



Synthesis Paper 2

***DFID's Approach to Poverty Reduction Strategies
(PRSS)***

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Executive Summary

DFID and other actors within the UK government played a key role in the development of the Poverty Reduction Strategy Paper (PRSP) approach. Due to its high involvement in the development of the approach, DFID's corporate commitment to the 'country-led approach' has been strong from the start. 'Think-pieces' outlining how DFID should work with PRSPs were developed early on by the Africa Policy Department.

As Poverty Reduction Strategy (PRS) processes have progressed over the past four years, DFID's approach has also evolved. This is reflected in its support for country activities, both in-country and at headquarters level. In the early stages there was a great need for exchange of information and experiences between offices. The PRSP Monitoring and Synthesis project based at the Overseas Development Institute (ODI) carried out this function for three years on behalf of DFID. Now, however, many country offices, particularly in Africa, are familiar with the approach and have less need for information exchange on general issues.

DFID headquarters Policy Division was restructured in spring 2003 to better support a close connection between policy and research and in-country implementation. Instead of sectorally focused single-discipline departments, such as education and health, 24 multi-disciplinary teams now cover wider thematic issues. Many of these, such as 'pro-poor growth' and 'aid effectiveness', reflect the over-riding importance of the PRS approach.

The 'PRS team', new this year, has been set up to coordinate policy thinking on PRSPs within DFID. It is currently working on a new policy paper, DFID's first coherent corporate vision on PRSPs, due to feed into discussions within the Commission for Africa, the UK's G8 and EU Presidencies, and the reviews of PRSPs and the Millennium Development Goals (MDGs), all due to take place in 2005.

Key to drafting this new PRS policy paper is analysing lessons learned and evidence from the experiences of DFID's country offices. A survey in 2003 of 30 DFID country offices provided useful input to this process; a portion of the detail from it is included in this report. Although activities vary according to country and stage of the PRS process, some generalisations can be drawn out and some lessons for best practice are emerging.

In Africa, PRS processes are well established in some countries and DFID is working on fully aligning its aid instruments with the approach. In Asia, on the other hand, direct support for PRSPs remains limited as processes are less well established; government capacities are also stronger in Asia. However, DFID sees the PRS principles as fully applicable to all developing countries and is working to build on countries existing strategies and capacities so that they more fully reflect the PRS approach. Working at sectoral and sub-national level is emerging as good practice in Asia as national capacity is already strong.

Building national ownership of PRSs, implementing Public Expenditure Management (PEM) reforms, including linking the PRS with the budget, and building monitoring and evaluation (M&E) capacities are key elements of DFID's in-country work to build state capacity to work with the PRS. Alongside this DFID often offers support to wider society with discussions moving from the language of 'participation' to that of building long-term domestic accountability mechanisms. As countries move from document drafting to PRS implementation, DFID's support has shifted from mainly technical assistance for PRS preparation to focus increasingly on M&E. DFID has also increasingly stepped up its activities on donor coordination and harmonisation as PRSs progress.

PRSs now lie at the heart of DFID's activities, but maximally supporting and aligning with them is not a simple matter. Although DFID's Country Assistance Plans (CAPs) are closely based on PRSs this is not enough; there is increasing realisation that deeper understanding of country contexts is required to deal with the challenges that are arising in the implementation stage. Two key challenges that DFID country offices are now facing are: (i) how to address the fact that political change is key to the success of PRSs; and (ii) when and how new aid modalities, such as Direct Budget Support, can be introduced to maximally support PRSs.

These challenges are far from simple to resolve, and require careful analysis and close work in partnership with other bilateral and multilateral organisations, as well as with non-governmental organisations and recipient governments. Donor dialogue, coordination and harmonisation are also key elements of support for PRSs. For this reason, British development researchers and practitioners are keen to engage with other development agencies and practitioners. This paper provides background material on DFID's current experience and thinking. Comments and feedback are welcome; frank exchange of views and experience are an important part of building a basis for collaboration.