

# **Independent Evaluation of SDC's Bilateral Engagement in the Poverty Reduction Strategy Paper (PRSP) Process**

## **Final Synthesis Report**

**1 June 2003**

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# 1 Executive Summary

## Background

1. Since 1999, the development of Poverty Reduction Strategy Papers (PRSPs) as the basis for nationally owned and led approaches to poverty reduction has become a key objective for development cooperation. PRSPs are now the prevailing framework within which donors and developing countries interact on aid and poverty reduction.
2. This independent evaluation was commissioned by SDC in June 2002 to assess SDC's contribution to PRSP processes and how SDC's own approach was being affected by PRSPs. The evaluation involved an SDC-wide survey on PRSP experience to date, and country case study visits to Burkina Faso, Vietnam, Nicaragua and the Kyrgyz Republic. This report synthesises the findings of the SDC-wide survey and the country case study reports.

## Major findings and conclusions

3. It is increasingly acknowledged within SDC and by other bilateral donors, that moving from a project based to a more programmatic approach based on national ownership, is more likely to result in sustained reduction of poverty. **Most donors are engaging with PRSPs at policy level and many are taking steps to align their programming with PRSPs.**
4. **A key question for this evaluation was whether Switzerland, as a small volume donor, could nevertheless add value and have significant influence in the context of PRSPs. The weight of both evidence and opinion is emphatically yes.** PRSPs present significant opportunities for a small volume donor such as Switzerland<sup>1</sup>, which wants to make a strategic impact on poverty.
5. **SDC and seco should engage energetically with PRSP processes**, because there are strong synergies between SDC and seco development cooperation objectives and the objectives underpinning the PRSP approach.
6. Case study evidence provides clear examples showing that **where Switzerland is engaging with PRSPs, it can make a worthwhile contribution**, both in concert with other donors and acting bilaterally. Switzerland is perceived as reliable, committed, intelligent in the use of its limited finance; a team player which brings bilateral capacity to the table.
7. **SDC should produce a high level statement** underlining the importance and potential of PRSPs to provide a framework for SDC-wide engagement. Considering the strong linkages and comparative advantages of SDC and seco, there is a **strong case for producing a joint statement with seco.**

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<sup>1</sup> This evaluation was mandated by SDC. But in practice in developing countries, Coordination Offices may be mandated by both SDC and seco - so the Swiss contribution is a joint SDC/seco effort. In the text, specific references are made to the roles of both "SDC" and "seco". In some places "Switzerland" or "Swiss" is used to cover both agencies working together.

8. The high level statement should encourage COOFs to take full advantage of Swiss strengths in areas of significance for PRSP engagement. These strengths include:
  - strong SDC representation leading to perceptions of Switzerland as a reliable partner
  - depth of country experience and capacity at sub-national level
  - relative autonomy leading to COOF flexibility
  - long term country commitment
  - willingness to work within host country dynamics,
  - commitment to domestic stakeholders and parliaments
  - a respectful style
  - independence from major donor blocks - no hidden agenda
  - consistency in basic principles
  - a shared understanding of sustainable development across the agency
  - holistic thinking as an institution
9. **SDC should consider complementing this high level statement with guidance notes** which could underline principles of SDC engagement and signpost people to sources of advice and information.
10. **PRSPs are highly country specific**, and they must be seen in their national political and economic context, which includes their status in relation to other government planning and budgeting processes. PRSPs also evolve over time, so monitoring implementation means making assessments of a moving target.
11. Because **PRSPs are country specific** and because of evidence that the **flexibility of SDC and seco as donors is well regarded** and being used effectively, the high level **SDC statement on PRSPs should not be prescriptive**. But it should require **each COOF to account** for its programme content and approach, setting out the strategic rationale **for its level of PRSP engagement**.
12. Switzerland should build on its successful joint work with like-minded donors and continue to **seek alliances with like-minded donors** (which can increase Swiss leverage) whilst maintaining bilateral relations with government. Such cooperation can further SDC's objectives under PRSPs and on donor harmonisation.
13. How SDC engages with PRSPs will depend on the status and authenticity of the PRSP in each country. **Understanding the local status of each PRSP is a precondition for effective strategic engagement**. COOFs therefore need to ensure that country approaches take full account of each country's PRSP in the context of its wider social, economic and political environment.
14. Though **PRSPs do not always provide a comprehensive framework** for development, SDC should support an integrated perspective, with PRSPs being not only about social but also about productive sectors, with poverty reduction being seen as a matter for all of society's stakeholders.
15. Evidence from some countries suggests differences in understanding on terms such as broad based growth, poverty reduction and social spending. Where such differences of perception exist between donors and developing country governments

or between developing country stakeholders, **SDC could play a distinctive role in public and political education, supporting better-informed debate on poverty and economic priorities.**

16. Engaging constructively with PRSPs does not mean overlooking the criticisms and shortcomings of PRSP processes. Some observers regard PRSPs as simply the latest incarnation of a structural adjustment process. Others point to the fact that PRSPs do not provide an opportunity to address the external factors (such as the trade policies of OECD donors) which may directly contribute to the poverty in a developing country. Switzerland's independence as a donor means that SDC is well placed, to **foster alternative policy analysis and to strengthen national research capacities which can challenge ineffective mainstream approaches.**
17. Like other donors SDC has supported efforts to increase participation in PRSP processes. **SDC should not assume that contributing on process is an alternative to focusing on content.** SDC should be rigorous and forthright in its approach to process and could make a distinctive contribution by **encouraging hard-headed analysis of the added value of participation.** SDC may be able to draw on Switzerland's own experience to increase the extent to which PRSPs establish an **appropriate balance between representative and participatory governance.**
18. SDC should **seek country-specific opportunities to influence PRSP content,** drawing on examples of effective contributions based on a clear Swiss expertise or specialisation - for example urban issues in Vietnam, rural drinking water in Lesotho, health sector costings in Tanzania.
19. SDC should avoid the establishment of parallel mechanisms and emphasise the use of domestic structures for which there is accountability to local stakeholders. **Authentic engagement by Switzerland in PRSPs implies willingness to subsume Swiss identity in sectoral approaches; to use PRSP dialogue, rather than orthodox conditionality, to agree priorities; to adopt budget support<sup>2</sup> unless there are persuasive arguments in favour of project based spending.** Where credible PRSPs are being implemented, PPPs could be replaced by programming that specifies Switzerland's part in achieving PRSP and Millennium Development Goals.
20. Inherent in the PRSP approach is the idea that poverty must be seen in its broad macroeconomic and political context. Macroeconomics has traditionally been the purview of seco more than SDC. Evidence suggests that SDC and seco can work together effectively in the field, but there is potential for a more joined up approach and better cooperation at headquarters level. There is therefore a **strong case for revisiting the relationship between SDC and seco** with a view to ensuring a clear division of labour and to developing mechanisms that will enable systematic exchange and co-ordination in dealing with conceptual and operational PRSP-related issues, including budget support.
21. **PRSP related policy dialogue is labour, skill and software intensive.** SDC should ensure that adequate personnel and financial resources are available to

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<sup>2</sup> Using the experience of Burkina Faso, Bénin, Mozambique, Tanzania.

invest in knowledge sharing and learning by their own staff as well as by their partners.

22. In order to more effectively translate grassroots experience to policy, both nationally and internationally, **SDC should review its institutional mechanisms for strengthening internal and inter-departmental linkages** and drawing out and sharing experience on themes in the context of PRSPs. This includes offering an annual and joint PRSP/budget support/macroeconomic/SWAP specific training and experience exchange for SDC “field” and headquarter economists.
23. SDC should create a **mechanism to systematically provide staff with PRSP related information** from all of SDC and seco, Washington, donors and independent analysts. The system should be proactive, but enable users to retrieve more detail - so a PRSP newsletter plus web-based access would be appropriate. An information module to enable sharing of standardised information on PRSPs should also be devised.
24. For the future, as development cooperation efforts are likely to involve more shared action and pooled funding, SDC should consider how as an agency, it can develop a **sense of ownership of collective effort** (shared satisfaction in achievement and responsibility for failures). This has implications for future evaluations.
25. **Swiss NGOs are not well incorporated** into operational or policy related PRSP processes. SDC should explore the potential for positive synergies with Swiss NGOs on PRSPs, both at policy and programme level.
26. An important priority for SDC is sustaining public and parliamentary understanding and support for Switzerland's development cooperation activities. SDC need to **ensure that its engagement in PRSPs is properly communicated to the political support base at home** to ensure Swiss domestic ownership for shared donor activity.

## 2 Main Recommendations

- 1 **SDC and seco should engage energetically with PRSP processes, because there are strong synergies between Swiss development cooperation objectives and the objectives underpinning the PRSP approach.**
  - **The engagement of SDC and seco should take full advantage of Swiss strengths noted in paragraph 8 above. SDC engagement in PRSP processes should take place at all levels, in partner countries, in Bern, and in work with international partners.**
- 2 **SDC should produce a high level statement aimed principally at an internal audience, underlining the importance and potential of PRSPs to provide a framework for SDC-wide engagement. This would:**
  - **provide a framework for all SDC departments and COOFs to use in assessing their level of PRSP engagement**

- make clear the importance of PRSPs to SDC and seco as a whole
- provide the conceptual overview underpinning any changes in structure or mechanisms that SDC adopts to support its engagement in PRSPs.

Considering the strong linkages and respective comparative advantages, there is a strong case for producing a joint statement with seco.

- SDC should consider complementing this high level statement with advisory guidance notes which could underline principles of SDC engagement and signpost people to sources of advice and information.
- SDC should be careful not to compromise the flexibility and relative autonomy of the COOFs.

3 SDC should require every COOF to set out the strategic rationale for its level of PRSP engagement.

- COOFs should explicitly address alignment with PRSPs in their planning, budgeting processes and sectoral approaches. When accounting for their approach, COOFs should explain how programme content and the approach they are taking is appropriate in the context of the PRSP.
- COOFs must ensure that their approaches take full account of government strategies and the status of each country's PRSPs in its specific political and economic context.
- Where credible PRSPs are being implemented, PPPs could be replaced by programming that specifies Switzerland's part in achieving PRSP and Millennium development goals.

4 Switzerland should seek alliances with like-minded donors (bilateral and multilateral) whilst maintaining bilateral relations with government.

- Switzerland should build on the greater cooperation between donors under the PRSP framework, as a vehicle for pursuing the harmonisation agenda outlined in the DAC TFDP process.
- Switzerland should maintain its flexible approach when helping to shape common conditionality, advocating an overall assessment of the PRSP, rather than linking disbursements narrowly to output criteria.
- SDC programming (bilaterally and with other donors) in support of PRSPs should avoid the establishment of parallel mechanisms and emphasise the use of domestic structures for which there is accountability to local stakeholders.
- SDC should enhance existing processes of accountability towards domestic stakeholders by paying particular attention to the role of parliaments and representative authorities within civil society.

- 5 SDC should support an integrated perspective, with PRSPs being not only about social but also about productive sectors, and poverty reduction being not only a government affair, but also a responsibility of the private sector and civil society.**
- **SDC should not assume that contributing on process is an alternative to focusing on content.**
  - **Especially where government's own capacity for developing PRSP content is constrained, SDC should actively seek country-specific opportunities to influence PRSP content, whether in specific sectors, or by addressing the broad thrust of policy. In influencing content, SDC must seek to reinforce, not undermine or displace, government ownership.**
  - **Switzerland should be rigorous and forthright in its approach to process and could make a distinctive contribution by encouraging hard-headed analysis of the added value of participation.**
- 6 SDC and seco should work together to strengthen national research and policy advice capacities to foster alternative policy options and challenge ineffective mainstream policies. This could include attention to how issues of coherence - external factors contributing to poverty, including OECD policies - could be addressed within the PRSP framework.**
- **SDC and seco could play a distinctive role in public and political education, supporting better-informed debate on poverty and economic priorities.**
- 7 SDC and seco need to ensure a clear division of labour and cooperation concerning PRSPs, both in cases where there are joint programmes<sup>3</sup> and in countries which are not seco priorities.**
- **SDC should revisit the relationship and approach seco with a view to developing mechanisms ("joint PRSP platform") that will enable systematic exchange and co-ordination in dealing with conceptual and operational PRSP-related issues. This platform would support and strengthen policy dialogue between SDC & seco on a shared Swiss approach to PRSPs.**
  - **Where government capacity to effectively manage resources exists, SDC and seco should as a matter of policy, consider providing general budget support and/or sector budget support to contribute to PRSP implementation. Such support could be provided at national, provincial, sectoral or local level.**

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<sup>3</sup> Joint programmes are on the rise, as are in Burkina Faso or Kyrgyz Republic. However, Vietnam is a priority country for SDC as well as for seco but the cooperation among them has not yet reached the level of a joint programme.



- 8 SDC should ensure that adequate personnel and financial resources are available to invest in knowledge sharing and learning by their own staff as well as by their partners.**
- **SDC should create a mechanism to systematically provide staff with PRSP related information from all of SDC and seco, Washington, donors and independent analysts. The system should be proactive, but enable users to retrieve more detail - so a PRSP newsletter plus web-based access would be appropriate.**
  - **SDC should establish an information module for PRSPs that encourages COOFs to provide basic information to a standard format as part of SDC's routine planning, budgeting and reporting cycles.**
- 9 SDC should review its institutional mechanisms for strengthening internal (within SDC) and inter-departmental linkages <sup>4</sup> and drawing out and sharing experience on themes in the context of PRSPs. This includes offering an annual and joint PRSP/budget support/macro-economic/SWAP specific training and experience exchange for SDC "field" and headquarters staff.**
- **SDC should consider how as an agency, it can develop a sense of ownership of collective effort (shared satisfaction in achievement and responsibility for failures).**
- 10 SDC and seco need to ensure that their engagement in PRSPs is properly communicated to the political support base at home to ensure Swiss domestic ownership for shared donor activity**
- **SDC should explore the potential for positive synergies with Swiss NGOs on PRSPs, both at policy and programme level.**

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<sup>4</sup> This would include links with seco and other Swiss official agencies concerned with co-operation.

### 3 Introduction and methodology

This report synthesises the findings of an independent evaluation of SDC's bilateral involvement in the processes of elaborating and implementing Poverty Reduction Strategy Papers (PRSPs).

The evaluation was commissioned by SDC in June 2002. The objective was not to evaluate PRSPs themselves, but to assess how SDC as a bilateral donor was engaging with PRSPs: the contribution SDC was making to the process and how SDC's approach was being affected by the emergence of PRSPs as the dominant framework for cooperation and poverty reduction. The Approach Paper at annex 4 provides a detailed explanation of the objectives and methodology of the evaluation.

The evaluation comprises three major elements:

- An SDC-wide survey (SWS) of SDC's experience of PRSPs to date. This survey involved an examination of documents and interviews with a wide range of headquarters-based staff to take stock of experience and identify key issues to be followed up in discussions in Bern and the case study countries.
- Case studies visits were made to four SDC partner countries (Kyrgyz Republic, Burkina Faso, Nicaragua, Vietnam) to look in detail how SDC, government, other bilaterals, multilateral agencies, NGOs and civil society interact on PRSP processes.<sup>5</sup> Each case study mission was conducted by a member of the evaluation team working a local counterpart. Initial findings from the country visits were fed back to stakeholders in each country at end of mission workshops.<sup>6</sup>
- This final report is a synthesis, bringing together the major findings from the SDC-wide survey and the four case studies, and making recommendations to SDC on how to improve its role in the PRSP processes.

Both the SDC-wide survey and the case study reports are available from SDC on request.

A wide range of documents from SDC, other bilateral, multilateral and non-governmental organisations were examined for the evaluation. Bibliographies are attached to the SDC-wide survey report and the individual case study reports.

Interviews for the evaluation were guided by a common set of key questions designed to explore the issues set out in the approach paper. A full list of persons consulted is attached at annex 3.

The evaluation has been carried out by Judith Randel and Tony German of Development Initiatives (UK) [www.devinit.org](http://www.devinit.org) and Richard Gerster and Sonja Zimmerman of Gerster Consulting (Switzerland) [www.gersterconsulting.ch](http://www.gersterconsulting.ch)

The evaluation team would like to express its thanks to everyone who found the time to contribute to the evaluation process. Particular thanks are due to counterparts for their work in

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<sup>5</sup> The case study countries were identified by SDC.

<sup>6</sup> In Vietnam, feedback was presented to SDC staff in a briefing, whereas in the other countries an end of mission workshop was conducted involving stakeholders from other agencies and government.

organising and participating the case study programmes and co-authoring the case study reports. Thanks are also due to SDC country offices for their help in arranging visits.

### **How to use this report.**

It is important to underline the difficulty of attributing impact on the process or content of PRSPs to the actions of an individual donor such as SDC.<sup>7</sup> In principle, PRSPs should be nationally led rather than too heavily influenced by donors. PRSP processes are expected to be participatory and collaborative, promoting a national consensus on poverty. PRSPs also encourage donor co-ordination and joint action. All these factors mean that tracing the chain of causation between the actions of one agency and impact on process or content is not straightforward.

The terms of reference for this evaluation emphasise quite strongly the bilateral role and impact of SDC. So the SDC-Wide Survey and Case Study Reports aim to illustrate SDC's particular role by:

- Reflecting perceptions of different stakeholders (allowing for biases of politeness)
- Presenting actions taken by SDC and others under PRSP processes
- Making some judgements

This report aims to synthesise the evidence, draw conclusions and make specific recommendations. In the text that follows, conclusions are in bold italicised text and recommendations are in bold text and underlined.

## **4 Assessment and analysis**

### **4.1 The significance of PRSPs**

In September 1999, it was agreed at the Annual Meetings of the World Bank Group and the IMF that 'nationally-owned participatory poverty reduction strategies' should provide the basis of all World Bank and IMF concessional lending and debt relief under the enhanced HIPC initiative. By January 2003, 21 nations had completed Poverty Reduction Strategy Papers (PRSPs).<sup>8</sup> More than seventy five developing countries were at some stage of the PRSP process by March 2003.<sup>9</sup>

***Most of Switzerland's bilateral peers in the DAC have taken steps at policy level to link their approaches to PRSPs.***<sup>10</sup> At the level of programming, PRSPs have not yet resulted in substantial changes in spending patterns. But it is clear that the PRSP environment is encouraging many bilateral donors to explore the potential for new approaches: sectoral programmes; capacity building in support of nationally developed programmes; increased budget support. This shift reflects a widespread perception within the donor community, that a move from a project based, to a more programmatic approach founded on national ownership,

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<sup>7</sup> SWS 8 and 2.4

<sup>8</sup> <http://www.worldbank.org/poverty/strategies/overview.htm>

<sup>9</sup> <http://www.worldbank.org/poverty/strategies/boardlist.pdf>

<sup>10</sup> The case study donor synthesis gives many examples of donor engagement and refers to evidence from the October 2001 SPA Donor engagement study.

is more likely to result in sustained reduction of poverty. PRSPs also offer a framework within which donors can pursue harmonisation, co-ordination and can reduce the burden of transaction costs on developing countries

### **In most countries, COOFs are engaging with PRSPs**

Despite PRSP shortcomings noted below, it is clear that the potential benefits that PRSPs offer the donor community are significant. This is reflected in the fact that most bilateral donors are in fact engaging with PRSP processes - although the form of engagement varies widely according to donor policy, capacity and the circumstances in each country.

In the case of SDC, the evidence to date is that most country offices are engaging with PRSP processes. In eight countries including the Kyrgyz Republic (case study country), Mali and Niger (SDC priority countries 1999-2002), SDC has not engaged with the PRSP process for country specific reasons.<sup>11</sup>

#### **4.1.1 SDC, comparative advantage and motivation for engagement**

SDC's institutional strengths are seen to be:<sup>12</sup>

- strong SDC representation leading to perceptions of Switzerland as a reliable partner
- depth of country experience and capacity at sub-national level
- relative autonomy leading to COOF flexibility
- long term country commitment
- willingness to work within host country dynamics,
- commitment to domestic stakeholders and parliaments
- a respectful style
- independence from major donor blocks - no hidden agenda
- consistency in basic principles
- a shared understanding of sustainable development across the agency
- holistic thinking as an institution

#### **Motivation for SDC engagement**

There appear to be two strong motivations driving Swiss participation in PRSPs. The first is that PRSP priorities fit closely with SDC and seco priorities and approaches.<sup>13</sup> The second is that PRSPs are considered to be the dominant modality and that if Switzerland wants to avoid marginalisation as a donor, it needs to engage in the process.

While there is consensus on the first point, there is less on the second. Some people feel that PRSPs are simply the IFIs taking on what Switzerland has been practising for years - but in a cruder form. There is suspicion that PRSPs are just another IFI/donor fashion and that Swiss cooperation should not be knocked off course by over-attention to them.

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<sup>11</sup> See SDC-wide survey (SWS) 2.1.

<sup>12</sup> Some, but not all of these strengths apply to Seco.

<sup>13</sup> This is not always a motivation. For some people the PRSP is seen as the IFIs taking on what Switzerland has been practising for years.

But amongst people who take a positive view of PRSPs, the arguments for SDC engagement include the following:

- Both SDC and PRSPs emphasise ownership and accountability; decentralisation and democratisation; participation and partnership. <sup>14</sup> PRSPs provide opportunities to push these agendas.
- The importance of PRSPs in the international policy community
- Opportunity to push SDC's poverty agenda; some people focus on a specific part of the agenda such as environment.
- Opportunities for donor co-ordination and harmonisation
- A raised profile for Switzerland
- Opportunities for enhanced SDC-government dialogue

Believing that Switzerland should engage, does not mean giving uncritical support for the existing PRSP process. Many SDC staff trying to use PRSP processes can nevertheless see their shortcomings. These shortcomings are seen to be focused most strongly around ownership and participation:

- government ownership is seen as weak in many cases;
- civil society participation is often seen as tokenistic; opportunities to include cross-cutting issues such as gender or environment are often not taken up
- there is little perceived accountability to domestic stakeholders, particularly parliaments;
- there is suspicion that PRSPs are donor-driven, just the latest form of conditionality and with little real potential for ceding initiative or control to southern governments.

A substantial criticism of PRSPs mentioned during the evaluation, is that the focus of PRSPs is on intra-country causes of poverty. The PRSP framework provides no opportunity for addressing the many external obstacles to poverty reduction - in particular the specific policies of OECD countries (especially on trade) which have a direct and often detrimental impact on the economic prospects of individual developing countries.

Other criticisms argue that PRSPs lack focus - they are so broad that any policy or intervention can be justified under them. At the same time, there is also criticism that PRSPs raise unrealistic expectations and are based on over-optimistic estimates of progress and growth.<sup>15</sup>

There are also structural reasons why people resist engagement. Substantive engagement by Swiss Co-ordination offices in PRSP content and process is very time consuming and labour intensive - demanding engagement at many different levels.

However, there is also a sense that people are consciously keeping their doubts in check, since in theory PRSPs are based on principles that they agree with. Thus the potential advantages of PRSPs are seen to make it worthwhile engaging - giving the processes the benefit of the doubt.

It is clear from the case studies that PRSPs are a major opportunity for a small volume donor that wants to make a strategic impact on poverty.

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<sup>14</sup> SWS 3.1

<sup>15</sup> Careful reading of the case study reports shows that SDC has often commented on over-optimistic assumptions being made by the IFIs in relation to PRSPs.

Switzerland has a number of comparative advantages that come to the fore in this environment in terms of values and policies, working methods and style. SDC seems to be able to operate effectively at a political and donor co-ordination level. Its already good reputation as a donor has been reinforced. It is perceived as reliable, committed, intelligent in the use of its limited finance; a team player which brings bilateral capacity to the table.

**SDC and seco should engage energetically with PRSP processes, because there are strong synergies between Swiss development cooperation objectives and the objectives underpinning the PRSP approach.**

**SDC's and seco's engagement should take full advantage of Swiss comparative advantages in areas of significance for PRSP engagement:**

- **Flexibility, style and autonomy of COOFs which make them well-suited to working in a PRSP (government led) environment**
- **Decentralisation and federalism - working at municipal and local level**
- **Public finance, including grant funding, debt management and innovative financial mechanisms**
- **Accountability to domestic stakeholders including parliaments (national, provincial & local level) and civil society**
- **Private sector development, including micro, small and medium enterprise promotion, human resources development and the mobilisation of private capital**
- **Long term country commitment - willingness to work within host country dynamics**
- **Commitment to making work at the grassroots count in policy dialogue**

#### **4.1.2 Who decides on engagement? Need for a High Level Statement and guidance notes.**

The SDC-wide survey found a strong consensus that engagement in a PRSP process was a strategic choice - not a foregone conclusion.

In theory SDC top management, programme staff at SDC in Bern and COOF staff are all involved in deciding on engagement with PRSPs. But in practice, much depends on the assessments and inclinations of COOF staff who directly observe the context, process and opportunities.

Many people consulted feel that process of decision making on PRSP engagement needs to be clearer and that a high level statement noting the potential of PRSPs would help to ensure that COOFs take a strategic view of what SDC could achieve by engaging in national processes.

This should not obscure differences about the value and importance of an SDC policy on PRSP engagement - ranging from the demand for a firm and prescriptive policy to a view that PRSPs are just one paradigm among many and will have faded away in five years.

***The evidence from the case studies is that the PRSP process is significant, that it should not be ignored and that Switzerland has certain comparative advantages in the PRSP context.***

Case study interviews suggested that country offices of other donors were often unaware of much guidance from their head offices on PRSPs. But the donor survey shows that over the last

two years, most donors have produced policy statements underlining the significance of PRSPs and in some cases offering useful guidance on how offices can engage.

Evidence suggests that where COOFs have engaged with PRSPs, Switzerland has managed to make a significant contribution. But to date such positive engagement has depended too much on personal experience, capacity and interest.<sup>16</sup>

Given the current significance of PRSPs and their perceived potential, there is a strong case for a high level statement underlining the importance of PRSPs and identifying the main areas of perceived SDC comparative advantage.<sup>17</sup>

**SDC should produce a high level statement underlining the importance and potential of PRSPs to provide a framework for SDC-wide engagement.**

**This would:**

- **provide a framework for COOFs to account for their level of engagement**
- **make clear the importance of PRSPs to SDC and seco as a whole**
- **provide the conceptual overview underpinning any changes in structure or mechanisms that SDC adopts to support its engagement in PRSPs.**

**Considering the strong linkages and respective comparative advantages, there is a strong case for producing a joint statement with seco.**

**SDC should consider complementing this high level statement with guidance notes which could underline principles of SDC engagement and signpost people to sources of advice and information.**

#### **4.1.3 The status of each PRSP is country specific**

Perceptions on the significance of PRSPs as national planning documents vary substantially as both the SDC wide survey and the case study visits illustrate.<sup>18</sup>

In Nicaragua, even critics of the PRSP acknowledge that it was the first attempt to produce an overall plan for development. But in other case study countries, the PRSP is seen in the context of other planning and budgeting exercises undertaken by both government and donors. In the Kyrgyz Republic for example, the PRSP process ran in parallel with a major Comprehensive Development Framework process led by the World Bank. In Burkina Faso, the PRSP followed the 1995 production of the government's own national development and poverty reduction strategy. In Vietnam, the PRSP is seen as a plan which helps provide a framework for implementing the strong government's own ten year socio-economic strategy.

The status of PRSPs also changes - they are not cast in stone. During 2003 a number of countries will be updating their PRSPs. The Bolivian coalition government has come to office with its own 'Plan Bolivia', outlining a development agenda for the period up to August 2007. This plan is broader than Bolivia's PRSP and makes no mention of it. ***So as in Nicaragua, effort will be needed from all stakeholders to revise PRSPs and in some cases integrate them with other strategies. This has clear implications for monitoring PRSP implementation - monitoring may have to adjust to a moving target.***

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<sup>16</sup> SWS 4

<sup>17</sup> This would be warmly welcomed by a good number of those interviewed.

<sup>18</sup> SWS2

Evidence from country case studies underlines the importance of COOFs responding to local PRSP realities, so the high level statement should not be seen as blueprint. But **every COOF should be required to set out its programme content and the strategic rationale for its level of PRSP engagement, explaining how portfolios measure up to PRSP priorities and why the programme choices made are appropriate in the country context.** This approach will retain local flexibility, whilst ensuring transparency and accountability for a strategic decision.

### **COOFs work independently and flexibly**

***The implications of the country-specific and evolutionary nature of PRSPs described above, is that SDC needs to be flexible.***

Interviews for the SDC-wide survey and case studies underline SDC's flexibility. This enables COOFs to respond to local circumstances. ***It is an important strength, especially as more emphasis is placed on national control of the development process - which implies donors having to be more responsive.***

Evidence from case study countries shows that the level of SDC PRSP engagement depends principally on the local political situation and country-specific opportunities, but also to some degree on the capacities and inclinations of SDC staff.

Both the SDC-wide survey and the case studies have produced clear evidence of SDC 'using its flexibility and independence' to make a bilateral contribution to PRSPs.<sup>19</sup>

In Burkina Faso, the COOF and seco sponsored a civil society study and workshop - resulting in recommendations being implemented on NGO engagement in PRSP follow up. In Vietnam, Swiss flexibility makes it a particularly influential member of the Like Minded Donor Group; SDC's independence enabled it to choose a bilateral focus on urban development as a priority sector. This has resulted in influence on the process, content and implementation of the PRSP.

***So whilst there are good reasons noted above for SDC and seco to have a high level statement of commitment to PRSPs, and guidance which will provide a framework for greater Swiss engagement, SDC should be careful not to compromise the flexibility and relative autonomy of the COOFs. This flexibility could include acceptance by Bern and Washington of a reasoned justification for a COOF decision not to engage with a PRSP.***

## **4.2 PRSPs provide opportunities for harmonisation and working with like minded donors**

PRSPs are clear statements of principle in favour of co-ordination and pooling. They have reinforced and accelerated donor progress in these areas. ***In the opinion of the evaluation team, SDC's commitment to more effective donor cooperation and developing country ownership can be furthered using the PRS process.***

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<sup>19</sup> SWS 6



There is evidence from the case studies that PRSPs are providing opportunities to apply some of the principles being developed by the DAC Task Force on Donor Practices (TFDP) - in which Switzerland has played an important role.

The case of Burkina Faso shows the risks of adopting a result oriented conditionality<sup>20</sup> instead of more orthodox input oriented conditions. Taking harmonisation seriously, the donors should make an effort to arrive at an agreed common conditionality. Switzerland should try to influence the process to ensure that conditionality leaves room for dialogue and adaptation during the joint annual review, so that all parties have some room for manoeuvre.

### **Working with like-minded donors**

Interviews for the SDC-wide survey revealed some lack of confidence about SDC's ability to be effective in PRSP work, except as part of a donor group. The fact that Switzerland is not part of a larger block of donors, was perceived by some people as marginalisation from the mainstream. In the case studies however, it seems clear that Swiss independence can be an advantage and Switzerland has been a welcome and active member of like minded donor groups (LMDG). Far from being on the margins, its 'non-aligned' status gives more weight than, for instance, an additional EU donor.

Membership of the LMDGs, for example in Vietnam, has not compromised Swiss bilateral dialogue - in fact it appears to have strengthened it. This dual role has not resulted in a quantum leap in dialogue with government, but it has extended SDC's opportunities for influence. This influence takes three forms: influence on other donors; influence on government through joint working with other donors; bilateral influence on government. These three prongs interact to enhance Swiss credibility and visibility. Engagement with other donors appears to be a win-win situation for Switzerland.

Both in Bern<sup>21</sup> and at country level, SDC staff have explained how donors have worked together to respond to PRSPs. In many cases the subset of donors involved in like-minded groups have provided a forum for donors to exchange information and views, reach common positions and sometimes take joint initiatives. In Nicaragua for example, the LMDG initiated the anti-corruption fund and members share studies and are actively looking for co-financing opportunities and ways of helping to create conditions conducive to sectoral approaches.

In Vietnam, the LMDG has produced analyses of the PRSP itself and, for instance, of how the priorities in the PRSP have been translated into the budget process. Such shared analysis provides a foundation for common advocacy and planning with the government and for joint programmes, such as work on building government capacity to manage budgetary support. In-country donor representatives may be changing roles as a consequence of joint procedures. Instead of lobbying partner governments, they turn to their own capitals and advocate in a coordinated way the joint, locally agreed programme.

In Burkina Faso, joint follow up procedures have been established which relieve the government of some of the reporting burden<sup>22</sup>. In addition, a common fund is being established for

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<sup>20</sup> The variable part of the European Union's contribution to the joint budget support depends on the achievement of precisely defined output indicators. In case the indicators are not up to the targets agreed, there is no room for discussion or negotiation that may create new problems for both sides.

<sup>21</sup> SWS 6

<sup>22</sup> There is a trade-off on harmonisation to be mentioned here. Harmonisation can also mean coordinated, joint missions, leading donor headquarters representatives to cancel individual and less formal meetings with partners, in

institutional support to implement the PRSP. Switzerland is engaging at country level in pooling mechanisms such as trust funds and co-funding arrangements that provide greater co-ordinated financing.

### **Size doesn't matter much - intelligent use of limited finance does**

***A key question underlying this evaluation and discussed in many interviews is whether Switzerland, as a small donor in volume terms, could nevertheless add value and have a significant influence. The weight of both evidence and opinion is emphatically yes.***

In the case study countries where Switzerland is only contributing 1% to 3.5% to annual aid receipts, Switzerland is at least an equal partner in like-minded discussions. In its dealings with government, Switzerland's style and contribution on particular issues, rather than level of financial commitment, seem to be the main things that determine government attitude. A significant theme from government relates to reluctance to increase indebtedness and therefore a strong preference for the grants that Switzerland provides, rather than loans.

Clearly being a very large donor like Japan or the USA does give extra leverage. ***But below this level, it does not seem that recipient governments base their perceptions only on volume of support - long term Swiss commitment appears to be genuinely appreciated.***<sup>23</sup>

The greater co-ordination of donors under the PRSP also creates opportunities to use Swiss finance as a catalyst, leveraging in additional funds. In Vietnam, the COOF has played a leading role in creating a climate of confidence for investment in urban poverty. While it has only US\$2m to spend on the urban sector, the World Bank and others may have \$1.5b.

There is one caveat on volume - while the baseline may not be that important, major changes are likely to be interpreted as indicators of Swiss commitment. ***If the volume of Swiss assistance to individual countries is allowed to dwindle too far, it may lead to a perception of reduced Swiss interest, which could have a significant and negative impact on Switzerland's role.***

PRSPs have led to more joint work with other donors. **Switzerland should seek alliances with like-minded donors whilst maintaining bilateral relations with government.**

**Switzerland should build on the greater cooperation between donors under the PRSP framework, as a vehicle for pursuing the harmonisation agenda outlined in the DAC TFDP process.**

**Switzerland should maintain its flexible approach when helping to shape common conditionality, advocating an overall assessment of the PRSP, rather than linking disbursements narrowly to output criteria.**

**SDC programming (bilaterally and with other donors) in support of PRSPs should avoid the establishment of parallel mechanisms and emphasise the use of domestic structures for which there is accountability to local stakeholders.**

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favour of the joint formal process. This may lead to a loss of background information and understanding of local situations which, in the longer run, may become a problem as key donor decisions usually are taken in the capitals.

<sup>23</sup> Nicaragua is a good example.

## 4.3 Strategic Approaches to PRSPs

### 4.3.1 PRSPs are important, but do not stand alone as a comprehensive framework

It is common ground that PRSPs put the policy spotlight onto poverty, provide a framework for dialogue between donors and developing country stakeholders (central government, local government, NGOs and civil society) and provide some mechanism for monitoring progress on poverty reduction.

However the scope, purpose and status of PRSPs varies between countries and between different stakeholders.

The evidence from case study countries, interviews for the SDC-wide survey and from other analyses of PRSPs examined for this evaluation, suggests that whilst PRSPs are significant, they certainly do not provide the only, or a comprehensive framework for development in all countries.

Some donors, particularly the IFIs, tend to act as though the PRSP was the only - or at least the superior - plan. However, governments take a much more nuanced position and even different ministries may take different views on the status and purpose of the PRSP. As a minimum, it may be seen as a document whose primary purpose is to provide a framework for donor co-ordination, "a necessary transaction cost".

In Vietnam the PRSP document has a diagram showing the location of the PRSP in relation to other government, ten-year, five-year and annual plans. But there are still differences of view about how close the relationships should be between the PRSP and the budget.

While everyone agrees that PRSPs are much broader than sector plans, the evidence from the case studies suggests that governments see them as the poverty reduction aspect of the development agenda. (see discussion on broad based growth below). For example, infrastructure in Vietnam is not (currently) prioritised in the PRSP, but it is a major plank of the government's 10 year plan. It is symptomatic of the importance of the PRSP in Vietnam, that Japan is advocating a new chapter on infrastructure for the PRSP so that its investment in that sector comes under its aegis.

In Nicaragua there are big differences in understanding about welfare, productivity and broad based growth - and a consensus that the PRSP is too much orientated towards social welfare. There is also real uncertainty about how the new government's growth focused Estrategia Nacional de Desarrollo (END) relates to the PRSP - which is seen by many as the first real attempt at a national development plan.

***The strategic choices that SDC and seco make about engagement will rest on the status and authenticity of the PRSP in each country. Understanding the local status of the PRSP is therefore a precondition for effective strategic engagement. The case for the country approaches of SDC and seco taking full account of each country's PRSP is persuasive. But it is clear that COOFs must also take into account the wider social, economic and political environment.***

Case studies show that in some instances, PRSPs are seen as focusing on poverty to the exclusion of growth and other government development priorities. **SDC should support an integrated perspective, with PRSPs being not only about social but also about productive sectors, and poverty reduction being not only a government affair, but also a responsibility of the private sector and civil society.**

Whilst PRSPs are significant, they do not always provide a comprehensive framework for development. **COOFs must ensure that their approaches take full account of government strategies and the status of each country's PRSPs in its specific political and economic context.**

#### **4.3.2 Economic debate and alternative policy frameworks**

No evidence has been presented during this evaluation which suggests that Switzerland is offering, or supporting others to offer, alternative policy frameworks under the PRSP. This missing debate on alternatives in the countries visited and among donors is all the more surprising as these questions are raised now by the Bretton Woods Institutions themselves.<sup>24</sup>

The opinion of many people consulted is that the PRSP formula attempts to graft national ownership, a participatory style and a special emphasis on poverty onto a basic approach that reflects prevailing Washington-led economic orthodoxy. Some people feel that PRSPs have done little more in policy terms than add a HIPC related poverty reduction conditionality to the long-term structural adjustment process. Other people note that PRSPs mainly analyse internal causes of poverty, providing little opportunity to address the external obstacles which developing countries face.

Switzerland's independence is a comparative advantage. It is not obliged to follow a party line as a member of particular donor block. SDC's decentralised structure means that different positions can be taken in different countries. Switzerland's strong commitment to the principle of coherence applies here as well. When advocating multifunctional agriculture in WTO negotiations, it is legitimate for Switzerland to also argue against an externally imposed liberalisation<sup>25</sup> of agriculture to the detriment of small farmers. Some people consulted suggested that Switzerland is thus in a good position to stimulate or support the exploration of alternative analyses - to foster research and policy capacity in NGOs, universities and think tanks.

#### **Understanding broad based growth**

Case study evidence also suggests that Switzerland could play a distinctive role in clarifying understanding of some of the concepts underpinning the PRSP process.

Broad based growth is a familiar shorthand within the donor community for the kind of economic growth which is most likely to result in poverty reduction. But evidence from Nicaragua suggests that in some developing countries, the PRSP process has not resulted in clear understanding of the various terms used in discussions on growth and poverty. Issues on which there seems to be confusion include:

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<sup>24</sup> See for example the issue paper and terms of reference by the Independent Evaluation Office of the IMF in view of the forthcoming PRSP and PRGF evaluation ([www.imf.org/external/np/ieo/2002/prsp/index.htm](http://www.imf.org/external/np/ieo/2002/prsp/index.htm)).

<sup>25</sup> In the Joint Staff Assessment (JSA) 2002 on PRSP progress in Burkina Faso, the JSA expects the Government to present its future plans on liberalisation in the 2003 PRSP revision.

- the distinction between growth and broad based growth
- differences between spending on social welfare, investment in social sectors, direct poverty reduction interventions, investments in broad based growth which will reduce poverty.

***Misunderstandings between different stakeholders on what different terms mean can have a big impact on how PRSPs are perceived, and consequently on political commitment and ownership. They are also an obstacle to effective national debate on priorities.***<sup>26</sup>

PRSPs mainly mirror mainstream economic thinking despite a widespread dissatisfaction about the poverty reduction impact of orthodox economic policies.

**SDC and seco could play a distinctive role in public and political education, supporting better-informed debate on poverty and economic priorities.**

**SDC and seco should work together to strengthen national research and policy advice capacities to foster alternative policy options and challenge ineffective mainstream policies. This could include attention to how issues of coherence - external factors contributing to poverty, including OECD policies - could be addressed within the PRSP framework.**

## **4.4 Priorities for Swiss Engagement/Alignment**

### **4.4.1 Most attention to process but some influence on content**<sup>27</sup>

As is the case with most bilateral donors, most SDC activity and support related to PRSPs has focused on process, rather than content. The emphasis has been on various ways of fostering civil society involvement and de-centralised participation both in framing the PRSP and in monitoring its implementation. This is partly a function of the current stage of PRSP development - it has been more about writing than implementation.

Switzerland has a strong tradition of respect for host-country dynamics and processes - perhaps a more empirical understanding of ownership than some other donors. In some cases, such as Bolivia, Switzerland took the view that the donor community had too much input and championed government ownership over donor influence on content.

***The content of the PRSP is important - it should provide the framework for Swiss programming and it can also provide leverage. If issues are prioritised in the PRSP, then progress can be accelerated within government and other donors.***

***Agencies such as SDC with years of experience in poverty reduction work and a lot of technical expertise, need to find ways of ensuring that this feeds into PRSP content.***

SDC's more effective contributions to PRSP content have been based on a clear expertise or specialisation - urban issues in Vietnam, rural drinking water in Lesotho, health sector costings in Tanzania. SDC's ability to replicate country level successes will, to a large extent, depend on its capacity to effectively draw out and disseminate the lessons of experience.

<sup>26</sup> See discussion in Nicaragua case study

<sup>27</sup> SWS 2.

***Though PRSP content should be nationally debated and country-owned, this does not mean that external stakeholders should be shy about contributing to content, provided they do so in a way that is transparent, where possible enhances local capacity and that as far as possible leaves space for local initiative.***

Vietnam provides a good example of this where Swiss engagement has had a demonstrable influence on the treatment of urban poverty in the PRSP but in a way which has strengthened (rather than undermined) government processes and ownership.

### **Process, participation and domestic stakeholders**

To an extent, if there is effective and inclusive participation in the PRSP process, this should help to ensure that the content covers a wide range of issues.<sup>28</sup> ***But there is a danger in donors assuming that maximising participation will necessarily produce optimal content.*** Protracted consultation in Nicaragua still resulted in a PRSP which most people now agree is seriously deficient in its treatment of the growth that is critical to sustained poverty reduction.

The case studies, especially Nicaragua, suggest that more thought needs to be given to the added value that various stakeholders bring to the PRSP process at different stages and on different types of decision and activity. Participatory approaches are very time consuming for all parties involved - there are opportunity costs for every stakeholder. It is important therefore, that careful thought is given to what knowledge, expertise and legitimacy different parties bring, at each stage of a process.<sup>29</sup> The Nicaragua study particularly highlights the issue of ensuring that participatory approaches do not run counter to principles of representative democracy.

In case studies countries, the role of national assemblies in PRSPs has been rather limited. Some interviewees suggested that Switzerland could draw on its own experience of balancing participatory and representative democracy, to make a more substantive contribution in this area within the context of PRSPs. This could mean exploring more actively the potential for Swiss support for parliamentary engagement in PRSP processes.

***Switzerland, as a donor with a confident tradition of participatory approaches (both at home and overseas), is well positioned to take a hard look at these questions and at the relationship between civil society participation and government ownership.*** Some interviews suggested that over-emphasis on participation (and the failure to distinguish it from consultation) can raise unrealistic expectations that can turn to cynicism.

Most donors have focused heavily on PRSP process rather than content. It cannot be assumed that if the process is inclusive, then content will take care of itself. Evidence shows that substantive engagement on content is both possible and improves the overall PRSP. **SDC should not assume that contributing on process is an alternative to focusing on content.**

**Especially where government's own capacity for developing PRSP content is constrained, SDC should actively seek country-specific opportunities to influence content, whether in specific sectors, or by addressing the broad thrust of policy.**

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<sup>28</sup> SWS 3.3 page 21.

<sup>29</sup> To put the issue in practical terms, do the government minister, the central banker, the peasant farmer, the private sector representative, the town mayor and the NGO worker all have the same to contribute at each meeting - and where their perspectives differ, how should views be reconciled?

**Switzerland should be rigorous and forthright in its approach to process and could make a distinctive contribution by encouraging hard-headed analysis of the added value of participation.**

#### **4.4.2 Aligning programming with PRSP goals**

PRSPs have not resulted in very major shifts in SDC's approach. Rather PRSPs have resulted in incremental changes or have reinforced trends already underway.

- Donors had been gradually increasing their focus on poverty through the 1990s, spurred on by a series of events and processes.<sup>30</sup> PRSPs reflect and provide another means of operationalising this poverty focus.
- Donor emphasis on participation and partnership were also themes which developed very strongly during the 1990s; many bilateral donors including Switzerland were pursuing increasingly participatory and partnership based approaches well before PRSPs were conceived.<sup>31</sup>
- The 2000 DAC Review of Switzerland noted that SDC was broadly in favour of sectoral approaches and prepared to provide budgetary assistance where national governments had the capacity to frame and implement programmes.<sup>32</sup>
- Switzerland was also active in promoting better donor co-ordination before PRSPs became a major modality.<sup>33</sup>

***There is a strong synergy between the values and priorities governing Swiss development cooperation and those governing PRSPs. Poverty is the formal and explicit over-arching goal of Swiss development cooperation; equitable, long term partnership are seen as the starting point for development. The PRSP process can support the implementation of the SDC 2010 strategy and also provide a frame of reference for country programmes.***

On policies and priorities, there is a consensus that PRSP and SDC policies are based on the same elements of:

- Ownership and accountability
- Decentralisation and democratisation
- Participation and partnerships

Evidence from interviews suggests that PRSPs present opportunities to do more in many of these areas, but there are no major issues of principle that SDC needs to take a new position on.

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<sup>30</sup> The 1990 World Bank Poverty Report, the Bank's Wapenhans process, the series of UN Summits, the DAC Shaping the 21<sup>st</sup> Century Strategy and the establishment of the International Development Goals (now incorporated within the Millennium Development Goals).

<sup>31</sup> SDC's 1999 Guiding Principles underline partnership and list participation as a key value.

<sup>32</sup> SWS 3.2 and see The DAC Journal, Vol 1, No 4, OECD, Paris 2000.

<sup>33</sup> The DAC Journal, Vol 1, No 4, OECD, Paris 2000, II-67.

SDC's 5 year planning cycle is long in relation to several bilateral donors. Since PRSPs were only initiated in 1999, it is quite early to expect wholesale programming alignment with PRSPs. However there is clear evidence that in many countries, PRSPs are influencing country programme planning quite significantly.<sup>34</sup> In Mozambique for instance the PRSP is used as the frame of reference for the PPP and is an indicator in the monitoring of the country programme 2002 - 2006.

In some countries the shared agenda between SDC and the PRSP has led to 'coincidental' alignment: for instance in Tajikistan the PRSP and SDC have both prioritised governance and health - but independently.

There is also clear evidence, for example from Vietnam, that SDC has made changes to achieve stronger alignment with the PRSP - this has included choices of geographical areas, sectors for support and methods of working - using pooled finance or working under the umbrella of a government ministry.

Both the SDC-wide survey and case study interviews in Nicaragua, Burkina Faso and Vietnam, suggest that PRSPs have added impetus to peoples' readiness to consider programme support. The PRSP has been a facilitating element in favour of budget support in the cases of Vietnam, Burkina Faso and Mozambique. Whilst the actual spending of most donors remains focused on projects rather than programmatic, many people interviewed clearly feel that over time there will be a shift toward programme funding in line with PRSP expectations - and that this shift has already started. However, the case study evidence suggests that there is still room for projects. Projects can have demonstration effects. ***Swiss grant funding is particularly appropriate for financing projects for which governments may be unwilling to borrow, projects can also be useful pilots.***

Bilateral country programming should increasingly reflect the realities of PRSPs in each country. **SDC should require COOFs to explicitly address alignment with PRSPs in their planning, budgeting processes and sector approaches. When accounting for their approach, COOFs should explain how programme content and the approach they are taking is appropriate in the context of the PRSP.**

**Where credible PRSPs are being implemented, PPPs could be replaced by programming that specifies Switzerland's part in achieving PRSP and Millennium development goals.**

**Authentic engagement by Switzerland in PRSPs implies willingness to subsume Swiss identity in sectoral approaches; the use of PRSP dialogue, rather than conditionality to agree priorities; a willingness to adopt budget support unless there are persuasive arguments in favour of project based spending.**

## 4.5 Institutional implications

***Whilst PRSPs have not resulted in dramatic changes in SDC's approach, there are institutional implications arising from PRSPs which do need to be considered.***

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<sup>34</sup> See for example SWS 3.2 and case study on Nicaragua section 4.3 and Vietnam section 6.1.



#### 4.5.1 SDC and seco

The activities of SDC and seco are both based on the law of development cooperation and humanitarian aid. They follow the same principles and implement identical legal objectives, in particular concerning poverty reduction. Whereas SDC as the lead agency and part of the Ministry for Foreign Affairs works on a broader set of development related areas, seco as part of the Ministry for Economic Affairs focuses on economic issues.

Development and poverty reduction essentially means to generate income-earning opportunities, not only the provision of social services. This undisputed insight is reflected in both strategies of seco and SDC. It is, of course, conducive to an overlap of activities in practice. Over the years, two operational differences have emerged:

- SDC (1) starts with the country context when defining its areas of activities; (2) its operations are highly decentralised;
- Seco (1) puts its economic and trade-related instruments first when choosing areas of activities, followed by a thorough analysis of the country context; (2) seco practices a more centralised guidance with an increasing delegation of responsibilities to the field.

General budget support is mainly a seco instrument and has only rarely been practised by SDC. However, key SDC competencies like governance are directly relevant to provide general budget support. Moreover, SDC's grassroots' experience is fundamental for an effective budget support and macro policy dialogue on seco's side. In that sense both institutions can work very much in a complementary way. The overall trend to sector and budget support makes a clear division of labour at the headquarters level even more urgent – at the COOF level SDC and seco often are under one roof anyway (among the case study countries, Vietnam with separate offices being the exception).

Sector budget support<sup>35</sup> is mainly an SDC competence. It is based on the practical experience in the sector of health, agriculture, etc. and as a concept does not only include the government but also other partners as are civil society or private sector entities. As such, it is close to the PRSP approach that also includes other stakeholders beyond Government.

Despite the differences in approach, it is obvious that dealing with PRSPs is a common challenge for both SDC and seco. According to the evaluators' experience, it is not so much a challenge for the COOFs but first and foremost for SDC's and seco's headquarters. The present institutional set-up does not (yet), however, reflect these common concerns and potential synergies. A common platform of mutual exchange of experience and policy discussions is missing.

Together, the expertise and experience of SDC and seco could enable Switzerland to develop a distinctive role in helping countries engaged in PRSPs to have more fruitful and wide ranging national debates on economic-poverty linkages. Both SDC and seco capacities could for example be harnessed in a Swiss initiative to widen economic literacy which could include support for civil society involvement in budget work.<sup>36</sup>

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<sup>35</sup> Sector budget support is better known as Sector Wide Approach (SWAP).

<sup>36</sup> Economic literacy in this context means having enough familiarity with economic concepts, processes and terminology to engage effectively in discussions about issues such as the relationship between growth and poverty reduction and priorities for government investment.

Inherent in the PRSP approach is the idea that poverty must be seen in its broad macroeconomic and political context. Macroeconomics has traditionally been the purview of seco more than SDC, whereas the sector approaches are closer to the traditional domains of SDC intervention. The case studies demonstrate that SDC and seco can work together effectively in the field, but the responsibility of seco for budget support and the Washington policy dimension of PRSPs point to the need for a more joined up approach and better cooperation at headquarters level.

The triangle is complicated by a structure in Bern involving SDC and seco in PRSPs submitted to the World Bank, and SDC, seco, the Federal Department of Finance and the Swiss National Bank when related to the IMF (PRGF). Closer working together on PRSPs should help ensure a coherent approach involving all the different departments responsible for Bretton Woods affairs in Bern.

**SDC and seco need to ensure a clear division of labour and cooperation concerning PRSPs, both in cases where there are joint programmes<sup>37</sup> and in countries which are not seco priorities.**

**SDC should revisit that relationship and approach seco with a view to developing mechanisms (“joint PRSP platform”) that will enable systematic exchange and co-ordination in dealing with conceptual and operational PRSP-related issues. This platform would support and strengthen policy dialogue between SDC & seco on a shared Swiss approach to PRSPs.**

**Where government capacity to effectively manage resources exists, SDC and seco should as a matter of policy, consider providing general budget support and/or sector budget support to contribute to PRSP implementation. Such support could be provided at national, provincial, sectoral or local level.** General budget support is first and foremost seco's competence, nurtured by SDC's field experience, whereas sector budget support lies within SDC's domain. But in reality given fungibility, the distinction between generalised and sectoral budget support may be blurred. This is an issue which closer collaboration should help to resolve.

#### **4.5.2 Human resources, cultural changes and joined-up approaches**

In all parts of SDC people are very conscious of the time demands arising from engagement in the PRSPs and are reporting changes in work practice - more 'theoretical' work, more meetings, the need for information. Coupled with this are concerns that the systems within SDC are not yet in place to support this changed work - these concerns focus around information flow, inter-departmental linkages, staff rotation and knowledge sharing.

As discussed above, at the heart of the PRSP approach is the idea of a nationally developed strategy for reducing poverty. Debate on social, economic and therefore political priorities are fundamental to PRSPs. ***And as COOFs develop their own programmes within this context, they need both the time and the capacity to monitor, analyse and respond to a complex economic and political environment.***

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<sup>37</sup> Joint programmes are on the rise, as are in Burkina Faso or Kyrgyz Republic. However, Vietnam is a priority country for SDC as well as for seco but the cooperation among them has not yet reached the level of a joint programme.

**COOFs need to draw on the knowledge of SDC more widely, both on specific themes/sectors and on processes. At the same time, SDC as a whole, needs to draw on country-level experience - not least because it sees itself as having a particular role in linking grassroots experience to policy.** But interviews have expressed doubt about whether SDC has the institutional mechanisms for drawing out the grass roots experience in different countries in order to identify clear messages on sectors and processes.

While links between project level work and national policy environments were evident in case study countries, there appeared to be little learning or contact across departments. There is also frustration as different departments get a glimpse of the PRSP work of others, but are unable to draw on it for their own work.

A good example of this is the triangular relationship between Bern, the Washington Executive Directors (EDs) and COOFs. At present it is not clear what priority country offices should give to dialogue with EDs in Washington. There are variations between countries that reflect personal experience and capacity, but overall there was little sense that COOFs and Washington are getting beyond functional relationships to develop a substantive dialogue that could make the most of country experience at international level. In terms of the triangle between the COOFs in partner countries, SDC and seco offices in Bern and IMF/World Bank headquarters in Washington, there needs to be greater clarity and a common understanding of what is expected from each party.<sup>38</sup>

Changes in systems can play a part in helping SDC to make the most of its engagement in PRSPs. But it is more important to ensure that SDC's culture adapts to the PRSP environment. ***In the context of PRSPs, the exchange of information and perspectives between different parts of SDC can no longer be an 'optional extra' - it has to be a mainstream activity. Stronger inter-departmental linkages are needed so that people respond to requests from colleagues not minimally because they have to, but because they can see that responding will assist in meeting shared poverty reduction objectives.***

PRSP related policy dialogue is labour, skill and software intensive. **SDC should ensure that adequate personnel and financial resources are available to invest into knowledge sharing and learning by their own staff as well as by their partners.**

SDC sees itself has having a particular role in linking grassroots experience to policy, both nationally and internationally. But there are concerns that links between COOFs, thematic departments and Washington do not enable SDC to draw together grassroots PRSP experience in different countries, in order to identify clear messages.

**SDC should review its institutional mechanisms for strengthening internal and inter-departmental linkages and drawing out and sharing experience on themes in the context of PRSPs. This includes offering an annual and joint PRSP/budget support/macro-economic/SWAP specific training and experience exchange for SDC "field" and headquarters economists.**

For the future, as development cooperation efforts are likely to involve more shared action and pooled funding, **SDC should consider how as an agency, it can develop a sense of**

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<sup>38</sup> The COOF in the Kyrgyz Republic mentioned that sometimes the official position in Bern is not clear to them due to the complicated institutional set up.

**ownership of collective effort (shared satisfaction in achievement and responsibility for failures).** This has implications for future evaluations.<sup>39</sup>

### 4.5.3 Information systems

***COOF staff are in a pivotal position as far as informing other SDC colleagues is concerned. For people who are not in country, effective engagement depends on effective information flow.*** Many interviewees noted the difficulty of keeping abreast with PRSP developments.

Within SDC (headquarters and field), PRSP related exchange of information on what other bilateral and multilateral donors are doing, or information among the different country programmes is almost non-existent and there is a lack of independent PRSP-analysis. The kind of information that would be useful includes:

The challenge for SDC is to provide information in a form that enables people to see what is available, without overloading them with irrelevant material. This suggests a PRSP newsletter (paper and email), plus web based access to more detailed information.<sup>40</sup>

- Examples of how SDC has engaged to date and how it has used its comparative advantages
- Illustrations of the range of interventions that SDC and other donors have found useful
- Specific advice - for example on the format and content of briefings that Washington based colleagues would find useful
- Cross country lessons - for example on the extent to which there is an expectation that PRSPs will be revised in country or how engagement with NGOs and civil society can be managed.
- Signposting people to further information and training that might be available - for example, what people can do if they feel they need training to help them cope with the macroeconomic analysis that is part of the background to PRSPs.
- Independent analysis of PRSPs and alternative approaches.

Sharing information on PRSPs across SDC is complicated because there are PRSPs in many countries, all working to different timescales and with varying processes and documentation. ***It would be helpful if SDC's own approach to PRSPs resulted in the availability across SDC of some basic information on all PRSPs available in a standard format.***

Information covered, in perhaps 4 to 6 pages, could include: What the PRSP is called, key dates (past and future), assessment of process, major stakeholders, assessment of national ownership, key issues, key /documents/sources, SDC's response covering bilateral action, action in co-ordination with other donors, how the SDC programme takes the PRSP into account.

Evidence from the case studies and SDC wide survey shows a demand for PRSP related information, covering: the activities of SDC and seco activities, including COOFs, Washington and thematic departments, the experiences of other donors and independent analysis.

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<sup>39</sup> SWS 9.

<sup>40</sup> DFID's PRSP Synthesis programme is a good example.

**SDC should create a mechanism to systematically provide staff with PRSP related information from all of SDC and seco, Washington, donors and independent analysts. The system should be proactive, but enable users to retrieve more detail - so a PRSP newsletter plus web-based access would be appropriate.**

**SDC should establish an information module for PRSPs that encourages COOFs to provide basic information to a standard format as part of SDC's routine planning, budgeting and reporting cycles.**

## **4.6 PRSPs and Partnerships**

PRSPs by their nature are multi-stakeholder processes. Partnerships therefore play a particularly important role. Switzerland has comparative advantage in three sectors: decentralised cooperation; parliamentary engagement and NGOs.

### **4.6.1 Decentralisation, Parliaments and representative authorities**

Interviews for the SDC-wide Survey identified a perceived risk that Swiss strengths in working with local government and at grass roots level were not being applied in the PRSP context. But evidence from the case studies demonstrated a strong emphasis on decentralisation and external perceptions of SDC as being well connected at sub-national level. In Vietnam for example, where the PRSP is going into the implementation phase, the COOF is working at municipal and lower levels, on both sectoral issues and on capacity building to enable local ownership of the PRSP.

It is reasonable to assume that Swiss capacity on decentralisation will become increasingly important as more countries implement their PRSPs. As this happens, there will be more opportunity for COOF experience at grassroots level to be translated into policy at national and international level.

Evidence from case studies suggest that while civil society engagement in PRSPs has been given a lot of attention, there is little evidence of effective national assembly/parliamentary involvement - and in some instances, concern that participatory democracy might eclipse the potential for representative democracy.

Switzerland places a particular focus on how Parliaments/Assemblies can better fulfil their roles in relation to PRSPs and their implementation. Either together with other donors or on its own, SDC could consider capacity building in Parliaments on PRSP engagement. This would tie in well with a Swiss focus effort to fostering research capacity on alternative economic perspectives.<sup>41</sup>

Foreign emphasis on PRSPs tends to bias the governments' accountability in favour of donors and can reduce the space for genuine ownership. **SDC should enhance existing processes of accountability towards domestic stakeholders by paying particular attention to the role of parliaments and representative authorities within civil society.**

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<sup>41</sup> See Section 3.3.2.

#### 4.6.2 Engagement with Swiss NGOs

Discussions with SDC in Bern and case study interviews suggest that there is, at present, rather little exchange of information and perspectives on PRSPs between SDC and Swiss NGOs working in programme countries. Swiss NGO experience remains largely untapped for the PRSP process, despite an interest by some NGOs, notably Helvetas, in making a contribution.

Annual SDC discussions in Bern with NGOs receiving programme grants have not made PRSPs a major focus - though the recent annual meeting with NGOs working in Nicaragua did discuss PRSPs. In 2002 SDC organised a forum for dialogue with Swiss NGO partners focusing on poverty and PRSPs. But given the emphasis under PRSPs on participation, decentralisation and coordination, there may be advantages in closer links between COOFs and Swiss NGOs. Examples could include:

- (a) Feedback to COOFs (and in particular to seco) on grassroots perceptions of the PRSP
- (b) Opportunities to exchange policy perspectives on basis of some common interests
- (c) Potential programming and co-ordination synergies
- (d) Potential to build greater domestic understanding of, and support for, Swiss development cooperation by closer working relationships under PRSPs.

There is no certainty that, closer cooperation between COOFs and Swiss NGOs in a PRSP environment will result in synergies - but the potential is there. In Vietnam for instance, Helvetas and SDC are working with local government with similar objectives and, in some cases, partnerships with the same institutions.

As PRSPs move into the implementation phase, opportunities will increase for collaboration at sub-national level, for monitoring and evaluation and for enabling grassroots experience to be visible to policy makers at national level.

Swiss NGOs are not well incorporated into operational or policy related PRSP processes. **SDC should explore the potential for positive synergies with Swiss NGOs on PRSPs, both at policy and programme level.**

#### 4.6.3 Swiss domestic ownership of a shared process

Stronger engagement with PRSPs has implications for the character and visibility of the Swiss development cooperation programme. It will mean reduced project funding, greater pooled funding at different levels, reduced emphasis being given to Swiss country strategies and more emphasis on a less easy to distinguish Swiss role in the shared PRSP process. Greater engagement in PRSPs may increase Swiss visibility with host governments, because dialogue on approaches to poverty will bring SDC more into contact with government than project level engagement. But this same process could reduce visibility in Switzerland, unless SDC can present its work on policy and advocacy as accessibly and persuasively as it can present its current, more easily described, project level engagement.

Budget funding changes the nature of the relationship between donor and recipient and carries risks. A bad experience could knock domestic confidence in the development cooperation programme. A more political, policy led involvement is less easy to convey back to the Swiss public and politicians (for example in an annual report).

Despite the comfortable level of domestic support from the Swiss public, bolstered by the involvement of Cantons and Communes in the aid programme, SDC should work on ways of

ensuring informed support for, and engagement in, new ways of working. Some of the Swiss domestic constituency for international cooperation (for example NGOs, their better-informed supporters, and Swiss members of the World Bank's parliamentarians group) are already likely to understand the shift from projects to policy, in approaches to poverty reduction. The objective of SDC and seco must be to use mechanisms such as the annual SDC conference, to broaden this perception to members of the public for whom development is not such a focus, and whose understanding of approaches to poverty maybe more limited.

An important priority for SDC and seco is sustaining public and parliamentary understanding and support for Switzerland's development cooperation activities. **SDC and seco need to ensure that their engagement in PRSPs is properly communicated to the political support base at home to ensure Swiss domestic ownership for shared donor activity.**

Annexes follow

## Annex 1 Matrix on Case Study Country Engagement

Country	Kyrgyz Republic	Burkina Faso	Nicaragua	Vietnam
<b>Swiss motivation</b>	NPRS (PRSP) covers key issues of concern to SDC. Switzerland leads Bretton Woods voting group including Kyrgyz Republic - political synergies.	Synergies between SDC objectives and PRSP Opportunities for influence Coordination potential Opens up national debate	PRSP seen as important part of national framework for engagement. PRSP in line with SDC goals. Opportunity for leverage, insights, visibility, to broaden engagement.	SDC Strategy 2010 commitment to partners' own poverty initiatives. CPRGS is dominant process in Vietnam.
<b>Swiss action linked to PRSP</b>	SDC participates in forms of dialogue related to NPRS. Swiss funding for 2002 CG meeting - following NPRS process. Washington connection.	Internal workshop Active in joint donor surveys and engagement on PRSP Support for civil society engagement Seco budget support evaluation Washington connection	Poverty survey PASE work - to focus on implementation and decentralisation Active in like-minded group around PRSP Washington connection	Swiss action to establish Urban Forum. Work in CG on rural-urban linkages, land issues, public investment. Social Forestry work reoriented to PRSP. Decentralisation work.
<b>Swiss impact on PRSP</b>	No detectable bilateral impact on content. CG funding made possible exchange of views on draft NPRS.	No attributable impact on content. Study on participation funded by SDC highlighted lack of inclusion.	SDC contribution to donor co-ordination and to decentralised participation in PRSP process.	Swiss credited with ensuring that urban issues integrated fully in final CPRGS.
<b>Impact on Swiss programme</b>	No impact to date on priorities or budget. Higher costs expected for co-ordination and policy dialogue. SDC will look at bringing Swiss support into line with NPRS.	No revision to programme contents, alignment of procedures - existing programme reflects PRSP	Discernible shift in new programming in line with, and to support, PRSP. Awareness of staff on poverty issues emphasised/reinforced.	Reorientation of programmes in line with CPRGS. Work with like minded donors (LMDG). New financial instruments.
<b>Overall range of perspectives</b>	More country owned than previous plans. Mainly to satisfy donors. Good to have a national poverty plan.	From donor imposed document to comprehensive national policy framework	Mainly to satisfy donors/ get HIPC funds - but PRSP is the first national plan - and basis for dialogue.	Government led process. Different views on how CPRGS links with other government plans.
<b>Sub national visibility/ownership</b>	Practically unknown	Unknown outside capital	Patchy	Limited awareness in provinces.



<b>Country</b>	<b>Kyrgyz Republic</b>	<b>Burkina Faso</b>	<b>Nicaragua</b>	<b>Vietnam</b>
<b>Civil society</b>	No commitment - see PRSP as matter of government/donor relations	Mainly see PRSP as conditionality document - no ownership	Engaged - but critical of process and content	Mass organisations were consulted. International NGOs see CPRGS as lever on poverty reduction.
<b>Central government</b>	Significant ownership - PRSP as necessary management tool. Next NPRS should substitute for IMF authored PRGF.	Significant ownership - but beyond Ministry of Finance, PRSP seen as vehicle to get HIPC funds	Feeling of PRSP being done to oblige donors present even in central Ministries who do have some sense of ownership.	Government owned action plan for implementing their 10 year socio-economic strategy.
<b>Line Ministries</b>	Little ownership - NPRS to satisfy donors.	Hardly involved - weak ownership.	Little visibility/ownership. Some individuals see potential for planning in PRSP.	See CPRGS as one input/orientation on planning and budgeting. Some Ministries have active donor/government task forces on implementation.
<b>Donors</b>	Potential for much needed donor co-ordination. But PRSP broad enough to cover anything. Donor involvement varies from none to proactive.	PRSP has led to budget support by group of donors. PRSP now key reference frame for co-ordination.	Potential for much needed donor co-ordination. But PRSP broad enough to cover anything.	Very positive view - but seeing CPRGS as dominant plan (in contrast to government). Lots invested in CPRGS success.
<b>Assumptions/Perspectives</b>	Funding gap in NPRS assumptions. Link with Medium Term Fiscal Framework and budget is missing.	Over-optimistic assumptions and scenarios	Worsening economic indicators make the PRSP assumptions look optimistic.	
<b>Content</b>	Comprehensive - or too broad.	Some say it neglects growth in favour of poverty reduction.	Too welfare oriented - not enough on productivity and growth. Broad enough to encompass almost everything.	Seen as rightly poverty and equity oriented. Japan (biggest donor) sees lack of attention to infrastructure.
<b>Process</b>	Long process against background of CDF development (which was seen as more participatory).	Fast process, little participation on PRSP (in contrast to other planning processes).	From not consultative enough to excess of consultation	Government led. Donors credited with promoting village level and gender consultation.

<b>Country</b>	<b>Kyrgyz Republic</b>	<b>Burkina Faso</b>	<b>Nicaragua</b>	<b>Vietnam</b>
<b>Consistency with budget</b>	Ambitions exceed budget - and PRSP does not provide guidance on prioritisation		PRSP seen as prioritising welfare over productive investment - budget can't do both.	Donors say CPRGS not consistent with Public Investment Programme.
<b>Capacity</b>	Major enhancements in local capacity at all levels would be needed to implement the PRSP	Capacity lacking at all levels to pursue PRSP	Major enhancements in local capacity at all levels would be needed to implement the PRSP	Government capacity to manage budget support needs to be enhanced. Sub-national capacity on implementation lacking.
<b>Swiss involvement in PRSP process</b>	Limited - in contrast to contribution on CDF	Active from start to date on content and process (seco!).	Active from start to date on content and process	Primarily through urban Forum and LMDG.
<b>Impact of PRSP on Swiss programme</b>	None	Revision of procedures.	Significant shift to PRSP related work	Focus on upland areas. Cost sharing.
<b>Impact of PRSP on Swiss approach</b>	Anticipated need for greater donor co-ordination	Budget support procedures harmonised. No change to area or sectoral focus needed.	Substantial collaborative work on PRSP to date provides basis for closer co-ordination and possible sectoral approaches.	More policy work both bilaterally and with LMDG. CPRGS provides framework for increasing harmonisation.
<b>Other plans</b>	CDF process (2001-2010) started 1999 parallel with PRSP	LIPDHD (1995-2005) precedes PRSP by 5 years. 10 year sector plans for health and education in place.	END produced after PRSP.	10 year socio-economic strategy. 5 year sectoral strategies. UN inspired Vietnamese Development Goals.
<b>Evolution of PRSP</b>	Evolution is envisaged - timeframe is 2003 to 2005.	PRSP seen as evolving. Revision scheduled for Oct 2003 Round Table. New poverty analysis to be incorporated.	Limited expectation of evolution of PRSP - hence some donor consternation at END strategy.	A new chapter for the CPRGS on infrastructure has tabled by Japan for the Dec 2003 CG.

## **Annex 2**

### **Executive Summaries and Concluding Observations from Case Studies.**

#### **Burkina Faso Executive Summary**

Burkina Faso faces a lot of challenges as a landlocked country with a population estimated at 11.3 million, high migration and an economy heavily dominated by rain-fed agriculture. About 45% of the population live at less than one dollar a day. Burkina Faso was ranked 169 out of 174 countries on the UNDP Human Development Index in 2000. Life expectancy at birth was 45 years and infant mortality was 105 per 1000 in 2000. Gross primary school enrolment was only 40% in 2000, one of the lowest rates worldwide.

Burkina Faso is highly dependent on foreign aid, which represents up to 15% of GDP, ahead of export earnings. Over the 1998-2000 period, the country received a total of US\$1.134 billion in net official development assistance (ODA). Switzerland ranks number six among the bilateral donors, with disbursements of US\$11.5 million in 2000. It is the eighth largest donor, with a 3% share, if multilateral agencies are included.

Swiss Cooperation follows a strategy of support to social and economic initiatives at the local and regional level, linked to the improvement and protection of the environment as well as to decentralisation.

The PRSP, adopted in 2000, was one of the first comprehensive PRSPs. As such, it was and still is a pioneering exercise for Burkina and for the donors. Burkina Faso paid and still pays a high price for the initial rush in drafting the document. Perceived as a vehicle to get access to HIPC funds, the responsibility for the PRSP remained with the Ministry of Finance. Other ministries, let alone other parts of society, were hardly involved, leading to weak ownership. Sector ministries perceived the PRSP as a vehicle to mobilise additional HIPC funds for sector programmes and noticed only later – if at all – that the PRSP might have implications of changing their overall sector policies, leading to weaknesses in implementation such as parallel structures, absorption problems and an accountability bias. A PRSP up-date is supposed to take place in 2003.

The PRSP rests on four strategic levers:

- Accelerate the rate and equitable distribution of economic growth through macro-economic stability, increased competitiveness, rural development, and incentives to productive sectors;
- provide the poor with social services, in particular education, health, potable water, and improved housing (habitat);
- increase incomes and employment for the poor in the rural areas, through modernisation, intensification, and securitisation of agriculture, and through the provision of communication infrastructure; and

- promote good governance, including democratic, local, and economic governance, and fight corruption.

Swiss involvement in the PRSP process has been very active. The main motivation for this move was the fact that poverty is the overarching goal of Swiss Cooperation as well as of the PRSP. Switzerland was one of the driving forces for donor cooperation. Joint Budget Support is directly linked to the PRSP. In addition to the donor-donor, and donor-government dialogue there is regular channel to feed comments into the Swiss-led chair in the IMF and World Bank Boards. Swiss Cooperation made a special effort to strengthen civil society participation by funding a study and a workshop. As a consequence of the PRSP, Swiss Cooperation aligned its budget support procedures with those of other donors, although its sector composition and geographical focus remained unchanged.

Major concluding observations are:

- Swiss Cooperation in Burkina Faso substantively invested in the PRSP as a window of opportunity. In combination with the donor coordination effort, PRSP-related activities contributed to the good reputation of all Swiss supported activities (seco as well as SDC).
- As a consequence of increased coordination, a lot of meetings take place just among donors without having the local partners' voice. Moreover, headquarters missions concentrate on the formal review meetings and tend to neglect the richness of a multitude of contacts with the Burkinabé side. Switzerland could raise these issues of the unintended side effects of donor cooperation along with the neglect of progress on harmonisation of donor procedures.
- It is a question of effectiveness and efficiency in poverty reduction that gender concerns are part of the picture and that women have a voice in the PRSP process. Swiss Cooperation may consider extended support to gender analysis in view of the PRSP re-design and implementation.
- Local research in the context of competing analyses and policy proposals deserves to be strengthened. If donor cooperation neglects the issue of how to promote critical analysis and alternatives, it indirectly reinforces the policy monopoly of the Bretton Woods Institutions.
- Access to international, independent PRSP-related research and analysis should also be facilitated for Swiss Cooperation. Participation in training seminars or the launch of a PRSP related information service are promising options to follow.
- Mainstreaming PRSP implementation in the decentralisation process is key. Swiss Cooperation is well placed to contribute here as Swiss Cooperation is directly involved in the decentralisation process and in local development.
- Civil society participation in the PRSP process is on the move but still unsatisfactory and needs to be strengthened. Swiss Cooperation – eventually with like-minded partners – could envisage measures to expand civil society capacity.
- The National Parliament has been slowly gaining ground in the PRSP process. Since the 2002 elections, it has gained much in legitimacy and profile. Switzerland would be well advised to enhance the capacities of Parliament to deal with the PRSP.
- The donors have made a great effort to move from an input to an output-oriented conditionality. For Swiss Cooperation, it is important to avoid a self-created conditionality trap and to keep flexibility in conditionality and policy dialogue. Switzerland would be well advised to maintain a generally positive appreciation of

PRSP implementation progress as a condition of disbursements and not to insist on artificially precise data.

- The argument of coinciding priorities between the PRSP and Swiss Cooperation is obvious. However, poverty reduction is a never-ending mainstreaming affair. The links between PRSP/budget support and sectors of intervention should be strengthened.
- SDC's field experience and seco's macro perspective are complementary and sources of synergies. The Swiss COOF is representing both institutions. A joint approach SDC/seco to deal with PRSPs is required
- To date, Swiss based NGOs have not engaged with the PRSP process, but with Helvetas as new Swiss NGO partner in the field there are opportunities to explore the potential for PRSP based collaboration between SDC and NGOs.
- Switzerland's role in joint donor action is distinctive and appreciated, especially in the budget support group where Switzerland can continue to play an important role alongside EU members and the World Bank.

## Kyrgyz Republic Executive Summary

The geopolitical position of the Kyrgyz Republic ensures it a degree of international interest and assistance, but the country faces a combination of challenges including arbitrarily drawn boundaries; politically and culturally fragile societies; severely increasing poverty and inequality; weak implementation capacity at national and local level.

Switzerland enjoys a uniquely high profile in the Kyrgyz Republic. In the IMF, the World Bank and the EBRD, the Kyrgyz Republic is member of the Swiss-led voting groups. Contributing three percent of ODA volume to Kyrgyzstan, Switzerland is number three among the Republic's bilateral donors. The pro-poor orientation, pragmatic and sustainable approaches of Swiss efforts are well known.

There are different views on the extent to which the preparation of the Kyrgyz PRSP was inclusive. Ownership of the PRSP is therefore seen to lie with the Government but not so much with the country as a whole. The observations outlined below explain why the Swiss involvement in the PRSP process can be best described as "business as usual".

The majority of donors do not consider the PRSP to be a coordination tool, mainly because of insufficient prioritisation and very broad formulation of policies.

Donor involvement in the PRSP varies from proactive support to virtual abstention; the broad range of instruments used by the active donors presents a wealth of experiences for shaping Swiss involvement in the PRSP and its implementation.

Swiss (SDC, seco) HQ do not provide general guidance or country specific instructions on the priority or level of involvement in the PRSP process. This leaves the SDC country office in perhaps a comfortable but also an unclear position.

Swiss representatives doubt whether adequate resources for active PRSP-involvement could be mobilised.

At present, neither the Government nor donors try to use the PRSP process for revisiting strategic approaches to the reforms in the country. The process of the PRSP could become a forum for discussion of alternative development policies, but this would necessitate government and donors, including Switzerland, having the political will and analytical capacity to question current reform policy.

There is ambiguity in approaches to conditionality under the PRSP. This ambiguity affects Switzerland because in co-financing the World Bank's structural adjustment credit (CSAC)<sup>42</sup> Switzerland is directly aligned to the conditionality of the Bretton Woods Institutions, thus losing its autonomy in policy dialogue and aid disbursements. On occasions where the Government cannot or does not wish to fulfill imposed conditions, aid flows are not fundamentally disrupted because overall the reform policies of the Kyrgyz Republic enjoy a reasonable reputation and there are adjustments if conditions are not fulfilled. The Government, as well as the donors, is well aware of this situation,

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<sup>42</sup> See below footnote 24.

which makes the very idea of aid-related conditionality questionable and also affects the perception of the PRSP.

There is no budget transparency yet in the Kyrgyz Republic, - something that is essential for the effectiveness of the PRSP and a precondition for general budget support. It is striking that the weak involvement of parliament in the PRSP is not raised in a more serious way by multilateral as well as bilateral donors despite their emphasising the need to link the PRSP to the medium-term budgetary framework.

It is unclear to Bishkek, whether there are coherent Swiss positions on key PRSP issues that are common to all Swiss offices involved in PRSPs.

SDC is in close contact with Swiss implementing NGOs and has a dialogue with project staff. When policy issues are concerned and discussed with Government, SDC becomes involved, but some of the implementing NGOs (Helvetas) would be interested in more direct involvement in the dialogue with Government and the PRSP process. There may be potential for Swiss NGOs to cooperate with one or several national NGOs, to share the experience gained with them and to encourage their direct interventions in the PRSP process.

Switzerland has a special reputation in the Kyrgyz Republic. The President looks at Switzerland as a model for his country and advocates the idea of the Kyrgyz Republic as the "Switzerland" of Central Asia. This special situation may have its risks but also implies opportunities. On the one hand there is the risk that SDC is too close to the Government, lacks courage and no longer says anything critical. On the other hand, such a basically positive attitude may facilitate the scaling up of local pilot programmes to the national level, an option that is rare for a small donor. It was said that in relation to poverty the SDC advantages are a long history of cooperation, high credibility, grants instead of loans or technical assistance and no hidden agenda - since there are no political or economic interests. A large donor would welcome a more prominent role of Switzerland, feeding all the grassroots experience into the national channels. In other words: SDC can make a difference in the PRSP implementation. Are the means adequate and the political will clear enough to seize this opportunity?

## Nicaragua Executive Summary

Despite recent progress in the transition to political stability and modest economic growth, Nicaragua remains a Low Income Country heavily dependent on aid and facing major economic, social and political challenges.

GNP per capita at \$420 is very low. Around 46% of the population are below the poverty line and 15% of the population lives in extreme poverty. Income inequality is very marked. A fifth of the population lacks safe water and the same proportion of children are not in school. Hurricane Mitch in 1998 is the latest reminder of Nicaragua's extreme vulnerability to natural disaster, including earthquakes. The Nicaraguan economy is heavily dependent on agriculture, which makes up over a third of exports. Coffee earnings (23% of export value) fell by about 38% between 2000 and 2001. Nicaragua has very large internal and external debts.

The process of producing Nicaragua's PRSP was rather long and quite controversial. Substantial efforts by the donor community now focus on monitoring, implementation and efforts to engage the wider community down to municipal level. Eighteen months on from the approval of the PRSP, awareness of the document is weak even in central government and ownership is very limited, though the new government has endorsed the broad principles of the PRSP.

There is some evidence of the PRSP reinforcing donor interest in co-ordination, and certainly the PRSP is seen as a framework for dialogue on poverty and development issues. But given the capacity of government, substantial moves to sectoral approaches and genuinely government led cooperation are only at an initial stage.

Major themes that emerge from the overall picture are:

- The perceived weakness of the PRSP - and the view that it is all about welfare, when what Nicaragua needs is to increase productivity and growth. A key issue is how to dovetail the PRSP and the governments new National Development Strategy for growth? Switzerland could play an important role in helping to clarify understanding of the relationship between broad-based growth, poverty reduction and social welfare spending.
- Major challenges remain in increasing visibility, ownership, capacity and ensuring actual implementation both at the centre and at municipal level
- The difficulty of financing the poverty interventions that the PRSP requires in the face of Nicaragua's present economic circumstances.
- Questions on participation - are there limits? How to strengthen civil society whilst fostering representative democracy? SDC could help focus attention on the opportunity cost and added value of consultation. What for example, is the proper level of civil society participation in decisions on macroeconomic and political issues? As one bilateral donor pointed out, however much participation and consultation there is, for many NGOs it will never be enough.
- Whilst many bilateral donors are now making PRSPs the central focus of their efforts, it is clear that the PRSP is only part of the complex economic and political background against which SDC frames its work in Nicaragua. The PRSP is one tool – albeit an important one - but it does not provide a comprehensive framework for



action by government or donors. Donors therefore need to be flexible and creative in using the PRSP to foster local commitment to action on poverty that can be properly monitored.

- Overall Switzerland is respected for its role as a niche player and seems to be effective in making a contribution more than commensurate with the volume of aid it provides.
- SDC is an active player within the PRSP process, both bilaterally and with other donors (especially within the like minded group). In both approach and programming SDC priorities are aligning with the PRSP. It is active in transmitting local experience to Bern and Washington. SDC needs to ensure that other offices also have the capacity to engage effectively with PRSPs. It should consider an initiative to share experience, and should look into providing more technical information and if necessary, training on methodologies which might cover political dialogue/processes, SWAps and or different options on macroeconomic support.
- As processes such as PRSPs encourage donor coordination and shared activity, there are implications for evaluation, since it becomes increasingly difficult to attribute impact to one agency. Also there are important implications for the donor ownership that is needed to sustain domestic public and political support for aid. SDC needs to think about how to communicate its involvement as the nature of programmes shifts from a tangible project focus to a shared, programmatic or political approach.

## Vietnam Executive Summary

The PRSP in Vietnam (the CPRGS) is a strong, government-owned action plan in the context of a centralised state. It was developed by the Government of Vietnam, but influenced by the Government-Donor-NGO Poverty Task Force which also managed aspects of consultation. Consultation at commune and village level was conducted by international NGOs and financed by the World Bank.

By setting out an action plan on poverty reduction and growth, the PRSP has defined space for donors to support progress through aligning their programmes. But equally important, the defined plan means that all stakeholders have a role to play in keeping progress on track through advocacy and leverage. In other words, by committing itself to the PRSP, the government has created space for donors and others to hold it to account.

Vietnam received US\$1.4b in ODA in 2001. Of that \$822m was bilateral - 56% of it from Japan. The World Bank provides just under half of multilateral ODA. Switzerland provides 1.3% of bilateral ODA. The LMDG (Like Minded Donor Group), of which SDC is an active member, has a common commitment to using the PRSP and improving the quality of aid. It is an influential player in policy dialogue both with the government and with other donors. International NGOs provide about \$100m of assistance a year. A small group of policy-active international NGOs have been engaged in the PRSP process. There is not yet a strong Vietnamese NGO sector independent from Government.

The current status of the PRSP is that:

- It is widely perceived to be government owned
- It is widely perceived to be based on a consultative process
- It is widely perceived to have good content and reasonable priorities

But there are different views/assumptions about the role of the PRSP in the policy making process.

- It operates in the context of the 10 year socio-economic plan – which runs up to 2010, compared with the PRSP which covers the period up to 2005
- An orientation not an instrument and certainly not the only instrument. Ministry and overall annual budgets are the key instruments
- Not comprehensive – ODA financed activities outside the PRSP take place - most notably in infrastructure; Some ministry plans are more comprehensive and poverty oriented than the PRSP
- Some see it only as a framework for donor coordination
- It is not seen by anyone as a single plan leading to ONLY budget support for an overall PRSP programme (as in PRSP ‘theory’)

A range of observations may be made about the PRSP in Vietnam, and how it has been approached by SDC and other donors.

- SDC has taken on a major programme of work on urban poverty. It set up the Urban Forum in the Ministry of Construction and worked to get urban poverty and governance included in the PRSP through research, project funding, workshops and advocacy. It is widely acknowledged that Swiss work on urban issues led to the inclusion and full integration of urban poverty into the final draft of the PRSP.
- Swiss engagement on urban issues in the context of the CPRGS strengthened Vietnamese government processes – particularly Ministry of Construction. Switzerland recognises that getting urban poverty recognised in the PRSP and working to enhance capacity in the MoC are just a start – there is a question of the degree of real ownership/internalisation of the urban content by the Ministry of Construction; the political weight of the MoC and therefore its impact on their programme. SDC is currently laying the groundwork for provincial activity to implement the PRSP urban poverty agenda.
- SDC's new phase of its Social Forestry Support Programme explicitly follows the priorities in the PRSP. SDC is responsible for results in one sector of the Forestry Sector Support Programme and Partnership.
- Although it is a small donor, SDC has acted in a way that has mobilised other resources.
- Switzerland is perceived to have created a climate of confidence in urban issues leading to investment by other larger donors. It has done this by its commitment and promotion of the concept of urban poverty reduction to other donors along with the provision of management tools, approaches, pilot projects – intelligent use of its limited finance.
- Membership of the LMDG (Like minded donor group) has been an important tool in SDC's work in Vietnam. The LMDG
  - provides a common analysis
  - is empowering and does not inhibit bilateral relations
  - gives small donors increased bargaining power
  - allows association with broader range of key issues – such as the analysis of the Public Investment Programme
  - SDC has a comparative advantage in participation in such groups in that it has decentralised authority and can therefore be flexible, responsive and quick.
- The LMDG has been a particularly important vehicle for the harmonisation agenda. Switzerland is a team player but also an opinion leader. Switzerland's role on harmonisation within Vietnam has been strengthened by the leading role that SDC-Bern has taken in the DAC Task Force on Donor Practices.
- SDC is perceived to have a comparative advantage at sub-national level in both knowledge and capacity. This is particularly important in the current and coming phases of the PRSP and SDC is working on a number of initiatives at provincial level such as the City PRSP.

- SDC activities and programmes are now all aligned with PRSP. SDC projects contribute to central planks of the PRSP: public administration reform, legal reform and pro-poor good governance. The choice of geographical areas (Uplands) is led by the poverty reduction strategy.
- SDC has opted for a mix of financial instruments that allow co-funding and project funding that will have multiplier effects and accelerate progress on the PRSP.
- While Swiss choices on programming and financial instruments are strongly influenced by the wish to align with the PRSP, this has not meant the abandonment of projects. Rather, Switzerland has seen project financing as an opportunity to test strategies for wider replication. It notes the need to guard against endless pilot projects. As the MPI said "we want implementors, not explorers".
- It is also clear that different interests in government have a different perspective on the value of harmonisation (of funding and approaches). Some benefit from a series of bilateral relationships offering greater political room for manoeuvre and spin offs. Others feel that transaction costs would be lowered by stronger harmonisation. For provincial governments, harmonisation may mean more centralisation and less access to diverse sources of finance and assistance - more limits on their ability to mobilise resources. Understanding these different interests is a precondition for good choices on financing mechanisms. Switzerland has a comparative advantage in the flexibility of its financial mechanisms and the autonomy of the COOFs.
- Work at municipal and provincial level is clearly crucial to the implementation of the PRSP. Switzerland seems well placed to develop effective approaches to institutionalise the PRSP at sub-national levels and can build on its existing reputation in this area.
- Donor dynamics have changed with the advent of the PRSP. The type of work has altered: policy dialogue is labour intensive; meeting intensive; software intensive. Knowledge of and co-ordination with other donors is no longer optional. Financial mechanisms have to be adapted. Donor-donor alliances within country appear, on some issues, to be stronger than donor links with their own capitals.
- An issue for many donors, including SDC, must be whether the mechanisms are in place to SUPPORT this type of work – knowledge and learning? Information mechanisms? Staffing? Skills and training? Decentralisation of authority.
- To a considerable extent, the SDC programme in Vietnam could be described as advocacy-led. Its objectives are as much about influence and multiplier effects as they are about direct impacts from its funding. This may have implications for SDC more widely. In particular, how can SDC put itself in a position to make the most of this work beyond Vietnam - taking the lessons and

methods and applying them in other contexts; linking to international advocacy and dialogue (both official and non-governmental); making the experience that Switzerland gains at the grass roots count in different policy environments.

- At the moment, connections are strongest with donors, government and provinces in Vietnam. There is a question about the capacity that would be needed in-country and in Bern, to ensure that Switzerland can have an influence, for instance through its ED at the World Bank, and to ensure that knowledge is capitalised for the whole agency. Connections with NGOs (inside and outside the region) could also be stronger and more strategic with mutual benefit. There is a case for engagement with the political and opinion forming establishment in Switzerland.

## **Annex 3**

### **Mission dates and Lists of persons consulted**

#### **Mission dates**

The four case study visits were conducted as follows:

##### **Kyrgyz Republic**

Dates of Mission: 9 -16 November 2002

Personnel: Richard Gerster and Roman Mogilevsky

##### **Burkina Faso**

Dates of Mission: 13 - 23 January, 2003

Personnel: Richard Gerster and Kimseyinga Sawadogo

##### **Nicaragua**

Dates of Mission: 10 - 14 February 2003

Personnel: Tony German and Arturo J Cruz - Sequeira

##### **Vietnam**

Dates of Mission: 17 - 21 February, 2003

Personnel: Judith Randel and Dang Kim Son with Pham Thi Ngoc Linh.

#### **Lists of persons consulted**

Note that the lists below do not include all persons attending End of Mission Workshops and other meetings. For details of these, please see case study reports.

#### **SDC-wide survey**

*Full interviews have been conducted with:*

Walter Hofer	Multilateral Division, BWI (Head of section)
Alex Widmer	Multilateral Division, BWI
Lothar Caviezel	Multilateral Division, BWI
Ruth Huber	Programme Coordinator Nicaragua
Giancarlo de Picciotto	Programme Coordinator Bolivia
Martin Fässler	Programme Coordinator Mozambique
Gerhard Siegfried	Programme Coordinator Tanzania, Madagascar
Andrea König	Programme Coordinator Rwanda
Pascal Fellay, Peter Beez	Programme Coordinator Burkina Faso
Jean-Luc Virchaux	Programme Coordinator Mali
Claudio Tognola	Programme Coordinator Niger
Eliane Darbellay	Programme Coordinator Vietnam
Philippe Monteil	Programme Coordinator Albania

Philippe Zahner  
Felix Fellmann  
Anne Savary  
Liselotte Staehelin  
Alexandre Ghélew  
Olivier Burki  
Pius Wennubst  
Nadine Speich  
Malte Lipczinsky  
Kathi von Däniken  
Günther Bächler  
Marco Rossi  
Ivo Germann

Programme Coordinator Azerbaijan, Georgia  
Programme Coordinator Kyrgyz Republic  
Programme Coordinators Tadjikistan  
Humanitarian Aid  
Governance  
Social Development, Poverty  
Natural Resource  
Employment and Income  
Conflict Prevention  
Social Development  
seco

*Documents supplied by:*

Giorgio Bianchi  
Markus Schäfer  
Pierre Petitat  
Stefanie Burri

Programme Coordinator Tchad  
Programme Coordinator Nepal  
Programme Coordinator Benin  
Programme Coordinator Macedonia

*Informal talks were held with:*

Konrad Specker  
Jean-Robert Moret  
Niklaus Zingg

NGO Service SDC, Head of the Section  
Coordinator, Burkina Faso  
EDs, Washington

## **List of persons consulted Burkina Faso**

Achour Ali

Ministry of Economy and Development, Assistant  
Technique

Badini Dieudonné  
Bayiu Paul Pérré  
Bonkougou Maxime

Ancien Secrétaire Général du MEF  
Consultant, Management Urbain et Environnement  
Observatoire Nationale de la Pauvreté et du  
Développement Humain Durable, Statisticien-  
Economiste

Bonnefoy Paul  
Bonoudaba Dabiré

Union Européenne, Conseiller économique  
Secrétariat permanent pour la Coordination des  
Programmes de Développement Economique et  
Social (STC – PDES)

Briand Denis  
Bürki Jean-François  
Dagano Joseph M.

Ambassador of Canada  
Coopération Suisse, Conseiller régional pauvreté  
Fédération Nationale des Organisations Paysannes  
(FENOP), Président

Damiba Luc

Réseau National de Lutte Anti-Corruption (REN-  
LAC), Coordinateur des programmes

Diop Mariam  
Franco Robert

Embassy of Denmark, Economist  
International Monetary Fund, Resident  
Representative

Hassane Ide Adamou	Institut Panafricain de Développement, Conseiller en Formation et Recherche
Kaboré Alexis	Programme d'Appui au Développement Local à l'Est (ADELE), Coordinateur, Fada N'Gourma
Kabre Tinga Vincent	Conseil Economique et Social (CES), Chargée de Mission
Karlsson Lennart	Embassy of Sweden, Counsellor
Klokkers Marian D.	Embassy of the Netherlands, First Secretary
Lecluze Philippe	Ambassade de France
Lemaire Christian	UNDP, Resident Representative
Loada Augustin	Centre pour la Gouvernance Démocratique, Executive Secretary, Law Professor University of Ouagadougou
Mazurelle Jean	World Bank, Country Office Manager Burkina Faso
Meuwly Monteleone Danielle	seco, Deputy head, International economic relations
Moret Jean-Robert	Coopération Suisse, Chef du Bureau
Nyamba André	Department of Sociology, University of Ouagadougou, Professor
Ouédraogo Albert	Association Le Tocsin, Président, Professeur à l'Université de Ouagadougou
Ouédraogo Boukary Miknaam	Trésorier Regional de l'Est, Fada N'Gourma, Inspecteur du Trésor
Ouédraogo François	Secrétariat Permanent des Organisations on Gouvernementales (SPONG), Directeur executif
Ouédraogo Idrissa M.	School of Economics and Management, University of Ouagadougou, Professor
Samou Issouf	Fédération Nazionale des Organisations Paysannes (FENOP), Chargé de Programme
Sanogo Ernestine	Réseau de Communication, d'Information et de Formation des Femmes dans les ONG au Burkina Faso (RECIF/ONG-B.F.), Coordinatrice
Sanon Kaléfa Rigobert	Réseau National de Lutte Anti-Corruption (REN-LAC), Chargé des enquêtes
Sawadogo Baba Blaise A.	Commision Nationale de la Décentralisation (CND), Administrateur Civil
Sawadogo Kimseyinga	School of Economics and Management, University of Ouagadougou, Professor
Sawadogo Sita Malick	Coopération Suisse, Economiste
Straessler Jakob	Programme pistes rurales à l'est, chef, Fada N'Gourma
Tandamba Idrissa	Maire et Président du Conseil Municipal de la Commune de Fada N'Gourma
Traoré Nouou	Etablissement Public Communal pour le Développement (EPCD), Directeur, Fada N'Gourma
Vorhausberger Erik	Ambassade d'Autriche, Chef du Bureau de Coopération
Zonon Abdoulaye	Centre d'Analyse des Politiques, Economiques et Sociales (CAPEs), Economist
Zoundi François	Secrétaire permanent pour le suivi des programmes financiers (SPPF)



## List of persons consulted Kyrgyz Republic

Urs Herren & Vladimir Rakov	SDC
Bhaswar Mukhopadhyay	IMF Resident Representative
Hans Biderski	Program manager of the "Save the Children"
Azamat Abdymomunov	Economist, World Bank
Alfred Cupik	TACIS Resident Representative
Eamon Doran	USAID Private Sector Advisor
Kubat Kanimetov	Head of Economic Policy Department, Administration of the President of the KR
Marat Sultanov	deputy of Jogorku Kenesh
Erkin Kasybekov	Director of Counterpart Consortium
Sabyrbek Tynaev	Head of Economic Policy and International Affairs Department, Ministry of Agriculture, Water Resources & Processing Industry
Emirlan T. Toromyrzaev	First Deputy Minister, Ministry of Finance
Nurkaly Isaev	DFID Resident Representative
Mohinder S. Mudahar	World Bank, Resident Representative
Salih Murzaev Kadyrbekovich	Academy of Management, Docent
Aikan Mukanbetova	UNDP, Programme Analyst
Karin Fueg	Helvetas, Programme Director
Ulrike Roesler	GTZ Representative & Project Manager

## List of persons consulted Nicaragua

Julio Solorzano	Head of Technology Policy Unit, Ministry of Agriculture
Mauricio Gomez Lacayo	SREC Vice-Minister Foreign Affairs, responsible for Cooperation
Eddy A Jerez Teran	SETEC
Carlos Fernando Chamorro	Editor Confidencial
Mario Arana	Minister of Economy, formerly Head of SETEC
Mario J. Flores	Central Bank of Nicaragua
Ricardo J. Teran	Corporacion Roberto Teran
Florencia Castro-Leal	World Bank
Donald Castillo Rivas	CONPES
Alfonso Sandino	Vice minister of Interior
Alvarro Fiallos	UNAG
Mignone Vega	Governance Assessor, Presidencia de la Republica
Claudia Guadamux	CONPES
Alejandro Martinez Cuenca	Fundacion Intemacional Para El Desafio Economico Global
Orlando Nunez	CIPRES
Ricardo Zembrano	CCER
Jose Luis Velasquez	CONPES
Charles Grigsby	OXFAM GB
Flora Vargas Loaisiga	CONAPI
Yader J Baldizon Ibarra	Austrian Embassy
Georgia Taylor	DFID
Luis Breuer	IMF representative
Michael Soderback	Swedish Embassy
Kees P Rade	Netherlands Embassy
Isolde Frixione Miranda	SREC, Foreign Ministry
Sabine Schmitt	Germany

Claudia Pineda Gadea	SETEC
Efrain J. Laureano	USAID
Jorge Bolanos	IICA
Jurg Benz,	COSUDE
Liliane Ortega	COSUDE
Carmen Alvarado	COSUDE
Rene Escoto	Advisor MAG FOR
Carlos Barrios Johanning	MAG FOR
Ralf Oetzel	COSUDE
Amilcar Ibarra	Private Sector
Lucia Aguirre	Swissaid
Melvin Romero	President of AMUNIC

### List of persons consulted Vietnam

Kuniaki Amatsu	JICA
Le Trong Binh	Deputy Director, Ministry of Construction
Dao Minh Chau	Senior Programme Officer
Alan Coulthart	World Bank
Le Quang Duat	SCF
Luu Phuoc Dung	SDC Urban Support Unit
Dean Frank	Canadian Embassy
Nguyen Thi Hien	Urban Forum
Pradeep Itty	SDC deputy Coordinator
Alan Johnson	DFID
Ramesh Khadka	ActionAid
Deepali Khanna	Plan International
Do Thanh Lam	Oxfam GB
P.T.Lan	SCF
Frans Makken	Netherlands Embassy
Walter Meyer	SDC Coordinator
Irene Norlund	Nordic Institute of Asian Studies
Dr Nguyen Van Phuc	MPI
Steve Price-Thomas	World Bank
Nguyen Thuc Quyen	UNDP
Silvaine Rieg	Director, Helvetas
Marit Roti	Norwegian Embassy
Mr Thai	Director of PACCOM, NGO Resource Centre
Pham Thi Thanh An	FERD, MPI
Pam Anh Tuan	Centre for Rural Progress
Carrie Turk	World Bank
Dr Duong Duc Ung	Director Foreign Economic Relations Department, Ministry of Planning and Investment
Tran Thi Van Anh	Centre for Poverty Reduction, National Centre for Social Sciences
Ms Wignaraja	UNDP

## Annex 4

### Independent Evaluation of SDC's Bilateral Engagement in the PRSP Process

#### *Approach Paper*

13.06.02

#### WHY AN EVALUATION AND WHY NOW?

##### BACKGROUND AND RATIONALE

**BACKGROUND:** The Bretton Woods Institutions (BWI) launched Poverty Reduction Strategy Papers (PRSPs) in 1999 as the basis for policy dialog for all countries applying for concessional lending. To date, ten countries have completed their first PRSPs and 40 more have prepared Interim-PRSPs. All Bank Country Assistance Strategies (CAS) and Poverty Reduction Support Credits (PRSCs) as well as the IMF Poverty Reduction Growth Facility (PRGF) will be based on PRSPs. The PRSP process is the principal vehicle for operationalizing the four Comprehensive Development Framework (CDF) principles<sup>43</sup> and provides a three year framework for a countries' policy priorities, public expenditure programs and development cooperation.

The Bank defines PRSPs as comprehensive poverty reduction strategies based on partnership, owned by stakeholders and focused on tangible results. The process is still far from achieving this ideal and results vary greatly from country to country. The Bank is conducting a review of the PRSP approach to learn from experience and improve the process. The Operations Evaluation Department at the Bank will conduct an evaluation of the PRSP process in 2004.

**WHY:** The BWI are committed to the PRSP process. Most donors have indicated their intention to align their programs with the PRSPs. SDC partners are heavily engaged in the PRSP process<sup>44</sup> and several SDC country offices (COOFs) are already involved in the process. Indications are that PRSPs will not be just "a flash in the pan" but rather the most significant internationally recognized framework for addressing poverty reduction

<sup>43</sup> The four CDF principles are: a long-term vision and comprehensive development agenda, country ownership, country-led partnership and a focus on development results.

<sup>44</sup> The following SDC program countries have completed PRSPs (date of board approval in parenthesis) or are scheduled to do so soon (tentative time-span for board approval in parenthesis): Honduras (27.9.01), Nicaragua (13.9.01), Bolivia (1.3.01), Mozambique (1.10.02), Tanzania (1.10.00), Burkina Faso (25.5.00), Benin (Apr-Jun 02), Rwanda (Apr-Jun 02), Niger (Jan-Mar 02), Albania (1.11.01), Macedonia (July-Sept 02), Azerbaijan (Nov-Dec.02), Kyrgyz Republic (Oct-Dec 02), Tajikistan (July-Sept 02), Nepal (Apr-Jun 02), Vietnam (Apr-Jun 02). The following SDC program countries have completed I-PRSPs: Georgia (1.11.00), Kyrgyz Republic (13.6.01), Tajikistan (24.3.00), Vietnam (14.3.01), Benin (26.6.00), Chad (16.7.00), Mali 19.7.00), Niger (6.10.00), Rwanda (30.11.00), Moldova (15.11.00), Macedonia (10.11.00).

over the long term. It could become an instrument for monitoring and implementing the International Development Goals.

The PRSP process specifically addresses many issues of concern to SDC: allocation of resources for poverty reduction, country ownership of development policies, civil society participation, donor coordination, development of poverty reduction indicators, monitoring of progress towards poverty reduction, accountability and governance issues, etc.

The majority of the participants at the August 16, 2001 meeting of the “Komitee für Grundsatzfragen der DEZA” agreed that the PRSP approach is “a very crucial and challenging process which will accompany SDC’s work in the coming years. The question should not be if SDC works with PRSPs, but how.”<sup>45</sup> The committee called for an evaluation of SDC’s involvement in PRSPs.

Until now, SDC has interacted with the PRSP process in a piecemeal manner. It needs to develop a well thought-out, coherent approach to this new context by analyzing its own experience with PRSPs and developing a solid body of knowledge on which to base its decisions.

**WHY Now:** The PRSP approach is a new and evolving process in which donors need to play a constructive role if it is to succeed. Due to the short timeframe since the introduction of PRSPs, experience is limited. However, an evaluation early in the game is essential in order to establish a solid basis to enable SDC to act effectively in a timely manner.

## **5 EVALUATION OBJECTIVES**

This evaluation will take stock of SDC’s experience to date with PRSPs. It will analyze how SDC is contributing to the PRSP process in program countries as well as how SDC program design and implementation are being affected by the PRSP process.

This information will enable SDC to understand the significance of the PRSP process for its bilateral programming and to adapt its operations accordingly. It will better position SDC to play a constructive role in multilateral forums (e.g., donor harmonization meetings, consultative groups, WB Executive Board, etc.) and to seize opportunities in the PRSP context.

This study will not evaluate PRSPs or the PRSP process itself. The focus will be on SDC’s bilateral engagement.

## **6 II.A KEY QUESTIONS**

### **A. What is SDC doing and why?**

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<sup>45</sup> Quoted from the minutes of the meeting.

1. What activities has SDC pursued in the PRSP process (e.g., participation in PRSP-related donor forums, assistance in the preparation and implementation of PRSPs, support for civil society organizations or for governments in their engagement with the PRSP process, support for underlying poverty assessments and monitoring, input in multilateral forums, etc.)?
2. What changes are taking or have taken place in SDC approaches to projects and programs and how do these relate to the main characteristics of PRSPs?

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3. Has SDC contributed concretely to the preparation or the content of PRSPs and in what way (e.g., by bringing in new ideas or concepts that were adopted by the government and incorporated into the PRSP)?
4. Has SDC aligned its cooperation and conditionalities behind PRSPs?
5. What motivated or triggered SDC's engagement in the PRSP process (e.g., logical next step of HIPC policy dialogue, SDC intent to influence the process, SDC participation in a donor coordination group or in a like-minded group which engaged in the PRSP process, means of furthering SDC country strategy, means for improving SDC-government dialog, means for strengthening partner, etc.)?
6. In those countries where SDC did not participate in the PRSP process or avoided engaging in certain aspects of the process, what were the reasons (e.g., misgivings about the PRSP process itself, concern about choice of partners, negative framework conditions, governance issues, perception that SDC is too small to make a difference, lack of COOF resources, SDC not engaged in national level policy dialogue, etc.)?
7. How has SDC dealt with the PRSP context in countries with poorly performing governments?
8. What concrete steps has SDC pursued in the areas of donor harmonization and coordination in the PRSP context? Has the PRSP process created new opportunities or has it hampered SDC efforts to harmonize its practices and standards with that of other donors (e.g., in the areas of financial management, procurement, assessments, monitoring, reporting)? What are the implications of donor harmonization in the PRSP context for SDC?
9. Has SDC shifted from project to programmatic forms of support as the result of a PRSP?

7.1.1.1.1 B. Is SDC doing it right?

The answers to the questions under “What did SDC do and why ?” will be evaluated in the context of the case studies (see Methodology) with regard to

- Appropriateness
- Timeliness
- Quality
- Effectiveness
- Efficiency

1. How do partner governments and partner NGOs perceive SDC’s PRSP-related activities?
2. How well does PRSP-related information flow from SDC country offices to the Bretton Woods Division and the F-Division (Thematic Division) as well as to the Offices of the Swiss Executive Directors at the WB and the IMF (i.e., assessment of feedback loops and integration of field experience into SDC policies and positions)?
3. To what extent does SDC carry out what it says in the PRSP context? While SDC does not have an explicit PRSP policy, it has made statements concerning its objectives and activities regarding PRSPs in various forums (BWI Executive Boards, OECD-DAC, Rio +10, donor forums, etc.): is SDC “walking its talk”?

#### 7.1.1.1.2 C. What does the PRSP process mean for SDC bilateral cooperation?

Is SDC changing its approach in the context of PRSPs? Is the PRSP process affecting SDC bilateral partnerships and programming?:

1. What repercussions has the PRSP process had on SDC PPPs<sup>46</sup> (e.g., framework conditions, relative importance, priorities, approaches, alignment with national priorities, etc) in countries in which SDC participated in the process as well as in those in which it did not? What are the advantages and disadvantages of the PRSP process for SDC cooperation? What does the PRSP context mean for SDC interventions at the micro-, meso- and macro-levels? Has the PRSP context promoted cross-sectoral linkages in SDC programming (e.g., governance and health, etc.)?
2. What is the place of policy advice in SDC – how is this changing and how does it relate to changes arising from engagement in PRSPs? (i.e., how has it affected SDC-government relations, does it open or close doors for SDC initiatives)? Has the PRSP process affected SDC’s weight or role within the donor constellation?
3. What networks and alliances (like-minded groups) are most important for SDC?
4. How does SDC’s development strategy/philosophy fit together with the Poverty Reduction Strategies pursued in the PRSPs? Where are the SDC and the PRSP approaches similar, where do they differ (i.e., identify areas of convergence and divergence in the case study countries)? How well do the typical modalities of PRSP

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<sup>46</sup> PPPs (programmes par pays) are medium term country programs.

support (i.e., program focus, sector support, choice of partners, government focus, promoting participation, capacity building, etc.) correspond to SDC modalities/priorities? Does the PRSP context lead to a stronger linkage of projects with policies?

5. How does SDC staff assess the quality and utility of the PRSP process in the program countries: Is it an improvement over previous initiatives (e.g., with regard to appropriateness of policies, allocations of public expenditures, impacts on poor, empowerment of poor, policies to improve governance, country ownership, civil society participation, analysis of policy impact on poverty)? Based on SDC experience, where do the dangers/shortcomings and the opportunities/strengths of the process lie?
6. Has the PRSP context created new staffing needs at SDC (e.g., additional staffing, different skills mix, etc.)? What resources, knowledge or special skills do the COOFs need to meet the PRSP challenge?
7. How is the PRSP process affecting SDC-Seco cooperation?

#### **D. Is SDC doing the right things?**

1. What would partner governments and partner NGOs like to see SDC doing in the PRSP context?
2. What are similar bilateral donors (e.g., Netherlands, Sweden, Denmark, Germany, UK, Canada) doing in the PRSP context? Are they doing things SDC should be doing?
3. In the context of PRSPs, where could SDC intensify its cooperation/harmonization with other donors to lower the burden on partner governments and the transaction costs of development cooperation (e.g., joint research and analysis [assessments, evaluations], joint operations, joint support [pooled funds], joint approaches, etc.)?
4. Does SDC have a comparative advantage in the PRSP context? If so, in what areas (e.g., promoting participatory processes)? How can it put the identified comparative advantages to best use?
5. Are there “SDC success stories” in the PRSP context? How could these be replicated or used to leverage PRSP policy development?
6. Should SDC develop a consistent core of PRSP-related activities across all country programs? If so, in what areas (e.g., capacity building in evaluation and monitoring of poverty reduction, capacity building in the area of public financial management and procurement systems, support for civil society organizations in monitoring implementation, support for participatory political processes, other enabling measures such as promoting democratization, etc.).
7. How can SDC take advantage of the PRSP context to further SDC goals? Does SDC need to develop a PRSP strategy, PRSP guidelines or other policy instruments or should it continue on an ad hoc basis?

8. Does SDC need to create new structures, mechanisms or instruments or change existing ones to keep abreast of the PRSP process or (e.g., intensify feedback loops between COOFs and F- and M-Divisions so that field experience informs policy-making, would a SDC-PRSP Newsletter be useful, etc.)?

## 7.2 II.B Expected Results

(at OUTPUT level)

- Two studies (Survey of SDC-wide PRSP Engagement, Case Studies Report including the donor survey) and a final Synthesis Report (not exceeding 25 pages plus annexes and including a DAC summary and an executive summary). For details see pgs. 7-8.
- Key conclusions and recommendations
- Agreement at Completion Point and management response regarding the key conclusions and recommendations.
- Dissemination of lessons learnt

(at OUTCOME level)

- SDC decision-making capacity with regard to the PRSP process is improved. It is well informed about its own PRSP experience in program countries. COOFs are able to improve their PRSP related activities by drawing on the experience of SDC colleagues in other program countries and on the experience of other donors. In international forums, SDC is a better informed interlocutor which bases its interventions in the PRSP context on its own experience and thereby contributes constructively to the further evolution of the process.

## 8 PARTNERS

### IIIA. CORE LEARNING PARTNERSHIPS: Primary Users of the Evaluation

Due to the large number of evaluation users, the CLP has been divided into a narrow and an extended group in order to keep processes manageable.

#### Core Learning Partnership (CLP)

- At headquarters: Martin Fässler (FAM), Felix Fellman (FMF), Lothar Caviezel (CAL), Pius Wennubst (WPI), Giancarlo de Picciotto (DPG), Walter Hofer (HOF)/ successor to Hanspeter Wyss (WHA), Olivier Bürki (BUO), Eliane Darbellay (DYE), Pascal Fellay (FY), Gerhard Siegfried (SIE) and alternates.
- In the case study countries: SDC COOF staff



### Extended Core Learning Partnership (ECLP)

- Within SDC: SDC PRSP-relevant staff not mentioned in the CLP above including the Groupe Thématique PRSP, COOF staff and staff at the Swiss WB and IMF “Office of the Executive Director” (OED) in Washington
- Outside SDC: Seco, Partner Governments, Partner NGOs, similar bilateral Donors in the case study countries.

### **IIIB. BROAD LEARNING PARTNERSHIP**

Multilateral Development Organisations such as the WB, IMF, Regional Development Banks, UN Organisations  
Interested other Donors  
Interested NGOs  
Interested Developing Country Governments

### **IIIC. ORGANIZATIONAL SET-UP AND RESPECTIVE ROLES**

SDC’s Evaluation Officer (Evaluation & Controlling Division) designs the evaluation framework (“Approach Paper”) with participatory input from SDC stakeholders, drafts and administers the contracts with the consultants, organizes the overall process with respect to i) discussions on findings, ii) comments on lessons learned, iii) decisions for dissemination, iv) follow-up activities. Ensures dissemination of the evaluation report.

The Core Learning Partnership (CLP) at headquarters participates in meetings convened by the evaluation officer at critical junctures during the evaluation and assists in steering the evaluation process throughout its cycle. It comments on the evaluation design and discusses the draft evaluation reports, the recommendations, the lessons learned and related follow-up. It negotiates and approves the Agreement at Completion Point<sup>47</sup>.

The Extended Core Learning Partnership (ECLP) within SDC will be solicited through the Intranet to provide input and feedback at critical junctures in the evaluation process (approach paper design, feedback regarding draft reports, recommendations, lessons learned and the Agreement at Completion Point). ECLP feedback will be considered by the CLP. In the case study countries, the ECLP (NGO partners, government partners, similar bilateral donors) will participate with COOF staff (CLP) in the end-of-mission workshops.

The Broad Learning Partnership may be interested in the evaluation results and will be targeted for dissemination.

Consultants contracted by SDC’s E&C Division elaborate an evaluation workplan, carry out the evaluation, conduct end-of-mission workshops in the case study countries, present the draft reports to the CLP, take on board comments as appropriate and finalize their evaluation report.

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<sup>47</sup> The Agreement at Completion Point is a commitment by the CLP to act on agreed evaluation recommendations and illustrates stakeholders’ consensus on the evaluation results and their commitment to learn from the evaluation. It will be included in the Final Evaluation Report.

Department-level Management and the General Director comment in COSTRA on the Agreement at Completion Point and approve it.

## 9 PROCESS

An evaluation, which will answer the aforementioned key questions, is conducted by the consultants contracted by SDC. The information gathered will mainly consist of qualitative assessments by key players who will be asked about how, why and with what results they have engaged in the PRSP process.

### 9.1 IV A. Methodology

The consultants will compile the following reports:

1. **Survey of SDC-wide PRSP Engagement (SDC-wide Survey):** Broad survey of SDC PRSP-related activities in the COOFs and at headquarters resulting in a descriptive inventory of SDC's PRSP experience to date (i.e., etat des lieux) and an analysis of SDC-wide trends. Stocktaking of existing documents and interviews with key staff at headquarters (country desk officers, thematic and multilateral division staff) complimented with input from the COOFs through the respective country desk officers.
2. **Case Studies Report with a Survey of PRSP Activities of similar Bilateral Donors (Case Studies Report including donor survey):**
  - Detailed case studies of SDC engagement in the PRSP process in Nicaragua, Vietnam, Burkina Faso and the Kyrgyz Republic consisting of interviews with key actors, surveys of processes, interactions, results achieved and lessons drawn based on the key questions. Identification of successes and shortcomings. Interpretation of key determinants (analysis), recommendations.
  - Interviews with similar bilateral donor COOFs in the four case study countries to determine what other similar donors are doing. Review of readily available information on donor practices in the PRSP context. Comparison with SDC activities and recommendations.
  - End-of-Mission Workshop in each country conducted by the evaluator with the SDC evaluation officer, COOF staff, government representatives, NGOs, and representatives of like-minded donors.

The Case Study Report including the donor survey encompasses the four mission reports as well as a compilation of the insights drawn from the four case studies (a summary and analysis of the case study findings).

3. **Synthesis Report:** The SDC-wide Survey and the Case Studies Report contain the detailed findings of the evaluation and include a wealth of information which will be useful to some core learning partners but not of general interest to everyone. In addition, overall conclusions need to be drawn from the two reports. The two reports will be condensed into the Synthesis Report. The Synthesis Report will contain information of general interest, an analysis of the findings, overall trends, conclusions and recommendations.

The consultants will elaborate an evaluation methodology which will be noted in the workplan. The drafts of the three reports (i.e. the SDC-wide Survey, the Case Studies Report including the donor survey and the Synthesis Report), each of which will be an entity in itself, will be discussed by the CLP as they become available and will be posted on the Intranet to solicit SDC-wide comments. The Final Evaluation Report will consist of the DAC Summary, the Executive Summary, the Synthesis Report, Annexes and the Agreement at Completion Point drawn up by the CLP.

## 9.2 IV B. Main Steps-Schedule

ACTIVITIES	Deadline
<b>First CLP Meeting:</b> Discussion of Approach Paper within SDC	March 20, 02
Approach Paper draft posted on Intranet	Mid-April 02
TORs, Consultant selection	End of April 02
Consultant contracts signed, Approach Paper and TOR finalized and posted on Intranet	Mid- June 02
SDC-wide Survey draft issued by consultants, posted on Intranet	Mid-Oct. 02
<b>Second CLP Meeting</b> to discuss SDC-wide Survey draft (presented by consultants, chaired by E&C Division)	Nov. 1, 02
Field missions in Kyrgyz Republic, Vietnam, Burkina Faso and Nicaragua for Case Studies including donor survey, End-of-Mission Workshops conducted in case study countries	Nov 02, Jan-Feb. 03.
Draft Case Studies Report including donor survey issued by consultants and posted on Intranet	End of Feb 03
<b>Third CLP Meeting</b> to discuss draft Case Studies Report including donor survey (presented by consultants, chaired by E&C Division)	March 18, 03
Draft Synthesis Report issued by consultants, posted on Intranet	End of March 03
<b>Fourth CLP Meeting</b> to discuss draft Synthesis Report (presented by consultants, chaired by E&C Division)	April 15, 03
Final Synthesis Report issued by consultants	Mid-May 03
<b>Fifth CLP Meeting</b> is Completion Point Workshop: CLP negotiates and approves the Agreement at Completion Point containing recommendations, lessons learned and follow-up action (final Synthesis Report presented by consultants, chaired by E&C Division)	May 30, 03
Final Evaluation Report (including Agreement at Completion Point) discussed and approved in COSTRA	Mid-June 03
Dissemination completed, posted on Internet	End of July 03

V. CONSULTANT SELECTION AND TIME-EFFORT		
CONSULTANTS		
Profile: evaluation and analytical skills, knowledge of	(international)	Development Initiatives

	PRSP process, development experience, communication and editing skills, English skills		(Judith Randel as team leader)
	Profile: evaluation and analytical skills, knowledge of PRSP process, knowledge of SDC, development experience, poverty sector experience, communication skills, German, French, English skills	(Swiss)	Gerster Consulting (Richard Gerster and subcontractors)
	Profile: knowledge of PRSP process, local knowledge, evaluation skills, communication skills, competence in English	(in case study countries)	To be subcontracted by Gerster Consulting in consultation with COOF
	<b>FACILITATORS</b>		
		(Swiss)	To be subcontracted by Gerster Consulting in consultation with SDC evaluation officer
		(in case study countries)	To be subcontracted by Gerster Consulting in consultation with COOF
	TIME EFFORT in person days: International and Swiss consultants Case Study Country consultants and facilitators		150 61

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SDC Evaluation and Controlling Division

