Embedding SP’s in the PRSP-Process
A Framework for Discussion

Desk-based Background Paper

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Abbreviations

CIDA Canadian International Development Agency
DFID Department for International Development (UK)
GDP Gross Domestic Production
IDA International Development Agency – World Bank
M&E Monitoring & Evaluation
Mio Million
MOFPED Ministry of Finance, Planning, and Economic Development
MTEF Medium Term Expenditure Framework
NGO Non-governmental Organization
PAF Poverty Action Fund
PARPA Action Plan for the Reduction of Absolute Poverty (Mozambique)
PEAP Poverty Eradication Action Plan (Uganda)
PSIA Poverty and Social Impact Assessment
PRS Poverty Reduction Strategy
PRSC Poverty Reduction Support Credit
PRSP Poverty Reduction Strategy Paper
SPA Strategic Partnership with Africa
SWAP Sector-wide Approach
SP Sector Program
SIP Sector Investment Program

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Executive Summary

Three years ago, discussions centered principally on how to integrate projects in a coherent sectoral framework or SWAp (Sector-wide Approaches). As the SPA-Tracking of ongoing sector programs shows, this goal has not been completely achieved. However, much has been learned about how to do it better. With the introduction of PRSPs, the focus of discussion has widened, now also encompassing questions of political coherence at the national level in addition to the sector level.

One can safely hypothesize that sector programs (SPs) will play an important role in PRSP implementation. A comparison of the sectors in which SPs prevail with the priority areas identified in Poverty Reduction Strategy Papers (PRSPs) illustrates a considerable degree of overlap. This is in itself not surprising, as successful SPs can be found in sectors highly relevant for poverty reduction such as education or health. PRSPs represent a unique opportunity for achieving policy coherence to fight poverty. Recent discussion in SPA has concentrated on how to ensure that SPs are coherent with a country’s overall national strategy to reduce poverty, that is to say, on the alignment of SPs with the PRSP process or PRSP implementation.

Alignment is a rather abstract buzzword that is applied in different contexts and with different connotations. Even in discussions on aligning SPs with the PRSP Framework, different people have different understandings of alignment. Some see the objective of alignment being fulfilled when general objectives of reducing poverty coincide or when representatives from Sector Ministries participate in PRSP working groups. The background paper shows that the alignment issue goes beyond avoiding contradictions or achieving a general level of coherence. Sector Programs need to be fully embedded in the PRSP context and the PRSP implementation needs to be linked with existing and new Sector Programs. Alignment in its proper sense means to establish a clear division of tasks and responsibilities between PRSP implementation and Sector Programs. This requires the establishment of clear lines of communication and decision-making and appropriate funding arrangements. This also implies that all actors consent on the basic principles of collaboration such as general objectives, methods and approaches, monitoring procedures, and the choice of indicators. The different stakeholders then need to apply and operationalize these principles in their areas of responsibility. Proper alignment leads to policy coherence under one overarching national strategy and vision. It should provide opportunities for synergy, mutual learning and cross-fertilization of different levels of implementation. The challenge is to combine efforts and to avoid duplication, fragmentation and contradictions between the sectoral and national levels.

A closer look at the initial experiences in the field yields a mixed picture: There are examples of good practice in countries like Uganda, which has treated the alignment issue in great depth in the PEAP Volume 3. But even in Uganda, the achievement of alignment seems to vary from sector to sector. It is strongest in more centralized sectors like the education sector, weaker in sectors involving a larger role for the private sector. In other countries, alignment has, up to now, been a matter of Sector Ministries participating in the PRSP working groups combined with a general agreement on the general goal of re-
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Reducing poverty. Early experience thus indicates that alignment is not an automatic process but requires special attention and action at all levels, going far beyond the sectoral level. Experience also shows that aligning SPs with the PRSP framework is not a mere matter of technical adjustment and fine-tuning of procedures or instruments, but a question of political economy and of designing appropriate institutional arrangements.

The major challenge of implementing a poverty reduction strategy is to enable a transparent and efficient intergovernmental process to arrive at a consensus on which priorities and how to spend scare resources. Such a collaborative framework enabling prioritization of activities is the heart of the alignment issue. An important underlying factor that favors misalignment and duplication of structures, at least in the African context, is the weak collaboration between different ministries, programs, and projects. Due to the considerable weakness of existing national systems and procedures, donors prefer to work directly with Sector Ministries, while relying to an important degree on off-budget financing as the preferred financial arrangement. This direct link between donors and Sector Ministries establishes extra-governmental lines of funding and accountability that are sometimes stronger than the intragovernmental links. Over time, this phenomenon has fostered an uncooperative culture within the government, and has weakened institutional links between Central and Sector Ministries.

The general objective is thus to strengthen the links between Sector Ministries and Central Ministries by creating a collaborative relationship with strong incentives and institutionalized linkages in the field of financing, monitoring, reporting and accountability. The paper identifies sets of complementary actions in three main areas. Firstly, appropriate incentives need to be in place to enhance collaboration. Here, the budget plays a major role as reliable and predictable resource flows based on agreed objectives and performance present the major incentive for Sector Ministries to cooperate with Central Ministries. The following actions have proven to be supportive:

- Increase predictability and timeliness of disbursements by narrowing the gap between allocation and actual disbursements
- Increase planning security by turning the Medium Term Expenditure Framework (MTEF) into a real management tool
- Increase the coverage of the budget, i.e. include all resources and expenditures of budgetary nature in the budget
- Increase budget allocations to sectors with high national priority
- Introduce a performance orientation in the budget to reward complying Sector Ministries

Secondly, in order to maximize benefits from specialization and to minimize overlaps, duplication and conflicts, clear lines of responsibility and accountability for the actors involved and rules of the game need to be introduced and promoted. What are institutional reforms that would favor alignment? During the implementation phase or the so-called “Post-PRSP process” this would for example require:

- Streamlining the planning processes and achieve alignment with the PRS-cycle
- Institutionalizing negotiations on annual sector ceilings
- Institutionalizing mechanisms and fora to jointly agree on sector objectives and
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policies without duplicating structures
• Institutionalize increased poverty orientation of sector programs managed by Sector Departments
• Institutionalizing and enhancing the screening of the sector activities to ensure coherence
• Providing clear guidance to the local levels on their involvement
• Aligning capacity-building efforts on sectoral and central level according to new demands

Furthermore, the following actions have proven to be helpful in increasing the alignment of monitoring at the sector and the national level:
• Change the line of accountability and responsibility from donors to Central Ministries
• Avoid marginalization of the responsible entity
• Institutionalize a joint and comprehensive M&E-system
• Define a clear division of tasks to avoid duplication
• Align the indicators
• Tap the increased PRSP-data sources also for the implementation of Sector Programs/SWAPs
• Institutionalize a joint and harmonized reporting system
• Limit donor demands on data requirements

Thirdly, donors need to be integrated in the general governmental framework. Donors have a special responsibility, as they are often the very powerful and decisive third party capable of influencing the equilibrium in the governmental set up. Ideally, donors should play a mere supporting role using the national institutional arrangements as a reference point. This applies to budget processes and procurement systems among others. Nevertheless, donors often hesitate to deliver their assistance through government systems. Mainly, this is because they believe that the weaknesses of national systems and procedures are too immense to justify the considerable risk of misuse of funds or the risk of not reaching the development goals that they are pursuing. National standards, especially in the area of financial accountability, often do not comply with donor standards and requirements. What can be done in this situation? The SPA has tried to find a solution and formulated a new principle: The SPA - Addis Ababa Principle, “All donor assistance should be delivered through government systems unless there are compelling reasons to the contrary; where this is not possible, any alternative mechanisms or safeguards must be time-limited, and develop and build, rather than undermine or bypass, government systems.” To spell out the Addis-Ababa principle in support of the alignment of SP with the PRSP-process the paper lists more detailed reminders for donors for a good conduct.

Governments should also take an active role in integrating donors in the institutional framework and setting standards for how they want to collaborate with their development partners. The following areas have proven to be powerful to convince donors to integrate their support in the general government framework:
• PRSP governments need to exercise leadership to bring about donor alignment
• Clarify do’s and don’ts (i.e. no PMUs etc.) as well as the institutional arrange-
ments for donors, possibly in the PRSP
• Getting the incentives right for donors to support alignment

For full impact, all the measures should be implemented simultaneously and regarded as a process not to be implemented overnight. Implementing such reform measures is a big challenge, but achieving progress in these fields will trigger important improvements in the functioning of governmental institutions and intergovernmental coherence.

The next logical step is to bring the results of the background paper to the field. To this end, in-country consultation workshops are envisaged to discuss the issues. The workshops will serve a three-folded objective: (1) raising the awareness on the alignment problem and negative implications of non-alignment, (2) to verify the adequateness of the answers given in the paper and (3) foster the exchange of experiences between practitioners.
Embedding SPs in the PRSP-Process

A Conceptual Framework for Discussion

1 Introduction

Three years ago, discussions centered principally on how to integrate projects in a coherent sectoral framework or SWAP (Sector-wide Approaches). As the SPA-Tracking of ongoing sector programs shows, this goal has not been completely achieved. However, much has been learned about how to do it better. Introducing the PRSP as overarching national strategy has added a new dimension to the sectoral approaches such as Sector Programs (SP) and SWAPs. This new dimension has made the world more complex. The challenge is not only to achieve a coherent approach at the sectoral level, with the ministries in the driver’s seat and most donors following the same approach and working within the same framework. The new challenge is to embed these sector programs in the national framework achieving coherence at the national level and on the sectoral level. However, there is yet little evidence that SWAPs are fully embedded in the national framework. Only few SWAPs have been adapted as a reaction to the new national PRSP-related priorities. Statements like “Sectoral ministries are less fully involved than the core ministries, such as the Ministry of Finance or the Ministry of Planning” (PRSP-Review, p. 22) are alarming and implicitly predict problems to successfully align SWAPs with the PRSP-Process.

At the same time, PRSP’s real challenge is to achieve the transition from policy paper to guiding principle for all stakeholders in the government. To speak with the words of the PRSP-Review undertaken by the World Bank and IMF: “As poverty reduction strategies are neither developed nor executed in political vacuums, the overarching political and institutional context sets the parameters and constraints that shape the prospects for economic and social reform.” (PRSP-Review, p. 55). In other words, aligning sectoral policies, cross-cutting issues and the budget systems is crucial for the success of the PRSP. Or as the Joint Staff Assessment of the PRSP of Niger put it rightly: “The success of the strategy relies on achieving synergies from coherent sectoral and cross-sectoral policies.”

The SPA Task Team Sector Programs has set itself the task to identify good and workable practices for aligning the existing and new sector-wide approaches with the PRSP-process. Objective is to tap the full potential of merging these two approaches. The first commissioned Issue Paper: “SP and PRSP-implementation – Chances and Challenges” concentrated on identifying both the chances and the challenges of having the PRSP as national guidance and SP at the sectoral level.

It has shown that the potential synergy effects often lie in the area of reciprocal fertilization. Sectoral issues are a core element of poverty reduction strategies. They are also a rich source of experiences with procedural and institutional issues relevant for the PRSP process. Interlocking the two approaches constitutes the basis for an efficient policy re-orientation towards poverty reduction. The PRSP may act as an umbrella and a vehicle for merging isolated approaches in different sectors to a unified strategy to alleviate poverty. Concurrently, sector programs have already undergone the learning process of how to organize participatory processes, establish round tables, mechanisms for co-ordination and monitoring systems. They mirror the main PRSP-principles at the sector level. On-
going SP generated structures adapted to the capacities in the countries. These experiences provide a rich basis for similar challenges within the PRSP context.

The Issue Paper has identified quite a number of potential areas that need alignment and close linkages in order to avoid duplication and contradiction between SPs and PRSP implementation and achieve fertilization:

- Objectives of poverty orientation of both SPs and PRSPs, that is to say pro-poor policy revision and review
- Financing arrangements of PRSPs and Sector Programs as well as the MTEF process and budget cycles
- Planning processes and the modalities of dialogue with government
- Coordination structures, committees and procedures
- Reporting cycles
- Aligning participatory approaches and cycles, avoiding duplication
- Monitoring requirements, results and performance indicators,
- General approach towards decentralization and the involvement of local government.

The Issue Paper has shown the major risk of these initiatives proceeding in isolation from each other and therefore missing the opportunity for achieving synergy and coherence. Preventing this requires a cooperative and aligned structure within the government with clear-cut mechanisms, division of tasks and incentives to cooperate.

In recent discussions, alignment with the PRS-process has become a buzzword in everybody’s mouth. Nevertheless, the understanding of what alignment exactly implies differs greatly. Two extreme positions can be detected: for some alignment is already achieved if a general coherence of objectives and priority areas can be detected between the different actors including the donors. Others reduce alignment to donor behavior complying with the PRS-cycle. This discussion centers on support to the general budget as only appropriate instrument to achieve such an alignment.

This document develops a wider understanding of alignment. It goes beyond the notion of co-incidence of general objectives and the question of how donors can align to the PRSP. It looks into the complex interrelation between donors, central ministries and sector ministries. **Aligning in this sense** therefore means to establish a clear division of tasks and responsibilities between PRSP-implementation and Sector Programs in a wider sense with clear lines of communication, decision-taking and funding arrangements. This implies that all actors agree on the basic principles of collaboration such as general objectives, methods, approaches, monitoring and indicators. The stakeholders then apply and operationalize these principles within their area of responsibility.

Based on the hypothesis that the risks of duplication and friction play an important role in practice, the objective of this additional background paper is to give first insights and directions with regard to how to get Sector Ministries and donors on board during the PRSP-implementation. The background paper also intends to show that alignment is not an automatic process but needs special attention and a set of targeted measures to be fol-
ollowed by the main stakeholders. The background paper will build on the results of this Issue Paper analyzing the first country experiences as reflected in the documents. Ultimate goal is to show a manageable way to a more collaborative framework and structure within the government that will align actors behind the common goal of poverty reduction by creating win-win situations.

The background paper will attach importance to the Ugandan experience as a good example of changing institutional arrangements in favor of joint action towards poverty reduction. Nevertheless, this focus is not meant to recommend a blueprint to be adapted by all countries. The in-country-consultation workshops are designed to enlarge the pool of good practices, examples and experiences available for practitioners in the field. Compiling good examples is only meant to give food for thought for the decision-makers in the countries to find their individual solution best suited for their country-specific situation.

The paper will concentrate on the intergovernmental relations and cooperation with the donors. The focus of this document is on the relationship between the Central Ministries, the Sectoral Ministries and donors as the three important actors being responsible for the effectiveness of both PRSP and Sector Programs. Nevertheless, one should not forget that there are other important actors involved in both the PRSP-Process and Sector Program such as civil society, parliament or private sector. Partly, issues like questions of institutionalizing participation or involving the parliament have been covered in other documents (see for example W. Eberlei, 2001). As both the PRSP-process as well as SP are in character more centrally orientated, the process of decentralization will not be covered in the background paper although this process is an additional challenge in the field of alignment. Some of the alignment issues also apply to the decentralized level but at this level the alignment issue is certainly more complex as the local councils as an additional important player come into focus. Furthermore, isolated project aid will not be treated separately but many aspects of aligning SP with the PRSP-process also apply for project-aid.

The paper is organized as follows: it will analyze in Chapter 2 the first country experiences in more detail. In Chapter 3 it tries to crystallize simplified patterns that tend to fortify misalignment to deepen the understanding of the underlying mechanisms, a vital precondition for formulating adequate actions to enhance alignment between PRSP and SP. In Chapter 4 it will elaborate a framework for targeted actions to foster the alignment between SP and the PRSP-process. This section will cover the fields of setting the right incentives, introducing and strengthening institutional procedures and arrangements between Sector Ministries and Central Ministries. At the end of this chapter, measures to change donor behavior will be shown that are necessary to support alignment within the Governmental structure. By identifying first good examples or best practices it is meant to prepare in-country workshops to be held later this year. In the paper, “Sector Programs” and “SWAPs” will be used as synonyms. Chapter 5 will shortly summarize the main findings and will show relevant issues to be further discussed during the planned in-country-consultation workshops.
2 Initial country evidence during the PRSP-formulation phase

Today, the country-related database is still quite small for empirical evidence. In spring 2002, only five countries had presented Full-PRSPs, of which only three have reached the first PRSP review report. Given these constraints, what can be said about the first experiences of the PRSP-process with regard of embedding SP in the process?

2.1 Relevance of SP for the PRSP-process

Theoretically, Sector Programs could be an important building block for the implementation of the PRS. To play such a dominant role SP need to cover the same sectors as the (sectoral) priority areas of the PRSP. Comparing sectoral priorities included in the Full-PRSP and on-going Sector Programs, one can detect a significant overlapping of the social sectors Education and Health as well as rural infrastructure and water supply, as shown in Table 2.1. One can safely hypothesize that SP will play an important role in achieving progress in the sectoral PRSP-priorities. This is in itself not surprising, as successful SPs can be found in sectors highly relevant for poverty reduction such as education or health.

Nevertheless, it is important to keep in mind that Sector Programs or SWAPs do not equate with an entire sector, as often enough only 50% of the sectoral funding is integrated in a SWAP. Furthermore, crosscutting PRSP-issues like improving good governance, reaching macro-economic stability or promoting growth are not covered by specific SWAPs but must be treated on the general policy levels.

Table 2.1: SP and priority sectors of Full-PRSP

<table>
<thead>
<tr>
<th>Country</th>
<th>PRSP priority areas on the sector level</th>
<th>Sector Programs (according to the SPA-Tracking)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>Health, Education</td>
<td>Education, Health, Water, Roads, Rural Development</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Health, Education</td>
<td>Health, Education</td>
</tr>
</tbody>
</table>
2.2 Country evidence on Alignment during the Planning Phase

Alignment in its proper sense implies that all actors agree on the basic principles such as common objectives, methods, monitoring and indicators. The stakeholders apply and operationalize these principles within their area of responsibility. Consequently, collaboration and coordination between different actors during the planning phase of a national strategy is important for the process of alignment. Based on the five countries that have fully undergone the planning process up to the elaboration of a Full-PRSP, the following questions shall guide the first assessment of alignment practices in countries:

- Has there been a close cooperation between Sector Ministries and Central Ministries in the course of the PRSP-formulation?
- Has there been reciprocal influence of SP and PRSP?
- Is there conformity of planning instruments and processes with the PRSP as the guiding principle?
- Is there a clear vision of the institutional set-up for the PRSP-implementation phase?

Has there been a close cooperation between Sector Ministries and Central Ministries in the course of the PRSP-formulation?

There is some indication that the existence of SWAPs in one sector greatly facilitated and improved the formulation of relevant sections in the PRSP. SP generally helped to underpin the degree of specificity of the description of the priority actions. In Mozambique, sector plans have become an important foundation of the Action Plan for the Reduction of Absolute Poverty (PARPA). According to CIDA one can see a remarkable difference in the quality of the consultation and policy dialogue between the education sector, where the Government and donors work together within the framework of a SWAP (ESSP), and other sectors without on-going SWAP.

Most of the countries established working groups covering the different components of the PRSP. The line ministries were represented in the working groups. Nevertheless the degree of real involvement seemed to have varied significantly. In Malawi, for example, the Technical Committee reports that “the PRSP has not become a priority within the Ministry of Finance let alone the Line Ministries …” (cited in Institutionalisation Study in Malawi, p.32). In Ghana the Ministry of Health fully participated in the PRSP-process, but other ministries did not do so to the same extent. However, the Ministry of Health concurrently prepared a National Health Plan (“Health for the Nation”) that included a new 5-years action plan. Incidentally, the Health Plan was not contradictory to the PRSP but only later became an official part of the PRSP-process.
Table 2.2: Country Experience in the Education Sector

<table>
<thead>
<tr>
<th>Country and Sector</th>
<th>Ugandan Education Sector</th>
<th>Zambian Education Sector</th>
<th>Ethiopia Education Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector Programme and PRSP Strategy</td>
<td>Fully integrated planning and budget framework is in place from PRSP priorities to MTEF to SWAp.</td>
<td>BESSIP predated PRSP, but emphasises poorer groups. BESSIP is a partial programme, not fully integrated with sector planning and budget, and has had to overcome coordination problems.</td>
<td>Pre-dates the PRSP.</td>
</tr>
</tbody>
</table>

(Source: Foster/Mackintosh-Walker (2001), pp. 32–38.)

Has there been reciprocal influence of SP and PRSP?

Most PRSPs are construed to constitute as the main framework guiding sector plans and investment policies. In practice there have been some differences between older and newer SP. For SP pre-dating the PRSP-process, there is some evidence that Line Ministries had problems with adapting especially when the line ministries and their principal donors had previously agreed upon “their” sectoral policies. In Tanzania for example, the SP in the Health Sector clearly predated the PRSP and although there had been some consultations, targets and indicators were not coordinated in the course of the PRSP process (Foster/Mackintosh-Walker, 2001). The institutionalization study on Tanzania underlined that - at this stage - most of the respondents were not aware how PRSP was related to their respective organization’s policy framework or strategic planning requirements.

On the other hand, to a number of new or dormant SWAPs/SIPs the high-profile nature of the PRSP approach seems to have given a boost. In Malawi for instance, the PRSP-approach has sharpened the poverty focus of the Sector Plan for Education, while the picture was slightly different in the agricultural sector, where the PRSP-process enhanced the on-going rivalry between the planning unit of the Ministry of Agriculture and the Secretariat of the Malawi Agriculture Sector Investment Plan. In the end, the PRSP constituted a step backwards with regard to both, substance and coverage of relevant issues compared to the previous agricultural SIP-plans. However, the PRSP-approach has also boosted the momentum of the SIP in agriculture.

In general, there is some evidence that the PRSP inspired donors to increase their cooperation and their mode of financing at the sectoral level. In Malawi, the PRSP caused donors to discuss joint funding mechanisms on the sectoral level in the education sector.

Table 2.3: Country Experiences in the Health and Agricultural Sector

<table>
<thead>
<tr>
<th>Country and Sector</th>
<th>Uganda Health Sector</th>
<th>Tanzania Health Sector</th>
<th>Mozambique Health Sector</th>
<th>Zambian Agriculture Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector Programme and PRSP Strategy</td>
<td>Fully integrated planning and budget framework is</td>
<td>Sector programme predated the PRSP and there is</td>
<td>The documents state that the sector programme is consistent with priorities of</td>
<td>ASIP pre-dates the PRSP. It is hoped that the next phase will be closely linked with</td>
</tr>
</tbody>
</table>

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Is there conformity of planning instruments and processes with the PRSP as the guiding principle?
Contrary to the Uganda experience, where the PEAP is acknowledged to be the guiding principle for the strategic orientation of the country’s domestic policies, other countries experienced a sort of co-existence with other planning processes. Some evidence points to the fact that this partially diluted the normative power of the PRSP in the planning process. In Mozambique for example, the centrality of Mozambique's PARPA was not clearly and firmly established (Cheru, 2001, p.4). It was apparently difficult to detect the center of ownership of the process and its relative importance vis-à-vis other planning instruments. Cheru described the state as follows: “Different people and different interests in government tend to drive the various planning instruments in different directions and there is no coordination between key government institutions, […] even within the same ministries. (Cheru, 2001, p.5).”

In Tanzania, the Government had started to prepare the Tanzanian Assistance Strategy (TAS) before launching of the PRSP-process in the country. It decided to stall any reworking of the TAS until the full PRSP was complete. Nevertheless, the co-existence of two strategic instruments created confusion. It was not sufficiently clear which document reflected the main government-owned and government-led strategy. As a consequence, it probably reduced the guiding force of the PRSP-process in the country. It is therefore important to streamline and focus both the planning instruments and the processes.

Is there a clear vision of the institutional set-up during the PRSP-implementation phase?
In general, in most PRSP no specific reference is made to the SWAPs and how to integrate them in the general institutional set-up. However, in some PRSP’s explicit reference is made to the institutional framework for the PRSP-implementation. Malawi for example included information on the relationship between PRSP and SIPs in the Terms of Reference for the Technical Working Groups (Institutionalisation Study on Malawi, p. 27). Mozambique’s PARPA included general statements about the cooperation between Sector Ministries and Central Ministries but did not touch on important details. Burkina Faso stands out by including the following detailed action plan:

**Burkina Faso’s Action Plan to improve the institutional arrangements**
- Clarify the role of each stakeholder in the formulation, implementation, monitoring and evaluation of the strategy
- Formalize a process of systematic consultation with the poor through a participatory poverty assessment
• Refine the mechanisms for ensuring that policy priorities are reflected in budget and program budgets, while remaining consistent with the macroeconomic scenario
• *Increase the contribution made by the central and decentralized government services. The emphasis will be on the line ministries, and on ensuring that their contributions are consistent and synergic with the national objectives and constraints outlined in the PRSP*
• Gradually expand the process of preparing a PRSP to include local communities and other components of civil society (...).
• Elicit a more effective contribution to the process by donors. Their participation would enable them to fit their financial and technical support into a wider, coherent approach. This will help mitigate uncertainty as to the amount of financial support to expect and the disbursement schedule.

Source: PRSP Burkina Faso, Italics by the author

Unfortunately, the Government has apparently not taken up this subject in its first progress review of the PRSP-implementation.

### 2.3 Summary

Summarizing the sketchy country experiences one can presume the following hypothesis about alignment processes during the PRSP-planning and formulation phase:

• The closer the cooperation in the preparational phase the closer the link during implementation,
• The older the SP the lesser the adaptation to the PRSP guidance and the more targeted action is required.
• The higher the quality of sector program the more influence on PRSP-content,
• The more parallel planning instruments the lesser the chances for alignment,

In general, the first country experiences seem to confirm the hypothesis that aligning PRSP and SP is not an automatic process. One can hypothesize that differences might be caused by different incentive structure and intergovernmental institutional arrangements in the countries that can either favor or discourage collaboration. As the country experiences are still too sketchy the following chapter will have a closer look at general patterns that might favor misalignment, patterns that risk loosing potential benefits of implementing a coherent plan with all actors working towards the same objective.

### 3 Patterns of Misalignment between Central Ministries, Sector Ministries and Donors

The major challenge of implementing a poverty reduction strategy is to enable a transparent and efficient intergovernmental process to arrive at a consensus on which
priorities and how to spend scarce resources. A consistent framework has to encourage all stakeholders to co-operate efficiently. The incentive structure must be such that all main actors have an interest to cooperate. At the end, everyone has to accept the decisions as binding. To do this, all relevant stakeholders have to be part of the game and see advantages in participating. Such a collaborative framework enabling prioritization of activities is the heart of the alignment issue.

As shown above, alignment does not seem to be an automatic process in most of the countries. So the question arises what are the roadblocks and why do they block the process of national alignment. The present chapter will take a look at a “model” situation in a country based on multiple country experiences. It will ask how the situation may look like at the beginning of the PRSP-implementation, whether all actors have an interest or not to cooperate, whether normally structures, rules and standards are in place that enable everyone to take over their part of responsibility they are or should be accountable for.

Special attention will be paid to the relationship between Line Ministries and the Central Ministries (Ministry of Finance or the responsible Secretariat of the Prime Minister’s office) with the latter often being crucial for the extent of intergovernmental cooperation. The following table gives a very simplified overview of the main interest of the players involved within the governmental structure without the PRSP as guiding and unifying principle.

**Table 3.1: Simplified and typological interests by important players within an un-cooperative Framework (without PRSP) on the basis of frequently observed patterns**

<table>
<thead>
<tr>
<th>Perspectives and Interests</th>
<th>Ministry of Finance</th>
<th>Line Ministry</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance</td>
<td>represents national priorities</td>
<td>driven by sectoral interests (“maximum for my sector”)</td>
<td>Support only policies and programs that are state of the art within their organization.</td>
</tr>
<tr>
<td></td>
<td>guardian of the macro-economic stability and availability of resources</td>
<td>need-oriented approach to fulfill the transferred tasks</td>
<td>Want to influence national sector policies</td>
</tr>
<tr>
<td>Subjective Advantages of Non-Alignment</td>
<td>Avoidance of disputes with other ministries</td>
<td>work on own agenda, more flexibility and freedom when not integrated in national system</td>
<td>More influence and flexibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>direct access to funding</td>
<td>Quick and efficient delivery of funds to the target groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compliance with donors procedures might lead to additional donor funds within own ministry and area of</td>
<td>High influence on sector policy and sector guidelines</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Adaption to own requirements</td>
</tr>
</tbody>
</table>

---

9
It becomes clear that the main actors and especially the Sector Ministries and donors could see quite substantial advantages in a non-cooperative framework. The set of interest and incentives seems to work against a close alignment and therefore against a coherent implementation of a national strategy. As the simplified diagram shows, the budget as major linkage between Central and Sector Ministry, institutional arrangements between these two and the institutional arrangements for donors’ involvement are at the heart of the problem.

Table 3.2 Stakeholders’ collaboration without Alignment

<table>
<thead>
<tr>
<th>Central Ministries</th>
<th>Sector Ministries</th>
</tr>
</thead>
<tbody>
<tr>
<td>weak budget</td>
<td>weak institutional arrangements</td>
</tr>
<tr>
<td>official policy dialogue</td>
<td>direct Cooperation outside national system</td>
</tr>
</tbody>
</table>

There are other important actors involved in both the PRSP-Process and Sector Program such as civil society, parliament or private sector. Other lines of accountability and conflict arise between these stakeholders and governmental institutions and donors. For the sake of clarity and simplicity the following will concentrate on the three actors mentioned above as main actors responsible for both PRSP-implementation and SWAPs and therefore. The major links and arrangements will be analyzed to identify the underlying patterns and reasons for this situation.

3.1 Weak Budget Systems

The budget constitutes the central link between the Ministry of Finance, representing the Central Ministries, and the Sector Ministries. In many countries this link is very weak and
unmanageable. Today, in most countries of Subsaharan-Africa, the budget is not comprehensive, covering only small parts of the general financial flows. Budget disbursements differ greatly from the budget allocations. For most spending ministries, budget funding is not a predictable or reliable source of financing. The MTEF is at times perceived a mere bureaucratic exercise with no real link to actual resource allocation or disbursements. There is not a strong incentive to put a lot of effort into interactions with the Central Ministries such as the Finance Ministry.

What are the causes for this situation? Sector Ministries acting out of a need situation derived from ambitious objectives to improve delivery of public services tend to overestimate their financial needs, whereas the Ministry of Finance is confronted with limited resources. Often no compromise can be found during the planning stage. Unrealistic budgeting results in quick exhaustion of funds, causing the Ministry of Finance to routinely redraft the budget in the course of the fiscal year. Fiscal discipline is achieved through the arbitrary release of funds, creating significant gaps between allocations and disbursements during the budget cycle, which will set off a spiral of unrealistic budget requirements by the Sector Ministries and even greater budget and disbursement cuts enforced by the Ministry of Finance in the coming years. The Sector Ministries stop taking the MTEF and the budget process seriously and will try to bypass it, increasing their independence by acquiring additional funds from outside the budget. Sector Ministries often have easy access to external funding, the amount depending on their direct relationship and negotiations with individual donors. This relationship offers an escape route from cumbersome negotiations with the Central Ministries as well as bureaucratic and sometimes arbitrary barriers.

<table>
<thead>
<tr>
<th>Country</th>
<th>Predictability of Budget Funds</th>
<th>Donors Influence on Public Resources (Resource Envelope)</th>
<th>Resources not included in the national budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>Disbursements compared to Allocation</td>
<td>50% of gvt. spending, and 75% of public spending financed by donors</td>
<td>Ca. 50% of the expenditures off-Budget revenues between 34% (Ministry of Health) and 107% of Ministry of Public Works 90% of ODA is off-budget</td>
</tr>
<tr>
<td>Tanzania</td>
<td>budget allocation and disbursements very low (outturn 99/00 only 54%, education only 37%)</td>
<td></td>
<td>Less than half of commitments can be accounted for in terms of flows to Ministry of Finance</td>
</tr>
<tr>
<td>Ghana</td>
<td>failed to deliver full amounts to line ministries in 99 and 00 and therefore low motivation to work towards a functionable MTEF instrument. Not very meaningful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>Early 1990: only 13% of</td>
<td>48% of total public</td>
<td></td>
</tr>
</tbody>
</table>
The main instrument of the Central Government to enforce policy, the budget, is thus rendered irrelevant. This in turn undermines the position of the Central Government in enforcing policies and enacting control over Sector Ministries.

Complying with the PRSP-principles of central budgeting and national priorities might cause Sector Ministries to perceive themselves at the losing end. They therefore have an incentive to avoid any binding engagements. At the same time, the Central Ministries have only little influence and even less control over the Sector Ministries and are thus unable to enforce national priorities. The greatest challenge will be to break the vicious circle characterizing the relationship between Ministries of Finance and Sector Ministries, and to create a cooperative framework with clear links between policy, planning and budgeting. This should lead to increased predictability of available funds and increased funding for well-performers. Ultimately this should make Sector Ministries to see the advantages of increased cooperation with the Central Ministries (see chapter 4.1).

### 3.2 Weak Institutional Arrangements

As the first country experiences show, alignment is also a question of bringing together the different actors in an institutionalized way. Weak institutional arrangements can be an important factor favoring a non-collaborative framework within the Government.

In many countries, there is no unified way to ensure cross-sectoral coherence according to a national strategy. The lines of communication, reporting and accountability are mostly multiple and often oriented towards extra-governmental actors like donors. In most countries, the coordinating unit – if there is one unit assigned with this task – often does not have the powers to screen the different governmental activities, to enforce guiding principles and criteria.

By introducing the sectoral approach, institutional arrangements have been largely improved within a sector as compared to an isolated project approach. Nevertheless, the institutional arrangements within a SP such as planning, coordination or sanctioning committees, monitoring & evaluation are concentrated on the specific sector and may differ considerably across sectors. On the national level, one can find a multiple of different arrangements with different donors or sub-groups with donors, different arrangements within and outside the governmental structure. In most countries, the same applies to monitoring efforts. The indicators used in SWAPs or SP are often not linked to the national priorities and data need. Although statistical information is available, there is rarely an easily accessible overview of the development of relevant indicators.
The following table shows the project cycle and a typical institutional arrangement discouraging cooperation between the Central and Sector Ministries and thus national coherence and coordination.

**Table 3.4: Institutional Arrangements favoring Misalignment**

<table>
<thead>
<tr>
<th>Institutional Framework</th>
<th>SPs without alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>General planning of the framework</td>
<td>Cabinet, sections of Line Ministries and donors</td>
</tr>
<tr>
<td>Endorsements</td>
<td>Donors and Sector Ministers</td>
</tr>
<tr>
<td>Pro-forma endorsement by Central Ministries</td>
<td></td>
</tr>
<tr>
<td>Sector planning (including objectives and outputs)</td>
<td>Sections of Line Ministries and donors</td>
</tr>
<tr>
<td>Screening of project proposals and sector strategies with regard to adherence to PRSP-principles</td>
<td>Donors (in a haste)</td>
</tr>
<tr>
<td></td>
<td>Sections of the Line Ministry</td>
</tr>
<tr>
<td>Accountability</td>
<td>Towards donors, decision-making powers,</td>
</tr>
<tr>
<td>Monitoring of outcomes and results</td>
<td>By donor-financed systems</td>
</tr>
</tbody>
</table>

These types of institutional arrangements do not favor alignment and a close cooperation between the different governmental entities and donors. On the contrary, these inadequate arrangements and missing links risk to prevent a beneficial alignment between SP and the PRSP-approach and an insufficient integration of national / sectoral policy.

There is a need to create institutional decision-making, screening and feedback mechanism, thus ensuring that the full potentials of a close alignment between PRSP and SP are realized (see Chapter 4.2).

### 3.3 The missing Integration of Donor contributions in the National Public Financial System

In a pre-PRSP-set-up, donors intervene on both levels engaging in a policy dialogue with Central Ministries and cooperating with the Line Ministries through direct funding of development activities. Mick Forster calls this "an anarchic set-up in which donor officials and local sector interests may have disproportionate influence, and where no coherent national priorities can be addressed" (M. Forster, 2000, p. 1). The close alliance between donors and Sector Ministries bypassing the Central Ministries has also contributed to misbalance the power equilibrium between center and periphery sometimes risking reversing the hierarchy of power within the Government. The close cooperation between donors and line ministries in the course of the implementation of SWAPs has resulted in a reduction of transaction costs within the sector, but has not combatted fragmentation at the national level.

One can summarize that the following patterns seem to discourage alignment and therefore need alteration:
• The bigger the divergence between allocation and disbursement the less probable the alignment
• The fuzzier and more diverse the institutional arrangements the lesser the chances for alignment
• The higher the direct influence of external donor financing on the sector the more difficult the alignment

4 Strengthening the Process of Alignment between SP and PRSP

Altering long-standing institutional set-ups and working relations always creates resistance with the potential losers. Targeted actions in the three following areas are required to institutionalize a set-up complying with the general PRSP-spirit:

• Institutional environment: putting in place appropriate incentives for the smooth collaboration between central and sectoral level
• Institutional arrangements: specifying clear lines of responsibility for the actors involved and rules of the games in order to maximize benefits from specialization and minimize overlaps, duplication and conflicts.
• Standards for donor behavior: inserting them in the general governmental framework

In the following possible measures to improve the institutional arrangements will be discussed; focusing on the questions of how SWAPs can be positively influenced by the PRSP-process and how the PRS can be smoothly implemented with the help of an institutionalized sectoral approach with SWAPs constituting important building blocks.

4.1 Getting Incentives right for Alignment

As shown above, in many African countries the current stakeholders face disincentives for alignment, harmonization and embedding sectors in a national strategy. Without changing the incentive structure, some Sector Ministries might find it difficult to understand the benefit of active involvement in the PRSP and post-PRSP process. Thus, the incentive structures need to be changed prior to full implementation at the latest. Based on the first countries’ experiences the following actions appear to be the most promising with regard to improving the incentive structures for an enhanced cooperation between Central and Sector Ministries:

• Increase predictability and timeliness of disbursements by narrowing the gap between allocation and actual disbursements
• Increase planning security by turning MTEF into a real management tool
• Increase the coverage of the budget, i.e. include all resources and expenditures of budgetary nature in the budget
• Increase budget allocations to sectors with high national priority
• Introduce performance orientation in the budget to reward complying Sector Ministries

**Increase predictability and timeliness of disbursements by narrowing the gap between allocation and actual disbursements:**

As illustrated in Table 3.3, the divergences between planned and actual disbursements are substantial in some countries. In order to reduce the likelihood of shortfalls, the revenue forecast should be conservative. Strengthening the financial monitoring system can have a significant impact on reducing divergences between planned and actual poverty related expenditures. Here control and transparency are the major ingredients for a strong incentive to narrow the gap. Again, Uganda has achieved good results through the introduction of an expenditure tracking system followed by corrective measures to the Financial Management System. Increasing public transparency of budget allocations at the district level has proven to be another powerful tool in reducing discrepancies between allocations and disbursements. In Guinea for example, budget allocations for schools were published in a pilot district so that the local communities could follow up disbursements and, if necessary, exert pressure on the civil servants to increase disbursements. In Uganda, this has also proven to be a very effective. Furthermore, Guinea introduced monthly or quarterly reports to the Cabinet showing the level of disbursements compared to allocations as an additional incentive for narrowing the gap.

At the initial stage, one specialty played an important role in Uganda. By protecting poverty-oriented sectors included in the PAF from budget cuts, the predictability of resource flows within the government system was significantly increased. It was decisive for increasing the trust in the budget system and an incentive for the involvement of the poverty-oriented Sector Ministries. As the PAF continues to grow in terms of volume and focal sectors, this safeguard measure now limits Uganda’s flexibility, making it difficult for the government to react to changes in the resource availability in the course of the fiscal year. The system of protecting portions of the budget related to poverty reducing expenditures therefore needs some reforming now.

**Increase planning certainty by turning MTEF into real management tools:**

In order to increase planning reliability over a medium term, the instrument of the MTEF has to become a meaningful management tool. It must be binding and reliable in its prediction of future resource flows. Also, the MTEF needs to link the sector approach to the central planning, resource allocation and budgeting system. In many PRSPs the objective to strengthen the MTEF is named as a priority area. For example Mozambique’s PRSP emphasizes the use of the MTEF as an effective framework for annual budget programming and for maintaining its pro-poor orientation. Nevertheless, for it to be an efficient management the Sector Ministries must take it serious. For this very reason Cheru (2001) doubts whether the MTEF in Mozambique has the same quality as the MTEF in Uganda. To date Uganda succeeded in ensuring that the MTEF is the main and only management tool to direct its development efforts and to guide the allocation of all government expenditures.

Crucial elements to enhance the use of MTEF as a management tool are fourfold: Firstly,
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the realism of planning must be increased. Secondly, the MTEF must be based on realistic revenues projections, thus decreasing the temptation to use it as a mere collecting point or a wish list. Thirdly, over-commitments must be avoided, thus breaking the vicious circle of over-commitments and under-disbursements (see Chapter 3.2). Fourthly, a clear and transparent link between medium term sectoral expenditures and available resources has to be established. The Ugandan case shows how the MTEF can be effectively based on sector reviews with objectives defined and activities costed. In Tanzania, the sectoral budgeting and planning processes are partly disjoint, and therefore sector strategies are not fully linked to the MTEF planning (Institutionalization Study on Tanzania, p. 18). The MTEF thus appears to be a bureaucratic instrument with little practical relevance. Given such a structure, Sector Ministries cannot be interested in investing time.

Defining priorities has to follow transparent criteria for intersectoral resource allocation that are not only need-based, but reflect the political priorities. Resource allocations generated in the MTEF process have to be integrated in the annual budget cycle and honored by disbursements. There is also a need to clarify criteria for budget cuts transforming budget implementation into a transparent process for all parties involved. If budget cuts are necessary, the Sector Ministries should be closely involved in identifying the areas where budget cuts are less likely to hurt the general outcome of the sector targets.

Increase the coverage of the budget so as to include all resources and expenditures of a budgetary nature in the budget:

In most African countries an important section of funding bypasses the national budget system (see Table 3.3). To increase the effectiveness of the budget system all resources must be integrated as revenues in the budget, i.e. tax revenue, donor assistance to government entities and fee income as well as all capital and recurrent expenditures.

Integrating donor funding in the MTEF and in the budget process is a decisive step towards a cooperative incentive structure as it significantly reduces the possibilities for the Sector Ministries to by-pass national planning and budgeting. Full integration is easily achieved through budget support measures using the national budget mechanism. Nevertheless, because of the existing weaknesses of the national budget and control procedures donors find it difficult to use national budgets to channel their funds. Therefore, it is important to find and promote intermediate steps to enhance integration. Although sectoral Basket Funding does not automatically improve the incentive structure and the willingness of the Sector Ministries to cooperate, the existence of SWAPs or sector programs should facilitate the process of improving the comprehensiveness of the budget in the medium run.

Donor projects should be in one way or the other part of the hard budget constraints for the Sector Ministries to abolish the incentive for Sector Ministries to negotiate with individual donors outside of the general framework. Uganda found an innovative intermediate solution to manage the allocation of donor-financed projects: Each sector is given two ceilings: a ceiling for flexible expenditure and a ceiling for donor-funded projects. The Sector Ministry is encouraged to negotiate project support only within this ceiling.
Increase budget allocations to sectors of high national priority:
Another clear incentive for Sector Ministries to buy into the PRSP process can be a noticeable increase of the actual funding for the sector through the Government systems. According to the PRSP-review led by the World Bank and IMF, the PRSP-process already led to a substantial increase of pro-poor budget allocations. “For a group of seven countries with full PRSPs, “poverty-reducing spending” is expected to increase from 7.7 percent of GDP to 10.2 percent of GDP, or by 30 percent, between 1999 (pre-PRSP) and 2001/02. As a share of total government spending, this translates into an increase of about 5.5 percentage points relative to 1999.” The sectors education, health, rural development and roads have benefited most. The increase is less articulate in the health sector. Here an increase of 0.2 percentage points was envisaged but actual spending decreased by 0.1%. To be convincing increases in the allocation have to be followed by increases of the actual spending (see above).

The creation of the PAF in Uganda has resulted in major increases in expenditures in pro-poor sectors, the share of expenditure now included in the PAF was raised from 17% in 1997/98 to 31% in 2000/01 of the total budget. Channeling donor funds through the national budget procedures (budget support) seems to have the same effect: increasing the stakes for the Sector Ministries and thus posing an incentive for them to get involved in the process.

Introduce performance orientation in the budget to honor complying Sector Ministries:
Budget allocation should in one way or another reflect the contribution and performance of the sector (“output-based budgeting”). It is important to move away from incremental towards strategic budgeting and to set budget ceilings. Introducing favorable treatment for good performers in the sense to make progress towards achieving the PRSP-objectives is a clear incentive for well-performing ministries to buy into the process instead of looking for alternative sources of funding. By tying resource allocations to priority programs officials from the sector departments might even adapt their programs to the national priorities.

Uganda introduced another way of favoring performance: To enjoy the privileged treatment under the Poverty Action Fund, activities and delivered services must be justified in terms of their effects on poverty-reduction. Towards this end, Uganda has developed a set of criteria (Source: PEAP, Volume 3, p. 25):

- A high proportion of direct beneficiaries of the proposed public expenditure should be poor. This is measured by using evidence from household surveys.
- The service should deliver well-defined and measurable outputs
- The service should be a service for which the poor have express a need, and, if possible, should be based on participatory analysis
- Quantitative analysis should, if possible, demonstrate that delivery of the service makes a significant improvement in the lives of the poor

A further precondition for enhancing performance orientation of the budget allocation
process is that performance and output must be clearly defined and measurable. In Ghana a DFID project supports the capacity-building for analyzing and monitoring Sector Ministries’ performance in the production of outputs. With such increased capacity, poverty-related activities are identified and cost estimates become increasingly realistic, which in turn constitutes a precondition for poverty-related prioritization and budgeting. The inclusion of PSIA in the monitoring and budgeting process should be promoted. In the education sector in Guinea and Mali, a policy simulation model was developed to estimate costs, but also to follow up implementation of the actions. With this model technically and fiscally sustainable targets were developed to monitor implementation and performance. Household surveys or other tools to enhance public transparency (see above) on the quality of sectoral services are another precondition for granting best performers a favorable treatment in the budget process.

Another way to improve performance orientation of the public sector is to strengthen the performance orientation of its civil servants. As the PEAP, Volume 3 rightly points out, an income reform should enhance the possibility to reward good performance in the sense of working towards the general goal of poverty alleviation. Furthermore, incentives for civil servants to favor the non-cooperative approach should be reduced to a maximum. Among others, the indirect rewards for civil servants for working for separate programs such as training, computers, vehicles should be reduced or at least harmonized with the activities financed out of the national budget. Without a clear change of the present incentive structure for civil servants favoring misalignment aligning SP and PRSP will remain a theoretical issue.

With an established system of performance- and target-oriented budgets there should be no need for additional donor conditionality on the composition of expenditure. As the PEAP Uganda, Volume rightly stresses, donors should be encouraged to avoid to directly link sectoral support to the total share of the sector in total expenditures when the cooperative budgeting system is well established.

It is important to note that these measures are complementary. The predictability and timeliness of disbursements is the key to building up trust and the Sector Ministries’ willingness to cooperate. Introducing hard budget constraints without improving the reliability of disbursements would constitute a disincentive for Sector Ministries’ willingness to cooperate. Without success in this sub-area the credibility of all other reforms and planning instruments is reduced. If the Sector Ministries perceive the medium-term expenditure framework as a mere technical exercise with no link to reality and actual disbursements, their participation in real terms will continue to be limited.

4.2 Mechanisms and Procedures to institutionalize Alignment

4.2.1 Changing general Lines of Responsibilities and Accountability

During the implementation of the PRSP it will be important to strengthen a cooperative working relationship between the main players within the governmental structure.
Introducing an improved incentive structure must go hand in hand with the institutionalization of cooperative mechanisms to ensure a PRSP-implementation with the help of SP. Such mechanisms will help to inspire cooperation and alignment during the decision-making cycles as they establish clear rules of the game. Ideally, the mechanisms should build upon the wide experiences of well-developed SWAPs and at the same time embed them in the national decision-making process.

**Table 4.1: Idealized institutional set-up in a cooperative PRSP-Framework**

<table>
<thead>
<tr>
<th>Perspectives</th>
<th>Ministry of Finance</th>
<th>Line Ministry</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>represents national priorities</td>
<td></td>
<td>driven by sectoral interests</td>
<td>Support implementation of PRSP</td>
</tr>
<tr>
<td>guardian of the macro-economic stability and availability of resources</td>
<td></td>
<td>need-oriented approach to fulfill the transferred tasks</td>
<td></td>
</tr>
</tbody>
</table>

**Areas of responsibilities**

<table>
<thead>
<tr>
<th>Ministry of Finance</th>
<th>Line Ministry</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and availability</td>
<td>Works within the given resource envelope</td>
<td>Long-term commitments</td>
</tr>
<tr>
<td>Allocation of Government and donor resources between sectors and type of spending</td>
<td>Details on policies and programs</td>
<td>Promote learning process</td>
</tr>
<tr>
<td>Oversight Function for the Sector Ministries</td>
<td>Capacity Building</td>
<td>Respect of country ownership</td>
</tr>
<tr>
<td>Extent of decentralization and decision-making</td>
<td>Policy Guidance for Local Authorities</td>
<td></td>
</tr>
<tr>
<td>Basic systems and capacities of financial control</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Accountability**

<table>
<thead>
<tr>
<th>Ministry of Finance</th>
<th>Line Ministry</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towards the elected body</td>
<td>Towards the Central Ministry and elected body</td>
<td>Accountable towards own parliaments for the effective use of the resources</td>
</tr>
</tbody>
</table>

The institutional mechanism must establish clear procedures to plan, agree, coordinate, follow-up, monitor, adapt, disagree and sanction activities outside the framework in the course of the implementation of the RPSP. Decision making-powers need to be allocated to the appropriate levels. Each level should have the flexibility to make strategic choices within the limits of the constraints imposed by the higher level.

The following table compares institutional set-ups without and with arrangements that favor alignment. It shows the degree and the direction of reorientation necessary to overcome the difficulty of multiple structures, lines of accountability without alignment.
Table 4.2: Clear and transparent Institutional Mechanisms during Implementation

<table>
<thead>
<tr>
<th></th>
<th>SWAPs without alignment</th>
<th>Cooperative Institutional Mechanism with Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Planning of the framework</td>
<td>Cabinet, Sections of Line Ministries and Donors</td>
<td>Collective Prioritization of Line Ministries, Finance &amp; Planning Ministry, Parliament, and Donors according to the PRSP-objectives under the guidance of the Cabinet</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Institutionalized Cooperation through the formation of Steering Committees and institutionalized Hearings between Ministry of Finance and Sector Ministries</td>
</tr>
<tr>
<td>Endorsements</td>
<td>Donors and Sector Ministers</td>
<td>Endorsements by Cabinet, Parliament</td>
</tr>
<tr>
<td></td>
<td>Pro-forma endorsement by Central Ministries</td>
<td></td>
</tr>
<tr>
<td>Sector Planning (including objectives and outputs)</td>
<td>Sections of Line Ministries and Donors</td>
<td>Sector Working Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Joint Sector Reviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Process with regular feedback loops to general policy level</td>
</tr>
<tr>
<td>Screening of project proposals and sector strategies with regard to adherence to PRSP-principles</td>
<td>Donors (in a haste) Sections of the Line Ministry</td>
<td>Sector Working Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sectoral Desk Officers in responsible Central Ministry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Screening/Development Committee at a Central Ministry (i.e. Ministry of Finance)</td>
</tr>
<tr>
<td>Accountability</td>
<td>Towards Donors, decision-making powers,</td>
<td>Towards National Parliament</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthen national mechanisms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Treasury Department within the Finance&amp;Planning Ministry</td>
</tr>
<tr>
<td>Monitoring of outcomes and Results</td>
<td>By donor-financed systems</td>
<td>By a harmonized national M&amp;E-system building on the inputs from the SP and managed by one clearly designated unit within the political decision-making process</td>
</tr>
</tbody>
</table>

4.2.2 Framework for successful joint Implementation of the PRSP and SWAPs:

In addition to the general reorientation of the lines of accountability and reporting, various targeted reforms could improve the institutional mechanisms to enhance cooperation and coherence during the implementation phase or the so-called “Post-PRSP-process”. This would require:

- Streamlining the planning and prioritization processes and achieve alignment with the PRS-cycle
- Institutionalizing negotiations on annual sector ceilings
- Institutionalizing mechanisms and fora to jointly agree on sector objectives and policies without duplicating structures
- Institutionalize increased poverty orientation of sector programs managed by Sector Departments
- Institutionalizing and enhancing the screening of the sector activities to ensure coherence
- Providing clear guidance to the local levels on their involvement
• Aligning capacity-building efforts on sectoral and central level according to new demands

Streamline the planning and prioritization processes and achieve alignment with the PRS-cycle:
As shown in Chapter 2, the co-existence of different planning processes has significantly weakened the driving force of the PRSP-approach and the involvement of Sector Ministries. It is therefore important to streamline and focus the planning and prioritization instruments and processes. A clear hierarchy between the different strategic documents has to be established in order to provide clear guidance to all levels of the Government. In Uganda, the PEAP is the recognized guiding principle of the Government. It is equally important to align the different review cycles with the central review cycle like the PRS-cycle so that the different sectoral results can be incorporated in the main review process achieving mutual fertilization.

Institutionalize negotiations on annual sector ceilings:
In order to implement the improved incentive structure outlined in Chapter 4.1 special attention needs to be paid to institutionalize an open and transparent process of setting ceilings for sector resource envelopes as a main area of potential disputes. It is important to establish a transparent process of competition for resources ensuring that all players with a potential say are involved.

Institutionalize mechanisms and fora to jointly agree on sector objectives and policies without duplicating structures:
On the sector level, the establishment of sector working groups has proven to be quite effective in determining the general sectoral strategy in line with the PRSP. The working groups are responsible for working out plans culminating in a joint vision of sector development, jointly defined goals and objectives with clear cut indicators and specific activities to be financed as well as resource requirements, all of which is reflected in the sectoral strategy. These sector working groups have the responsibility to work within the sectoral ceilings provided in the process of the MTEF. The sector working should also be the prime mechanism to debate and resolve disagreements. In the sectoral working groups the line ministries play a leading role but other groups including donors, representatives from the Central Ministries or Parliamentarians participate.

Institutionalizing and strengthening these sectoral working groups is crucial to the success of the coordinated implementation of the PRSP. The existence of SWAPs in a sector is a favorable factor that simplifies the task, as coordinating structures already exist. Nevertheless, one has to ensure that existing coordination structures are not duplicated at the sectoral level. The objective should rather be to reform existing committee such as coordination mechanism within a SWAP context. In Uganda for instance, the Law and Order sector working group consists of the Technical Committee for the Sector-Wide Approach in the sector.

Most importantly, the results of the sector reviews need to be integrated in and must correlate with the general policy. For an alignment of SWAPs to the PRSP-process, the
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process of elaborating and revising the sector strategies needs to be harmonized with the general PRSP-review process. Furthermore, the results of the sector working groups have to be incorporated both, in the MTEF and the PRSP-update. In Uganda, regular joint sector reviews have proven to be quite effective to institutionalize the involvement of all players in the production of regular updates of sector strategies, results and outputs. However, one has to ensure that the capacities especially of the Sector Ministries are not overloaded.

For a successful and harmonized implementation of the SWAPs within the institutional set-up of the PRSP it is important to fully integrate all SWAP-related structures in the ministerial structure. This is particularly important for establishing cooperative structures within the governmental set-up without diverting scarce human resources for activities outside the general set-up: In Uganda for instance, it was foreseen to replace the secretariat developing the SWAP in Justice by a Planning Unit in the Ministry of Justice overseeing policy in the law and order sector.

**Institutionalize increased poverty orientation of sector programs managed by Sector Departments:**

As shown in Chapter 2, the formulation of the PRSP has fostered the poverty orientation of some SP. However, this effect might have been more a side effect than willful action. During the implementation of the PRSP, it is therefore important to institutionalize ways making Sector Ministries think about complying with the poverty-oriented principles of the PRSP. Uganda introduced a set of criteria to follow-up on important cross-cutting goals of the PEAP (Source: Uganda PEAP, Volume 3, p. 36):

- Are the needs of the poorest 20% being met?
- Are gender inequalities addressed?
- Are geographical inequalities addressed?
- Are environmental issues addressed?
- Are there measures to empower the poor (bottom-up accountability)?
- Have the BFPs identified the outputs required to achieve the given targets?

In general, after reaching an agreement on the criteria it must be ensured that a department at the Central Government is mandated to follow-up and to monitor the implementation of those crosscutting issues.

**Institutionalize and enhance the screening of the sector activities to ensure coherence:**

During PRSP-implementation an institutionalized screening mechanism needs to ensure that all activities, both, financed through the national budget system, and outside of the budget, comply with general policy and the sector priorities. As a major part of the external assistance for SWAPs is still delivered in form of projects or programs (see results of the SP-Tracking) one has to establish a mechanism of screening the individual donor activities for their compliance with the PRSP-process. In general, such a screening process is of particular importance in the initial phase of the PRSP-implementation and decreases as the sectoral and national strategies are fully harmonized. Within the new cooperative PRSP-approach, the Sector Ministry should not be given sole responsibility for the screening mechanism. It should rather be a joint activity of the Central and Line Minis-
tries.

In Uganda, besides the Sector Working Groups a Development Committee within the Ministry of Finance and Planning is responsible for the overall coherence of the activities on the different levels (source: PEAP Volume 3, p.27):

- First, the Development Committee provides general overview of the development of sector strategies.
- Secondly, the Committee scrutinizes particular projects to ensure that they are consistent with the Budget Framework Papers already presented and the sector strategies. If there are inconsistencies, the sector will be required to revise the framework so as to ensure that the proposed project is consistent with the overall ceiling. The Proposals are presented by the Sector Working Groups
- Thirdly, the Committee scrutinizes project proposals to ensure that the justification for the project is sound and that the input mix is efficient (for instance, that expenditures on high-cost items such as technical assistance and vehicles is clearly justified).

Align Capacity-Building efforts on sector and central level according to new demands:
Implementing the cooperative approach will create a high demand on the capacities of both the Central and the Sector Ministries. As CIDA underlines in its assessment of Mozambique’s PARPA “the institutional and budgetary capacity to plan, implement, and monitor the various components of the plan was questioned”. As the shift towards enhanced cooperation demands increased planning and management capacities, it will become increasingly important to build up capacity of the Central Ministries in policy analysis as well as that of the Sector Ministries in planning tools processes.

In an uncooperative set-up, technical assistance tends to favor Sector Ministries, as it often complements the implementation of the investment component. For a harmonized approach Technical Cooperation projects need to be integrated in the general planning and screening process. In addition, there is a need for a supervision mechanism to attribute technical assistance to the ministry that has the competence. Uganda tries to build up mechanism for a more effective and efficient employment of technical assistance, introducing economic criteria for the mix of inputs. It has instructed the Sector Ministries to assess their human resource and capacity building needs. The coordination of the technical assistance projects lies in the hands of the AID Liaison Department in the Ministry of Finance and Planning. The Development Committee will do the screening. At the sector level, the sector working group is responsible for the coordination of the technical assistance from all agencies within the sector.

4.2.3 Institutional Framework for successful joint Reporting, Monitoring and Follow-up:
For both PRSP and SP it is important to monitor a wide range of inputs, outputs and outcomes to assess the progress of reaching both national and sectoral goals resulting in a
number of synergies. Therefore, the development of a sustainable monitoring and evaluation system potentially constitutes a joint activity between the central and sectoral departments. Such a system should have the capacity, resources, independence, and the incentive structure to objectively monitor progress. Results need to be fed back into the annual and long-term budgeting and policy process.

In order to avoid duplication and fragmentation of efforts, most countries have given some thought to the institutional arrangements of the M&E-System in the PRSP-process. They have begun to strengthen the institutional arrangements for ongoing data collection and analysis. The effective allocation of responsibilities is crucial to establishing an effective monitoring system (Booth, 2001), thus the question remains what the most suitable set-up for an increased alignment of SP and PRSP is.

The following actions have proven to be helpful in increasing the alignment of monitoring at the sector and the national level:

- Change the line of accountability and responsibility from donors to Central Ministries
- Avoid marginalization of the responsible entity
- Define a clear division of tasks to avoid duplication
- Align the indicators
- Tap the increased PRSP-data sources also for the implementation of Sector Programs/SWAPs
- Institutionalize a joint and harmonized reporting system
- Limit donor demands on data requirements

**Change the line of accountability and responsibility from donors to the Central Ministries:**
Without the PRSP-process Sector Ministries are mainly accountable to the donor community for their actions, the use of funds and outcomes but not to the Central Government. This line of accountability needs to be reversed in the process of aligning SPs with the PRSP-approach. The point of reference needs to be switched from the donor’s side to the decision-making bodies within the Governmental structure. This also implies constant and reliable financing out of the government budget to underline Government’s ownership.

**Avoid marginalization of the responsible entity:**
The main responsibility for collating and interpreting the data of national relevance needs to be at the center of the Government drawing on the legwork of the Sector Ministries. Again, Uganda is an example of good practice as the responsible Poverty Monitoring and Analysis Unit is in the Ministry of Finance and Planning where the major decisions are taken. The unit is closely linked to the political process and has self-interest to compile and assess the relevant data. In Tanzania’s Poverty Monitoring Master Plan, a networking arrangement is established with no clear center of authority (Booth, 2001, p. 24). Under the Tanzanian arrangement no entity is empowered to ask for inputs. It can thus be expected that it will be more difficult to build a unified monitoring system and produce out-
puts that influence policy decisions.

**Define a clear division of tasks to avoid duplication:**
It is important to establish a clear division of task between Central and Sector Ministries. Sector-specific data should be collected at the sector level, crosscutting issues need to be monitored on higher political levels and should not solely be assessed at the sector level. The same applies to indicators that are outside the control of a single sector but still of high relevance for the reaching the national objective of poverty reduction. In Uganda, a network has been established with the Poverty Monitoring and Analysis Unit serving as a secretariat for the network. The system draws on a wide range of sources and instruments including sectoral information systems.

**Aligning the Indicators**
Aligning indicators means to use the same basic set of indicators for monitoring SP as well as PRSP-implementation and outcomes. This does not necessarily mean that they have to be identical. Nevertheless, they must be at least coherent and non-contradictory. In Uganda, there seems to be a cascade of indicators with a clear distinction between outcome indicators, to monitor the reduction of poverty in the country, and performance indicators, as a subgroup to monitor the performance of the actors involved. Furthermore, there are more indicators on sectoral level to serve as management tools for sector development than on the political level, where in essence a set of core indicators is monitored. However, not in all countries such a harmonization of indicators appears to have been implemented. In Tanzania, the Budget Guidelines contain sector targets that seem to overlap with those set out in the PRSP. However, they are not directly aligned (Institutionalization Study on Tanzania, p. 11). Both the health sector plan and the PRSP share the core objectives of reducing infant and under five mortality, increasing the percentage of children immunized and the proportion of districts with active HIV awareness campaigns (Foster/Mackintosh-Walker, 2001, p. 76), nonetheless, there was no pointed coordinating the targets and the indicators. It is to be feared that this does not suffice for realizing important synergy effects and cross-fertilization of the SP and the PRSP-process.

**Tap the increased PRSP-data sources also for the implementation of Sector Programs/SWAPs:**
One positive sign of the PRSP-process is an improved data generation which is also helpful in improving the M&E-efforts on sector level. As the PRSP-review points out, many countries have identified and started to fill important gaps in their data about poverty and inequality. The Tanzanian PRSPs candidly acknowledged the limits of existing data sources and set out plans for closing these gaps. In the course of its PRSP preparation, Ghana has been able to progress and present to policymakers the results of a large-scale survey within a few months after completion of fieldwork. This data also needs to be made available for the implementation of the SP.

**Institutionalize a joint and harmonized reporting system:**
SWAP reporting systems were usually based on donor requirements. A harmonize reporting of all sectors to the central Government has in practice often been inadequate.
The development of an adequate system of reporting within Governments should considerably improve the inter-governmental monitoring of the implementation of the strategy, reduce transaction costs and reduce the need for donors to have separate accounting procedures. To establish an efficient reporting system, the incentive structure must be modified to motivate the Sector Ministries to report their achievements honestly and on a timely basis. The introduction of performance-based budgeting as outline in Chapter 4 can be a very potent incentive for Sector Ministries, if timely and accurate reporting becomes part of the performance indicators or at least part of the performance appraisal.

**Donors must limit their demands on data requirements:**
It will be important that the donors will also agree not to superimpose additional monitoring requirement at the sector level within the set-up of SWAPs so as not to be counter-productive to the national endeavor to strengthen the synchronization of data requirements, procession and monitoring. According to the PRSP-review there are now a number of examples in IDA programs in Africa, where public sector reform programs are taking the lead and providing the framework for M&E. Nevertheless, one problem of practical relevance is the strong dependence on external financing of most M&E-system. The M&E-system in Mali is a typical example for the problems that arise when M&E-systems solely rely on external financing for their surveys as it makes these surveys very irregular, and poses a serious problem of ownership (Institutionalization Study on Mali, p. 30).

### 4.3 Aligning Donor Assistance with the National Set-up

Development assistance needs to be delivered in consistency with national processes. Donors’ acceptance of the discipline of the PRSP-framework as the determining institutional mechanism will be crucial for its success. As discussed in the previous sections, donor alignment is key not only to sustain the PRSP approach, but also to build a new cooperative relationship between Central and Sector Ministries, thus aligning SP with the PRSP-process. In order to reap synergy the benefits of the two approaches, donors must change their actions.

#### 4.3.1 What can be done from the Government side?

As the Joint Staff Assessment for Niger’s PRSP rightly points out: “The PRSP also represents a unique opportunity for the government to establish a better coordination mechanism in order to further cement the consensus developing around the PRSP’s objectives and mobilize the resources necessary for their realization.” It is a great challenge for the Governments to manage the change of donor behavior.

Governments should play an active role in integrating donors in the institutional framework by setting standards for how they want to collaborate with their development partners. The following actions could be helpful to convince donors to integrate their support in the general government framework:
• Governments need to exercise leadership to bring about donor alignment
• Clarify do’s and don’ts (i.e. no PMUs etc.) as well as the institutional arrangements for donors, possibly in the PRSP
• Getting the incentives right for donors to support alignment

Taking the lead:
There are several good examples, where countries have taken the lead in aligning donors within the PRSP-process. At a conference in Stockholm in 1999 a new partnership of reciprocal commitments was established in Uganda spelling out both, Ugandan and donors’ commitments to taking up reforms.

In Ghana donors agreed to joint standards of cooperation:

- A medium term rolling plan, very detailed for the first eighteen months and more general for the second half;
- Partners will seek to support the PRS through regular disbursements of foreign exchange based on joint monitoring of performance;
- Regular quarterly mini-CG meetings at which progress in meeting selected macroeconomic and sectoral reforms are discussed as well as quarterly reports by donors on current disbursements and plans for future disbursements over the next two quarters;
- Joint agreement on a medium-term reform program (in the initial year the focus will be on fiduciary issues), with dialogue in each area of reform carried out by a lead donor;
- Joint assessments and audits contracted by the Government of Ghana (Source: SPA-6 Agenda)

Also Niger, not necessarily a country with a favorable bargaining position with regard to donors, recently convened a “project forum” asking each donor to indicate how it expects to align its assistance to the PRSP and/or restructure existing projects consistent with the PRSP. This is a good start and a good practice to be imitated by other countries.

Specify do’s and don’ts for donors for alignment between SP and PRSP:
To align donors to contribute to the creation of the cooperative structure and incentives within the Government it has proven favorable to specify the do’s and don’ts for donors within the country-specific context. Uganda drew up a list of do’s and don’ts for the donors and therefore established behavioral guidelines for its donors (Source: PEAP, Volume 3, p. 4).

<table>
<thead>
<tr>
<th>UGANDA PEAP PARTNERSHIP PRINCIPLES FOR DONORS</th>
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<tr>
<td>Donors will:</td>
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<tr>
<td>1. Jointly undertake all analytical work, appraisals and reviews</td>
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<td>2. Jointly set output/outcome indicators</td>
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<td>3. Develop uniform disbursement rules</td>
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<td>4. Develop uniform and stronger accountability rules</td>
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<tr>
<td>5. Ensure all support is fully integrated into sector wide programs and is fully consistent with each sector program’s priorities</td>
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<tr>
<td>6. Continue to increase level of untied sector budget support</td>
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<td>7. Increase level of delegation to country offices</td>
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<tr>
<td>8. Abolish topping off of individual project staff salaries</td>
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<tr>
<td>9. End individual, parallel country programs and stand-alone projects</td>
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<tr>
<td>10. Progressively reduce tying of procurement</td>
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The country produced a document called “PEAP, Volume 3, Building Partnerships to implement the PEAP” showing “how Government in Uganda is aiming to achieve the ideal of efficient resource use in partnership with all agents” (PEAP, Volume III, p. 2). This is a transparent way of exerting leadership and of clarifying the institutional arrangements for the donors. To date it is thus best practice in tackling the issue of aligning sector programs and PRSP.

**Getting the incentives right for donors supporting the alignment:** Governments should avoid that donors reap benefits and advantages by looking for a direct link with Sector Ministries or project units. This would indirectly punish donors complying with the principles. Mechanisms must therefore be installed to grant donors practicing alignment equal access to information and equal influence on all level. Especially small donors sometimes get the impression that they have no say on the more general policy level when engaging in budget support. Furthermore, as donors’ transaction costs to engage effectively in the PRSP-process with aligned SWAPs will be higher than work in the traditional sectoral set-up, it is important to deliver tangible results of the improved set-up. Showing results like a visible reduction of transaction costs combined with results in the field would enable donors to prove the effectiveness of their work.

### 4.3.2 What can be done from the donors side

As shown above, donors have a special responsibility as they are often the very powerful and decisive third party touching upon the equilibrium within the governmental set up. As game theory has shown, non-cooperative behavior sometimes favors the non-cooperative party at the expense of the cooperating party. Thus, agreements should be reached among donors to comply with basic principles. Local coordination mechanisms might be very powerful in exerting peer pressure on non-aligning donors.

The instrument “Poverty Reduction Support Credits (PRSC)” was designed by the World Bank to support the implementation of the poverty reduction strategies. Being very comprehensive and covering both sectoral and cross-cutting issues PRSC may act as an umbrella structure to coordinate donor behavior. At the same time it can be used for aligning donors’ support to the principles of the cooperative framework if the principles outlined above are respected. For example, the unified policy matrix showing the major reforms or the joint PRSC-review process can be an efficient vehicle to harmonize donor procedures and requirements and enforce donor alignment. A Joint Steering Committee is an important entity to promote donor coordination at the general policy level.

Nevertheless, donors often hesitate to deliver their assistance through the government system. Mainly, they consider the weaknesses of the national system and procedures to be too immense to justify the considerable risk of misuse of funds and of not reaching its development goals. The national standards especially in the area of financial accountability often do not comply with their standards and requirements. What can be done in this situation? The SPA has tried to find a solution and formulated a new principle:

**The SPA - Addis Ababa Principle**, “All donor assistance should be delivered through
government systems unless there are compelling reasons to the contrary; where this is not possible, any alternative mechanisms or safeguards must be time-limited, and develop and build, rather than undermine or bypass, government systems.”

**Preliminary List of Dos and Don’ts for Donors:**
In detail, one can list the following reminders of good donor conduct and spell out the Addis-Ababa principle in support of the alignment of SP with the PRSP-process. This list summarizes the points already explored in previous sections and should be completed during the in-country consultation workshop.

- Do not do anything that could risk the cooperative framework within the Government
- Respect national institutional arrangements of intergovernmental coordination (Joint Sector Reviews, Coordination Structures)
- Get involved at the right level of decision-making, negotiate with the right level of Government, i.e. avoid negotiating general policy issues with Sector Ministries
- Do not rush things to avoid that consultations within the Government become hectic and unsubstantial
- Local coordination mechanisms must not disturb national coordination mechanisms
- Respect the national decision-making cycles
- Avoid conditionalities that counterbalance the intergovernmental negotiation process for example in favor of one sector ministry
- Respect criteria to allocate TA between ministries
- Respect ceilings for donor projects
- Support efforts of the Government to include all resources in the budget. If this does not seem feasible, consider to promote a staged approach, for example to have the resources included for informational purposes
- Do not demand to set up separate project units in the Sector Ministries
- Do not introduce extra benefits for civil servants on the sector level as these incentives work against the cooperative approach
- Do not introduce new implementation structures/institutions on the sector level when they already exist at the national level
- Do not introduce new indicators to satisfy your specific needs (safeguards etc.)
- Support change of accountability by accepting national accountability mechanisms as evidence for the use of funds and avoiding to impose multiples accounting requirements

5 **Conclusions**

5.1 **Final Remarks**

Embedding sector programs in the national PRSP-framework is a big challenge. In the past, SP have often been donor-driven in character, a main instrument for channeling external support. From the very beginning, the PRSP-process wanted to be country-driven
and country-owned. Alignment of SP with the PRSP-process therefore also implies a change of philosophy in the general approach towards development partnership.

As shown by the first success stories, alignment is not a matter that can be solved by one partner alone but is based on changes by all stakeholders. It demands a set of coherent measures on all levels at the same time: The incentives for Sector Ministries and Central Ministries must be rightly set so that all have a self-interest to cooperate and find adequate joint solutions. At the same time, adequate institutional arrangements have to support and sustain this collaboration. Behavior of the major donors is decisive. Making principal donors change their general approach and behavior can make a real difference in the field. For that, donors have to change from a control to a supporting culture accepting national structures, rules and arrangements not trying to bypass them in order to fulfill their needs of accountability.

Alignment is also not just a technical matter but a question of political will. It does not suffice to rearrange committees, harmonize indicators or strengthen the planning processes. It requires a change in donor behavior and a change of governmental way of working. Governments have to take over responsibility for their way of working, for their setting of priorities, for their decision-making procedures, and their national lines of accountability. Countries should start with reviewing the institutional arrangements possibly prohibiting a close alignment between sector programs and PRSP.

Aligning PRSP and SP is not something that will be achieved over night. It needs to be a process built on the main stakeholders’ willingness to cooperate within a given framework. The major ingredient for alignment is trust that needs time to grow. This process needs to be constantly adapted to the country conditions and constellations but on the basis of an agreed understanding of the applied working methods. Ideally, alignment should be a country-specific trial-and-error process finding the adequate solutions at the adequate time. As a Senior Government Official of Uganda put it once: We knew we had to start as quickly as possible. So we started without being fully prepared encountering many roadblocks on our way. But we have always found adequate answers to the problems at the time when they occurred. You cannot plan all details ahead. You have to visualize your goal and then start.

**What does proper alignment demand?**

- Alignment of SP with the PRSP-process implies a change of philosophy and the general approach towards development partnership.
- Alignment is not just a technical matter but a question of political will and commitment of all stakeholders.
- Alignment is a process to enable prioritization of governmental actions.
- Alignment is also not a matter that can be solved by one partner alone. It asks for a set of coherent measures on all levels at the same time, i.e. introduce collaborative incentives and institutional arrangements.
- Alignment requires a change in donor behavior but also a change of governmental
way of working,
• Donors can do a lot to support alignment,
• Alignment is a process. The major ingredient is trust between all stakeholders that needs to be built over time.

5.2 Further Steps - The envisaged In-Country Consultation Workshops

The background paper has given same general indications on what type of actions might support this reorientation of attention and accountability towards inner-governmental collaboration. It was a desk study based on theoretical considerations and assembling information readily available and well documented.

The next logical step is to bring the results of the background paper to the field. To this end, in-country consultation workshops are envisaged to discuss the issues. They will serve a three-folded objective: (1) raising awareness on the alignment problem and negative implications of non-alignment, (2) to verify the adequateness of the answers given in the paper and (3) foster the exchange of experiences between practitioners. The workshops should provide practical evidence to be shared with the wider SPA-membership in order to foster the alignment between PRSP and SP by bringing all donors to buy in the process. The fora will be designed to be flexible in character and composition in order to meet the interests and needs of government/donor partners in-country.

The general focus of the workshop should include the following aspects:

• The workshop should serve as a vehicle for feedback on the relevance of the interface of Sector Programs and PRSP. The comparison of the sectors in which SPs prevail with the priority areas identified in PRSPs illustrates a considerable degree of overlap so the background paper assumed that SP are highly relevant for the PRSP-implementation (see Chapter 2). In the workshop it would be important to verify this hypothesis or whether other issues are more important for the field work and the PRSP-implementation. The workshop could also serve as a valuable source of information on future topics to be taken up by the SPA Task Team on Sector Programs.

• The workshops should identify further areas that need alignment and close cooperation between the governmental entities and the donors. The Issue Paper “SP and PRSP-implementation – Chances and Challenges” has identified a considerable number of areas that need special attention and consideration such as general poverty orientation, budget issues, planning and reporting cycles, monitoring and evaluation systems etc. The participants of the workshop could discuss the checklist as presented in the issue paper and its practical relevance to raise awareness on areas that need alignment.

• As shown in the background paper, alignment is not a mere technical problem but
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is a political process. The paper tried to raise some of the key issues and patterns favoring misalignment and a non-cooperative environment (see Chapter 3), but there are certainly many other factors that prevent a close shoulder-to-shoulder of all players involved. Therefore the workshop should further explore the real reasons why in practice, structures tend to be duplicated, and why approaches are not harmonized.

- Chapter 4 of the background paper has identified a number of different actions to enhance alignment between the actors within the government and the donor. It would be certainly interesting to identify further practical solutions that other countries have identified to overcome existing stumbling blocks. The workshops are to discuss further good and bad examples or new approaches of aligning SP with the PRSP-process. The discussion should focus on a set of questions relating to what works and what does not work in practice. The participants should be asked to bring in their practical experiences in this field with an emphasis on proven ways to change the incentive structure, the institutional framework and donor behavior, as these factors are primordial for a successful alignment. As a result, countries at different stages of the PRSP-implementation should have a set of different solutions and approaches ready at hand from which they can choose and learn, and which they can adapt to their respective country conditions.

- Finally - as outlined in the introduction - the background paper has focused on the relationship between the Central Ministries, the Sectoral Ministries and donors as three important actors being involved in both PRSP and Sector Programs. Nevertheless, one does not have to forget that there are other important actors involved in both the PRSP-Process and Sector Program. What is the role of the Parliament in the process of alignment and building of national coherence? What role can the civil society play, such as in monitoring and evaluation, harmonization of participative approaches etc.?

- In some sectors such as water supply the private sector plays an important role. At the same time, first country experiences seem to hint at the fact that in these sectors the alignment between SP and PRSP appears to be more difficult to achieve. It would be interesting to take up the discussion on how the private sector can play a integrative role rather than deepening the gap between Sector Ministries and Central Ministries.

- Last but not least, one has to underline that also within the Government there is an additional challenge in the field of alignment so far not covered in the background paper or discussion: the process of decentralization. Both the PRSP-process as well as SP are in character more centrally orientated although most PRSP include the decentralization process as an important ingredient in their strategy to fight poverty. Some of the alignment issues also apply to the decentralized level but the in-country consultation workshops need to deepen the discussions in this important and highly relevant field.
**Relevant Literature:**


Foster, Mick (2000): *Integrating aid into budget management, outline of paper integrating aid into budget management*, CAPE.


World Bank (IDA) and IMF (2001): *Joint Staff Assessment of Niger’s PRSP*, Washington, USA