the donors are making a significant contribution to the implementation of the strategy for poverty reduction. Cost effectiveness and political usefulness are more important criteria.