PRO-POOR GROWTH IN THE BILATERAL PARTNER COUNTRIES IN SUB-SAHARAN AFRICA: AN ANALYSIS OF POVERTY REDUCTION STRATEGIES

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Foreword

Over the past 30 years, the international community has used its growing insight into poverty reduction to formulate new concepts of poverty.[1] One key approach in recent years has been that of *human rights*, which sees poverty primarily as an obstacle in affording access to economic, social, cultural, civil and political rights. The poor have a right to engage in economic activity and to enjoy a share of the resulting economic growth. However, this advisory report will not look in any more detail at the implications of the rights-based approach, which is being addressed in a separate AIV report.[2] The goal envisaged by *pro-poor growth* – to generate economic growth that more than proportionally benefits the poor[3] – is a minimum requirement of poverty reduction. The *Poverty Reduction Strategy Papers* (PRSPs) are seen as a way of elaborating and realising this approach in each developing country.

At the end of 2001, the AIV decided on its own initiative to prepare an exploratory memorandum on pro-poor growth. The report, entitled 'Pro-poor growth: opportunities for a targeted development policy', was presented to the Minister for Development Cooperation, Eveline Herfkens, in April 2002. It concluded by recommending that the minister issue a formal request for advice. Mrs Herfkens accepted the recommendation and in July 2002 asked the AIV to study how this conceptual analysis might be operationalised in the sub-Saharan African countries with which the Netherlands has bilateral development ties.[4]

Part I of this advisory report contains the full text of the exploratory memorandum, to assist an understanding of the discussion on poverty and poverty reduction. Following an introductory section, the five dimensions of poverty are discussed in five separate chapters. The request for advice itself is included as a logical follow-on between Parts I and II of this report. Part II is divided into four chapters, beginning with a study of the operationalisation of pro-poor growth by the PRSPs in general and then looking more specifically at the PRSPs for Tanzania, Ethiopia and Uganda. These were chosen as examples of (a) a country that has been applying anti-poverty strategies for several decades (Tanzania), (b) a country that has recently

1 Various anti-poverty strategies have been put into practice over the last 30 years. As well as focusing on the material needs of the poor, the 'basic amenities' approach of the 1970s also emphasised the importance of access to public services. The 1980s was the age of the structural adjustment programmes, with their renewed focus on individual consumption as a criterion for poverty, while in the 1990s, concepts such as 'human development' and 'human poverty' made their appearance, followed in 1995 by the setting of International Development Targets.

2 AIV advisory report in preparation: *A human rights approach to international cooperation* (awaiting adoption).

3 Such a definition clearly indicates the level of ambition involved. A target in which the poor benefit disproportionately is a minimum goal, since the poor already start at an absolute disadvantage to those further up the income ladder. In practice, however, the results of pro-poor growth will be more proportional, i.e. economic growth in which the poor benefit to at least the same extent as other groups.

4 Mozambique, Burkina Faso, Uganda, Tanzania, Mali, Ethiopia, Eritrea, Zambia, Ghana, Benin and Rwanda.

been engaged in armed conflict (Ethiopia) and (c) a country that is widely regarded as a pioneer of the PRSP process (Uganda). The advisory report concludes with a summary and recommendations.

Parts I and II of this report were prepared by a working party of the Development Cooperation Committee (COS) of the Advisory Council on International Affairs, made up of Professor B. de Gaay Fortman (chair), F.D. van Loon, G.H.O. van Maanen, Professor L.B.M. Mennes, A.N. Papma, E.M. Schoo and Dr L. Schulpen, with Professor E. de Kadt contributing by letter. Dr F.P.M. van der Kraaij, sub-Saharan Africa Department (DAF), was the civil service liaison to the working party. The secretary was J.A. Nederlof, assisted by trainees B. Frequin and M.J.M. Konings.

The AIV would like to express its appreciation for the information supplied by the embassies in the countries concerned. It wishes especially to thank the embassy in Dar es Salaam for the help and guidance it provided to the AIV delegation that visited Tanzania in September 2002.

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PART I

Pro-poor growth: opportunities for a targeted development policy. An exploratory memorandum

An estimated 1.2 billion of the world's 6 billion people live below the absolute poverty line of $1 a day, while 2.8 billion (i.e. almost half the world population) live on less than $2 a day.[5] East Asia is the only region where the number of poor people fell dramatically (by 174 million) between 1990 and 1998. In contrast, the number of people in Latin America, sub-Saharan Africa and South Asia living below the poverty line grew. The sharpest rise was in sub-Saharan Africa, from 242 million in 1990 to 290 million in 1998.[6] Due to its slow economic development rate, the growth outlook for sub-Saharan Africa has been adjusted. The number of people living below the poverty line is now expected to rise to 404 million rather than 345 million by 2015, even though the Millennium Development Goals have specified that poverty should have been halved by this time. However, these figures give no insight into lives spent in deprivation, nor do they show whether the material wellbeing of these people improved or deteriorated in a given period. These statistics shed no light on relative poverty. Moreover, the flaw in such a minimum definition is that it could wrongly encourage the view that anyone living above the poverty line is better off and should therefore receive less attention in policy.

The World Bank defines poverty as 'pronounced deprivation in wellbeing'. Experience, research and the poor themselves bear witness to the fact that poverty is not only a matter of material deprivation, but also of an interplay between psychological, social and political factors.[7]

Poverty and poverty reduction

The concept of 'pro-poor growth' was developed recently in response to decades of worldwide growth in production without an appreciable commensurate decline in global poverty. This approach has gained further support following acceptance of the International Development Targets in 1995 and the Millennium Development Goals in 2000.[8] These global development goals must now be translated into local anti-poverty initiatives in the form of Poverty Reduction Strategy Papers (PRSPs). Yet although pro-poor

5 James D. Wolfensohn, President of the World Bank, in the foreword to: *World Development Report 2000/2001. Attacking Poverty*. Washington, 2001.

6 World Bank: *World Development Report 2000/2001*, p. 23 and 24. Washington, 2001.

7 Deepa Narayan, et al.: *Voices of the Poor. Vol. 2. Crying out for Change*. World Bank, Washington, 2000

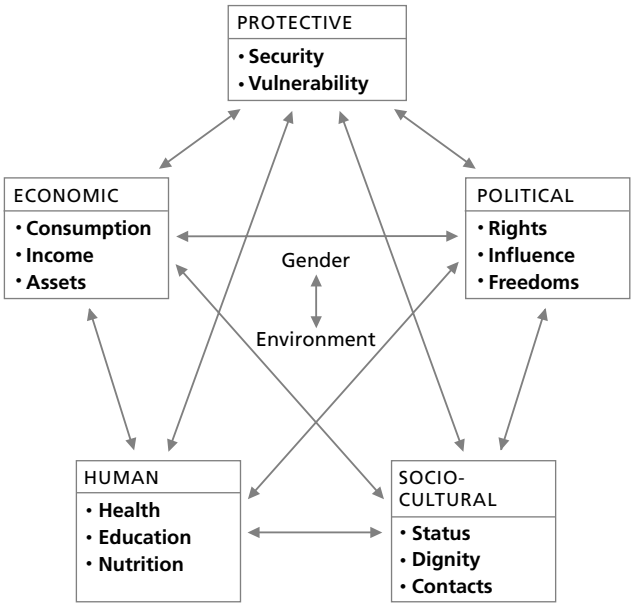
8 The outcomes of the major UN conferences in the 1990s have been refined into the following International Development Targets. By 2015, consumption poverty (i.e. a budget of less than USD 1 a day (PPP) per capita) must have been reduced by half, all children must be receiving a basic education, maternal and infant mortality in developing countries must have been reduced to two-thirds of the level in 1990, all people above a certain age must have universal access to reproductive health care and the spread of Aids must have been reduced. By 2005, each country must have a policy on sustainable development and no distinction must be made between the provision of education for boys and girls.

growth is increasingly being seen as the most promising approach, the AIV believes this conclusion is premature. After all, the concepts of 'growth' and 'pro-poor' are neither automatic nor natural bedfellows. A conscious policy will have to be pursued if the two are to be brought together. It is not only donors who must pursue such a policy; the governments of developing countries must also be committed to it. The AIV therefore believes that it is precisely in the interest of good policy and good governance to make mandatory measures to promote pro-poor growth, improve the enterprise climate, strengthen the financial sector and ensure better access to credit. Such a policy appears to be at odds with ownership by developing countries and the desire to reduce externally imposed conditions. But it is not the poor who are calling for them to be relaxed. On the contrary, they only stand to gain from any conditions that are imposed to uphold their interests.

Five dimensions of poverty

Poverty means that people are deprived of sufficient opportunities to improve their situation. What development cooperation policies can and must be developed to ensure that growth becomes 'pro-poor'? What constitutes an integrated approach to all aspects of poverty? The AIV analysis is based on the five key dimensions of poverty defined in 2001 by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) as guidelines to help reduce poverty.[9]

The five interactive dimensions of poverty and wellbeing



A poverty reduction policy should tackle the following dimensions:

- economic: the poor benefit from an economy which enables them to earn a living by using means of production and natural resources;
- political-legal: the poor must have a voice in political decision-making, a decent socioeconomic legal status, economic rights and access to the public domain;

9 OECD/DAC: *The DAC Guidelines on Poverty Reduction*, p. 39. Paris, 2001

- public wellbeing: people must have adequate access to health care, education, clean water and food;
- sociocultural: this includes respect for human dignity and equality, social acceptance and effective networks;
- protective: personal security and legal certainty and protection from disasters.[10]

These five dimensions of a decent existence are interrelated; when one of them is underrepresented, policy in the other dimensions is considerably less effective. It is because poverty has so many sides that an integrated approach is so necessary and yet so difficult. The well known economist Amartya Sen also emphasises the integrated nature of the five DAC dimensions, defining poverty as a lack of freedoms and opportunities to act.[11]

I.1 Poverty from an economic perspective

Sen sketches relevant links between development, growth and poverty reduction as follows:

> *'Combining extensive use of markets with the development of social opportunities must be seen as a part of a still broader comprehensive approach that also emphasises freedoms of other kinds (democratic rights, security guarantees, opportunities of cooperation and so on).'*[12]

He points out that it is not so much free trade and open economies that have laid the foundations for progress in East and South East Asian countries, but positive social changes such as land reform and improved education and health care.[13] Despite its clarity, this analysis is merely a framework for policy. It is important to develop more concrete measures within that framework.

The following overview is based on empirically tested links. Our starting point is a recent, although not universally accepted, World Bank study which indicates that in the last 40 years elasticity of the per capita income of the poorest 20 per cent of the population compared to the per capita income of the total population has hovered around one.[14] In other words, a percentage increase in the per capita income of the population as a whole has been accompanied by an equal percentage rise in the per capita income of the poorest 20 per cent of the population. This relationship is stable across regions, timescales, income levels and growth rates. In other words, global growth is neither pro- nor anti-poor.

10 The DAC report includes freedom from insecurity as part of its definition of security. See also Geert Hofstede: *Cultures and Organisations*, 1994. He emphasises the desire to be free from insecurity as an essential element of wellbeing.

11 In: *Development as Freedom*. New York, 1999.

12 Ibid., page 127.

13 Idem, page 259.

14 David Dollar and Aart Kraay: *Growth is good for the Poor.* Development Research Group, March 2001. This finding had already been mentioned in the World Development Report 2000/2001, page 47. For more details, see also S. Mansoob Murshed (ed): *Globalization, Marginalization and Development*. Chapter 1. London, Routledge, July 2002. Also B. Milanovic: *True World Income Distribution, 1988 and 1993. First calculations based on household surveys alone*. In: Economic Journal, no. 112.

The same World Bank study shows that in the group of 24 globalising developing countries, per capita income has risen by 4 to 5 per cent per annum over the last 20 years.[15] The combination of rapid growth in per capita income and an elasticity of one has substantially reduced absolute poverty in these countries. This seems to apply not only to income poverty, but also to life expectancy and the average number of years spent in school. Accordingly, the absolute number of people living on less than $1 a day has fallen by 200 million since 1980.[16]

Enabling conditions

While the statements 'growth is good for the poor' and 'the incidence of absolute poverty in developing countries tends to fall with growth' may be generally applicable, they do not give the whole picture. It is therefore relevant to examine which policies tend to generate rapid growth and to identify those which generate pro-poor growth, even though there is minimum interaction between the two. We should identify policies which generate elasticity greater than one without significantly affecting overall per capita income growth.

Certain conditions are essential for rapid growth, such as gradual liberalisation of trade in goods and services, investments and the balance of payments capital account. Increases in labour productivity and a more competitive market environment also have a role to play, as do an effective labour market and workers' social rights. It is also important to limit government spending as a percentage of gross domestic product. Finally, effective state institutions and a healthy economy and business climate are crucial.

In addition to a government's duty to do all it can to make it more attractive to engage in enterprise, stable public finances are also essential to the poor, as are low inflation and more equitable income distribution. Governments should also ensure access to health care and education, and the AIV believes that in the context of pro-poor growth, special attention should be devoted to reducing inequality. Studies have shown that an earlier finding (elasticity of one) only applies on average.[17] Whilst economic growth has not altered average income distribution and global growth has therefore had no impact on redistribution, there are real country-to-country variations for this specific indicator. The same rate of growth in per capita income leads to substantially greater reductions in absolute poverty in countries where there is greater equality.[18] Governments can use tax and decentralisation measures to stimulate private investment and growth in those sectors where growth generates more jobs. This applies to the service sector and agriculture in particular. Pro-poor growth will therefore almost always involve a renewed focus on agriculture. Land reform and other ways of improving the legal status of poor farmers and farm labourers are important elements of a poverty strategy.

15 These countries (for example, India, China, Brazil, Vietnam, Mexico and Uganda) are opening their economies to global integration.

16 David Dollar and Aart Kraay: *Spreading the Wealth. In Foreign Affairs*, vol. 81, no. 1, page 124, January/February 2002.

17 Martin Ravaillon: *Growth, Inequality and Poverty: Looking beyond Averages*. In: World Development, vol. 29, no. 11, pp. 1803-1825, 2001.

18 See also the Oxfam report: *Growth with equity is good for the poor*. June 2000.

Sustainable agriculture could be stimulated by improving the rural infrastructure, increasing labour productivity, ensuring access to national and international markets and devoting attention to agricultural research and information campaigns.

However, the interaction between economic growth and pro-poor growth will continue to depend on how policy is implemented. The capacity and quality of institutions in the broadest sense (in other words, not simply governments) are also important. It is clear that, alongside effective policy, good governance is essential to achieving poverty reduction, growth and development.

I.2 Poverty in the light of access to means of production and rights

Modern economies are founded on economic progress through the distribution of labour and specialisation, large-scale production and the application of technology. These *processes* influence not only overall prosperity, but also people's entitlements to it. People acquire what they need by performing activities. They must therefore be given the opportunities to be productive. For economies in which people do not engage in production simply to satisfy their primary needs, there is also the question of remuneration: who earns what for which activity? Is everyone given a adequate opportunity to make a reasonable living through his or her own efforts? Are people protected against the negative consequences of radical economic changes?

The access of the poor to means of production - including the opportunity to perform productive labour - is totally inadequate. What is more, improved access should be linked to improved realisation of rights. Legal uncertainty (under both criminal and civil law) and excessive regulation impede their attempts to develop initiatives.[19]

This is why pro-poor growth will have to be based on ensuring access to means of production and on effective protection against further deterioration of the socioeconomic position of the poor. Extra efforts will have to be made for poor women in particular, for instance by eliminating statutory gender-specific restrictions. History shows that this protection cannot be achieved without political intervention. No progress can be expected in these areas if the poor themselves are denied access to the political domain. A key indicator for such protection is for governments to promote a stable Purchasing Power Parity (PPP) by keeping close track of the consequences of government measures on the price of basic necessities, and where possible preventing any negative impact.

Rights-based approach

The current trend is towards a rights-based approach – the poor have rights, starting with the human rights which pertained to everyone. First among them are the fundamental rights which must empower people to confront economic forces, i.e. civil and political rights. It is important, for instance, for the poor to have the freedom to establish trade unions and to take part in political processes which promote their participation and emancipation. Rights of this kind must constantly be seen in relation to each other. From the position of the poor, civil and political rights can be seen as ‘empowerment rights’ and social and cultural rights as ‘sustainability rights’.

19 Hernando de Soto: *The Mystery of Capital. Why Capitalism Triumphs in the West and Fails Everywhere Else.* New York, 1999.

Under the rights-based approach, these rights, which are internationally recognised, must be guaranteed and protected by law at national level. The problem with these internationally accepted human rights is that their purpose is to guarantee legal protection to the very freedoms and entitlements to services of which the poor are deprived. In other words, access to the means of production and guaranteed minimum incomes and assets still has to be gained in many countries. And it has to be gained against a political background which generally pays scant attention to either these goals or these target groups. Another serious problem is that those countries where many people live in poverty tend to have legal systems which are inadequate and/or function badly, if they function at all.

What the poor need are specific economic opportunities and social protection – for instance, not so much an abstract right to health as access to clean drinking water.[20]

I.3 Poverty and access to public services

The third DAC dimension, which takes the perspective of the poor themselves, is therefore access to public services. Inadequate access to these services affects the poor's economic prospects, since certain features of poverty, such as lack of training, poor nutrition and inadequate health care largely account for the shortage of employment opportunities for the poor.[21] This dimension is therefore not only an element of poverty and poverty reduction but also a major condition for economic growth and, by extension, for the degree to which the poor are able to contribute to, participate in and benefit from it. From the viewpoint of a pro-poor growth scenario, therefore, the poor must be given adequate access to basic health care and education.[22]

Just as important as the availability of these public services is who bears responsibility for them. The answer is simple: the government is the obvious candidate to ensure that national policy is drawn up and implemented in close collaboration with other participants. This means that activities undertaken by civil society and the private sector must be accommodated within national policy, provided they are of sufficiently high quality. In reality however, governments tend to find all sorts of reasons not to discharge this obligation. In some cases, civil society organisations and the business community fill this vacuum. Although they make a useful contribution, the primary responsibility for the quality, availability and accessibility of basic public services should nonetheless lie with government.

20 See the AIV report in preparation: *A human rights approach to development cooperation* (awaiting finalisation).

21 Kanbur, R. & Squire, L: *The evolution of thinking about poverty: exploring the interactions*, p. 13 et seq., 1999. (http://www.people.cornell.edu/pages/sk145/papers/evolution_of_thinking_about_poverty.pdf).

22 The concentration of Dutch bilateral development cooperation on the education and health care sectors can be justified from the viewpoint of pro-poor growth. The 19 countries with which the Dutch government maintains a structural development relationship have already selected their priority sectors. 14 countries have selected education (in some cases basic education specifically) and 13 health care (in some cases with drinking water and sanitation).

Capacity
A number of other factors also play a role. First, there is the capacity of the national government to devise and implement policy. As the South African Minister of Finance pointed out, 'Our problem is not that we lack money, but that we lack the capacity to implement our plans'.[23] This point is often ignored in present development thinking. It requires institutional support for governments. Twinning has proved to be an effective instrument. One of the problems in capacity building is brain drain. Developing countries are constantly forced to see their scarce professionals (whose training has been funded with international assistance) emigrating to countries in search of better career prospects. This will be an expensive business to counter, while policy on the matter is still in its infancy.

The second factor is the allocation of funds for policy implementation. Political choices are important here: not simply between health care, education and other government expenditure, but also between major hospitals or basic health care facilities, or between higher education and basic education. It is possible to create temporary additional finance through ODA funds - for example under the 20/20 initiative. However, it is more important for recipient countries to try to raise these funds internally through economic growth and more efficient taxation. Which brings us back to good policy and therefore good governance as conditions for pro-poor economic growth.

I. 4 Poverty as denial of access to relevant networks

The above analysis clearly shows that pro-poor growth entails economic growth which tackles poverty from the perspective of the poor, based on priorities set by the poor themselves and using resources to which they have access. Usually, the poor have only one main goal: to ensure that their children will have a better life than they themselves. But not only are they deprived of sufficient means of production and material resources, they have few allies and networks amongst the people who exercise power and influence. The contacts and resources which allow the ruling class in society to acquire and retain its position - such as the state, the market, the law and politics - are not within reach.

This does not mean that the poor are entirely without social networks. On the contrary: poor people have an excellent range of social and cultural resources which they actively deploy in their daily struggle against poverty. This survival strategy is used differently by men and women. In general, women are more dependent on social capital, since their access to economic capital (land, or other people's labour) and human capital (health, education) is more restricted.

Social capital
The opportunities for people to participate in social relationships and networks determine social capital. These relationships are based on trust and give access to a range of domains and resources. Poor people exchange all kinds of services in the daily struggle for survival. This is a feature of the informal economy. Without these networks, the poor would have great difficulty surviving. To make things perfectly clear: mutual solidarity is not so much a question of ethics, it is vital for survival: 'If I don't assist you today, why would you assist me tomorrow…?'

23 South African Finance Minister Trevor Manuel during the World Economic Forum. In: De Volkskrant, 8 February 2002.

Social capital is difficult to measure objectively so its relationship to poverty reduction and economic growth cannot easily be demonstrated. But unproven is not the same as unfounded: 'Social capital thus appears to be a phenomenon whose indicators are all surrogate and indirect. Nonetheless it has touched a nerve (...) and in that sense seems to convey to "experts" a sense of something very important to society'.[24] Social capital is both a means and an end in poverty reduction. It is a means because poor people can use these relationships to gain access to all sorts of other resources – to land, to a loan or to transport. It is also an end, because people perceive participation in the sociocultural environment as recognition of their own identity and as a sign of social acceptance. It is only when they are deprived of even this, when they are socially isolated and excluded, that poor people consider themselves to be truly poor. As a consequence, pro-poor growth should utilise the capital which is available to the poor: their contacts and networks.

From this dimension, pro-poor growth means an economic development in a village, region or country which respects the fundamental rights of the community and its members, and acknowledges their capacities – a development which people can influence through a form of democratic process, allowing for democratic scrutiny of the results.

I.5 Poverty as vulnerability, insecurity and powerlessness

The last of the five DAC dimensions relates to protection, security and certainty in people's daily lives. These are important cornerstones of wellbeing and human development. This fifth dimension often plays a major role. The lives of the poorest people in most developing countries are insecure, uncertain and unpredictable. This aspect of poverty is generally termed 'exclusion' in the international poverty debate. Recently, a related term has been added: powerlessness. Exclusion and powerlessness are two sides of the same coin, with society (national or international) on one side, and the excluded individual or group on the other.

Policy focusing on the very poorest people should address this issue. First of all, it should recognise just how insecure, uncertain and unpredictable poor people's lives are. External factors such as natural disasters, economic crises or armed conflicts generally have a greater impact on the poor than the rich. But other factors also prevent the poor from taking control of their own economic prospects. For instance, the poor are not capable of countering the negative consequences of the decisions and activities of third parties. They cannot pass on rises in the price of the basic necessities of life to employers or customers because their means of subsistence lie outside the formal economy. In many developing countries, an estimated 70 per cent of the population is trying to eke out a living in the informal sector. Employment in the formal economy is not an option for these people, who are therefore deprived of any short- or medium-term income certainty. The goal of pro-poor growth is to improve their position in the daily struggle to survive. Pro-poor policy measures must therefore be judged by their impact on people in the informal sector.

24 Anthony Bebbington: *Capitals and Capabilities: A Framework for Analyzing Peasant Viability, Rural Livelihoods and Poverty.* In: World Development, vol. 27, no. 12, pp. 2021-2044, Elsevier Science, 1999.

Micro credit
Likewise, the lack of credit facilities on acceptable terms blights the prospects of the poor. After all, even the underclass borrows money to meet acute needs. If family cannot help, the only option is to turn to moneylenders, who cream off incomes to just above subsistence level. In recent years international donors have recognised these problems and with them the importance of micro credit as an effective instrument for stimulating economic activity. Micro credits take the form of loans of up to $200 to buy a tortilla oven, tools to repair bicycles or a cow whose milk can be sold. These may seem trivial examples to us, but they are certainly not trivial to the people on the bottom rung of the social ladder. These credits and activities empower people to rise above the poverty level and lay the foundations for further income development.

Micro credit is first and foremost a development instrument. Although it may look like a banking product, it is too labour intensive to be of interest to standard banks. This is why micro credits are awarded by separate organisations which are supported by the people themselves. In this way these organisations make a direct contribution to pro-poor growth outside the formal economy. They also give the poor themselves more opportunities to participate in efforts to improve their lives.

This is not to underestimate in any way the importance of strengthening the formal economy as the ultimate engine of economic development. But, in the last ten years, many policies have focused on strengthening this sector, on the assumption that the people in the informal sector would also benefit in one way or another. In fact those policies largely benefited the better-off in society, leaving the informal sector largely to its fate. Having said that, it is a difficult job to develop policy which focuses specifically on the informal sector. By definition, this sector is unstructured, lacking channels which could be used for development policy, with the exception of those NGOs and micro credit organisations mentioned already. It would therefore be advisable to promote facilitation of such organisations.

I.6 Conclusions and recommendations

The AIV concludes that while economic growth is necessary to fight poverty effectively, it is not sufficient in itself. For pro-poor growth, economies must operate in such a way that they generate gradual rises in production and productivity. At the same time, however, interventions are needed in the mechanisms of distribution and social protection to ensure that the political and economic processes result in a proportional improvement in the lives of the poor. The World Bank is downgrading its economic growth outlook for 2003. With the exception of Asia and Eastern Europe, this minimum growth is not expected to lead to an appreciable reduction in poverty. Pro-poor growth requires institutional development and a specifically targeted policy. It is necessary to bring about both a ‘growth framework’ and an ‘emancipation framework’. In other words, the right conditions must be in place to promote economic growth and the poor must be given disproportionately more opportunity to participate in that economic growth. The AIV concludes that pro-poor growth will only be guaranteed if an optimum enabling environment is created within which both foundations can be laid.

Growth framework
An enabling environment for the growth framework would include:
- macroeconomic stability, including public finances that are strong enough to counter inflation, free pricing and free trade;
- encouraging domestic private sector and foreign direct investment;

- a climate which encourages entrepreneurship with balanced competitive relations in which local businesses are not put at a competitive disadvantage through preferential treatment for international enterprises;[25]
- an effective labour market and an effective financial sector;
- an effective legal system (civil, property, criminal and administrative);
- a broader distribution of economic power and effective taxation (more taxes from more people).

Emancipation framework

An enabling environment for the emancipation framework would include:

- focus on using tax revenues to give the poor access to basic public services;
- effective access for the poor to education, health care and the public infrastructure. The emphasis should be on basic education and basic health care services which are easily accessible to the poor and match their perceptions and opportunities;
- effective access for the poor (and in particular women) to factors of production through an accessible financial system, including credit facilities, introduction of land reform and the elimination of statutory gender-specific restrictions;
- effective social protection of workers and social safety nets for those unable to work, either temporarily or permanently, to earn a living;
- a constitutional state governed by the rule of law, which upholds the principles of equality and nondiscrimination and respects human rights in general. A state in which legislation supports rather than obstructs the poor, in which there is effective participation by the poor in political power and decision-making, in particular by removing obstacles to their access to politics.

Policies to create such an enabling environment require many measures which relate equally to both the growth framework and the emancipation framework. They include:

- promoting public sector expertise to create adequate basic public services. Governments promote capacity building;
- developing favourable prospects for a country's own scarce professionals (whose training has been funded with international assistance) to staunch the brain drain;
- encouraging accountability by governments and other actors;
- coordination and partnership between local and national governments, civil society and the private sector to create widely supported national policy on public services such as education, infrastructure and health care;
- enabling civil society organisations to develop supplementary policy in countries where governments temporarily fail to do so. Governments should be obliged to create adequate public services and must be held accountable for them at all times;
- promoting sustainable agriculture by creating an effective rural infrastructure and policies to increase agricultural productivity aimed specifically at small farmers and agricultural labourers.

25 The discrimination suffered by local businesses was raised several times during conversations with Tanzanian entrepreneurs (see chapter II.1.a). These views are confirmed by David Ellerman, senior advisor to the World Bank: 'The Bank tends to interpret investment climate in terms of foreign investors. It often does not seem to realise that improving the investment climate for one group may make it worse for some other groups, such as domestic investors.' Alex Wilks and Fabien Lefrançois: *Blinding with Science or Encouraging Debate? How World Bank analysis determines PRSP policies*, World Vision, 2002, p. 25.

Obstacles

It is clear that countries with high concentrations of extreme poverty are precisely those countries which lack an enabling environment. In such cases, should policy be limited merely to promoting such an enabling environment? The AIV takes the view that efforts to promote pro-poor growth should go further, given that the reality is one of many different levels of 'disabling environment'. Poverty reduction policies also need to be able to operate under such conditions. The following measures may be considered:

- encouraging the poor to participate in making, implementing and monitoring local policy, instead of seeing them purely as a target group;
- supporting the social struggle of the poor themselves, for instance by promoting trade union rights;
- protecting the interests of excluded groups of poor people in the informal sector by supporting non-governmental donors in addition to multilateral or bilateral channels;
- encouraging NGOs and civil society organisations to focus on economic activities which enable the poor to provide for themselves, making them less vulnerable;
- developing new forms of micro credit for people in the informal sector. Micro credits are an instrument that give economic autonomy to people who have no place in the formal sector;
- developing a framework for analysis of the entitlement systems which underpin poverty. A simple set of guidelines must be developed to analyse the effect of development measures on the position of the poor in the socioeconomic hierarchy. These could be comparable to environmental and gender impact reports (ex ante);
- the embassies' human rights reports must pay continuing attention to the economic, social and cultural rights of the poorest people in their countries. At the very least, they should keep close track of the price of the basic necessities on which the poor rely.

Recommendations

The AIV therefore recommends further studies of pro-poor growth, targeting specific policy in a number of the countries receiving Dutch development aid. The studies could focus especially on the Poverty Reduction Strategy Papers and the opportunities they provide for policies that would benefit both growth and emancipation. The AIV would welcome a detailed request for advice.

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Date	July 2002	Contact	J.C.J. Vlaar
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Re: Request for advice on Pro-Poor Growth in Sub-Saharan Africa

Dear Mr Korthals Altes,

When we met on 15 April you presented me with the memorandum “Pro-poor growth: opportunities for targeted development policy”. I share your view that an AIV advisory report on the further operationalisation of the pro-poor growth concept you outlined could contribute to the debate on future policy.

I therefore request the AIV to investigate the findings of the memorandum in the ten countries in Sub-Saharan Africa with which the Netherlands maintains structural bilateral ties. With the exception of Eritrea, all these countries have produced interim or long-term PRSPs. PRSPs are intended as strategies for pro-poor growth and as such should contain an integrated package of policies at macro, meso and micro level, geared to involving as large a section of the poor as possible in productive employment and entrepreneurship. Questions that could be asked include:

- What is your opinion of the financial and economic content and feasibility of the PRSPs to date? Have they led to different priorities at macro, meso and micro level? Has there been a change in the policies pursued by the countries concerned or their donors, perhaps including more stress on job creation? Have the PRSPs encouraged policymakers to focus more on pro-poor growth, taking account on the one hand of poverty in all its dimensions and local opportunities for sustainable economic development?

- Has the drafting of the PRSPs initiated or strengthened a process coherently linking policy decisions to boost pro-poor economic development at national, regional and local level? How could this process be improved or strengthened so as to achieve a clearer idea of pro-poor growth policy and its effective implementation? How could a process of

this kind be organised and monitored (e.g. in relation to the IMF and World Bank), making use of instruments such as Poverty and Social Impact Analysis?

Yours sincerely,

Eveline Herfkens
Minister for Development Cooperation

Part II

Pro-Poor Growth in the Netherlands' bilateral partner countries in sub-Saharan Africa. An analysis of poverty reduction strategies.

Poverty Reduction Strategy Papers

In September 1999, the World Bank and the International Monetary Fund (IMF) increased their debt relief allocation for certain Low Income Countries in the Heavily Indebted Poor Country (HIPC) initiative, in consultation with donors.[26] One of the conditions countries had to satisfy to qualify for aid and debt relief was to compile a Poverty Reduction Strategy Paper (PRSP).[27] The PRSP is a national development plan which must incorporate targets for macroeconomic stability, economic growth and social sectors into its poverty policy. PRSPs are not compiled on an ad hoc basis but build on a long tradition of macroeconomic policy documents.[28] One of the PRSP's main plus-points is that it should reflect a high level of national participation (ownership). In other words, the poverty strategy of a developing country must be formulated by the central government, with input from political stakeholders, civil society and local and regional authorities (ownership with participation). This broad participation should cover the entire process from the identification and prioritisation of problems and goals via the formulation of a strategy through to the setting of indicators for monitoring and evaluation.

Underlying principles

According to the World Bank, PRSPs should ideally be based on the following principles:

- integration of macroeconomic policy with social and sectoral policy;
- the initiative and decision-making powers should lie with the country itself. The PRSP should reflect the consensus within the country;
- participation by all stakeholders in formulation, implementation and monitoring;
- result-led. National governments should set indicators against which the policy can be evaluated;
- partnership and coherence between governments and donors;
- long-term planning in which both institutional reform and capacity building are addressed.[29]

26 To increase their focus on poverty, the World Bank and the International Monetary Fund decided in 1999 to ask the Low Income Countries that qualified for debt relief under the HIPC initiative to begin by drawing up a PRSP. This was later extended to all 77 Low Income Countries (countries whose per capita GNP is below USD 885). By February 2003, 45 long-term PRSPs and 21 interim PRSPs had been drawn up.

27 Other conditions were that the country must be an International Development Association (IDA) country (i.e. it must qualify for the soft loans issued by the World Bank), it must already have tried to reduce its debt in the traditional way through the Paris Club, and its debt must be unsustainable even after these efforts. From: ABC-HIPC, Ministry of Foreign Affairs, August 2002.

28 During the 1980s and 1990s, the economic reform programmes of the World Bank and the IMF were based on Policy Framework Papers. Poverty Assessments provide country-specific information on the poverty situation in borrowing countries. The Country Assistance Strategies and, from 1999 onwards, the World Bank's Comprehensive Development Framework, were introduced to supplement these assessments.

Process

There is no blueprint for PRSPs, which are by definition based on local situations and specific solutions. A long-term PRSP must at least include a consideration of the following:

- shared prioritisation between the government and civil society;
- involvement of civil society in monitoring the implementation and progress of poverty reduction strategies.[30]

Since it takes time to draw up a PRSP, it was agreed that countries could submit an 'interim' PRSP to qualify for (provisional) debt relief under the HIPC initiative. These interim PRSPs were to be brief and succinct, serving merely to point the way to a long-term PRSP. In practice, however, they were often substantial (Ethiopia, Burkina Faso), of variable quality and compiled with little input from civil society.

Once it has been drafted, an interim or long-term PRSP is discussed by a Joint Staff Assessment of the World Bank and IMF, after which it is sent to the members.[31] This is not an approval procedure, since that would undermine ownership by the recipient country, but rather an endorsement of the plans by the staffs of these leading international financial institutions (IFIs). In practice, representatives from the IFIs in any case discuss the PRSPs with the recipient governments during the drafting stage. The World Bank and the IMF can also use PRSPs to decide whether or not to issue, or to continue to issue, loans. So despite the emphasis on national ownership, the IFIs still play a substantial role. In fact, the ownership of some countries over their own poverty strategies can be questioned, given that external players largely define the parameters they operate in and the repercussions of their policies being deemed 'inadequate'.

When a country also satisfies various other conditions, such as obtaining satisfactory macroeconomic results, it reaches what is known as the completion point, after which debt relief can become genuinely effective. It then has to compile an annual report detailing the progress of its poverty reduction plans. These reports are also assessed by the World Bank and IMF, after which new financial aid can be given. In 2001, the World Bank introduced the Poverty Reduction Support Credit (PRSC), a special programme-based structural adjustment loan, for this purpose. The IMF allocates similar funds from the Poverty Reduction Growth Facility (PRGF), a concessional loan.

29 World Bank/IMF: *Poverty Reduction Strategy Papers – Operational Issues*, December 1999.

30 World Bank/IMF: Poverty Reduction Strategy Papers – Internal Guidance Note, January 2000.

31 The EU's standpoint on PRSPs is discussed in (among other fora) the Cotonou Agreement, the key aim of which is to reduce and ultimately eradicate poverty, as stated in its first article. The European Commission also supports the PRSP concept and is in favour of using PRSPs as a guide in allocating EU aid. The Commission has sent guidelines for the evaluation of PRSPs to Member State missions in the countries concerned, to promote donor coordination. Key elements include ownership and participation, setting priorities in the content of PRSPs, growth and questions of income distribution, good governance and the fight against corruption. Donors are not allowed to impose conditions beyond those contained in the PRSP. The Commission has also stipulated that it be allowed to comment on the PRSPs prior to the Joint Staff Assessment. World Bank: *Poverty Reduction Strategy Papers: The World Bank and the European Union*. At www.worldbank.org; K. Richelle: *Keynote Address at the World Bank Institute Breakfast,* Washington, 21 April 2002.

Table 1. ***PRSPs under development (March 2000 – September 2002)***

	2000										2001										2002							
	m	a	m	j	j	a	s	o	n	d	j	f	m	a	m	j	j	a	s	o	n	d	j	f	m	a	m	j	j	a	s
Benin			A															B												
Burkina Faso			C															D												D
Eritrea																														
Ethiopia								A																				C		
Ghana			A																				B							
Mali				A																B										
Mozambique	A												C																	
Rwanda								A																				C		
Tanzania	A						C										C													
Uganda	C											D												D						
Zambia				A														B						C						

Key:
A = Interim PRSP **B** = Preparatory Status Report **C** = PRSP **D** = PRSP Progress Report.
Source: IMF (website)

Positive effects
Practical experience of the PRSP process was studied by various institutions after approximately two years.[32] They found that the PRSPs had been particularly successful in widening stakeholder attitudes concerning:
- the ability to discuss poverty and poverty reduction;
- the prioritisation of poverty reduction in all areas of development policy;
- the sharing of responsibility for poverty reduction between government, civil society and donors;
- the dialogue between government agencies in developing countries, and between these gencies and community-based organisations;
- the capacity, increased awareness and confidence of some civil society organisations in developing countries.

Obstacles
However, the studies also highlighted some concerns. Chief among these was that no matter how much ownership is ascribed to the government of a country, the process continues to be willed, established and supervised by donors. The second much-vaunted feature of the process, the participation of civil society, also leaves much to be desired in practice. Both therefore remained largely western mantras.

There were also problems with:
- the alignment of PRSPs with national budgets and existing planning processes;
- the extra work that PRSPs generate for the governments of developing countries.

32 ODI: *PRSP Institutionalisation Study: Final Report*, October 2001. World Vision: *Submission to the Comprehensive Review of the PRSP Approach,* December 2001. Ibis: *Input for the PRSP Review Poverty Reduction and Participation*. World Bank: *Review of the PRSP Experience, an Issues Paper,* January 2002.

This creates capacity problems for the sometimes weak institutions, or apathy in the face of what is seen as yet another externally imposed exercise;
- attempts to second-guess the wishes or interests of donors, causing some PRSPs to be artificially 'dressed up' and failure to set priorities;
- the speed with which the interim PRSPs have to be drafted to qualify for debt relief, which can create enormous time pressure;
- failure to identify local priorities because the formulation process at national level cannot take sufficient account of the diversity of problems and development opportunities within different regions in a country;
- the optimistic five to eight per cent growth rates on which the PRSPs are based. This principle of the poverty reduction strategy has been undermined by the current economic slowdown. No provision has been made for other external setbacks;
- the fact that PRSPs are often highly ambitious, yet lack sound financial cover;
- corruption and bribery against a background of weak institutional structures and a lack of conditions needed to promote good governance.

Poverty and Social Impact Analysis (PSIA)
The World Bank devised the PSIA to gather information about the effects of policy measures on the poor prior to the decision-making phase, so as to avoid policy that was potentially 'anti-poor'. However, this measurement tool is not yet extensively used. So far, the IFIs have launched or completed pilot studies in only 13 countries in Africa, Asia and Latin America, although the World Bank has now issued a 'User's Guide'. The Netherlands is still discussing with the World Bank how to make the PSIAs as user-friendly as possible.

PSIAs greatly assist the drafting of PRSPs. They can clarify responsibilities and create a sounder basis for policy choices. PSIAs also set out specific criteria that can be used in the subsequent monitoring process, and they can help to prevent the spread or increase of poverty, which the AIV sees as crucial. However, the PSIA is an instrument that is still under development. And there are also disadvantages in making PSIAs a mandatory part of the PRSP process. For instance, they add an extra layer to the PRSP process, potentially making the process required by donors more lengthy and onerous. Moreover, policy effects can alter over the longer term, with economic recessions or disasters having an unforeseen impact on the poor.

The AIV nevertheless believes that the advantages of making PSIAs mandatory outweigh the disadvantages. After all, in practice, some of these disadvantages can be absorbed, while others can be converted into advantages as long as strengthening the research capacity of the country concerned is included as a goal in the PSIA/PRSP process from the outset. In that case, two conditions must be met. First, the analysis must make use of existing research and monitoring instruments in that country. Second, these instruments and institutions must be strengthened. This will increase the ownership of the partner countries in respect of the donors, and of civil society in respect of central government. It will also create a counterweight to the external consultancies hired in by the IFIs and the donors. In some cases, of course, the IFIs and/or the donors will need to conduct much of the analysis themselves. In such cases, ownership by partner countries will be difficult to achieve.

II.1 Poverty Reduction Strategy Papers in practice

Following the general overview of the positive effects and practical problems of the PRSP process, this chapter will now look in more detail at the PRSPs for Tanzania, Ethiopia and Uganda: three sub-Saharan countries with different backgrounds and histories and different poverty reduction records. The context of each country and the process, content and follow-up of its PRSP will be discussed in the light of what has been said earlier about the growth and emancipation framework for pro-poor growth.

II.1.a Tanzania

An AIV delegation visited Tanzania in early September 2002 and met as many stakeholders in the PRSP process as possible. Annexe I lists these discussion partners from the government, the private sector and civil society. The delegation focused its investigations on the three main aspects of the Poverty Reduction Strategy: process, content and follow-up. It also looked at the context in which the PRSP had been compiled.

Context

Tanzania's poverty situation can only be properly understood through an appreciation of its specific context and socialistic evolution, which led to a closed, top-down government structure in which private initiative was not encouraged. This mentality still prevails within government and among much of the population. Partly due to its socialist history, Tanzania has a large donor presence and is heavily dependent on donor financing. It received a total of USD 1 billion from bilateral and multilateral sources throughout the year 2000.

Civil society in Tanzania is weak, despite the fact that there are some 3,000 NGOs in the country, around 500 of which are members of the national NGO umbrella organisation TANGO. Some 15 of these are highly visible and effective, yet they are not regarded as co-actors or co-architects in the PRSP process. The Tanzanian government finds it difficult to recognise these NGOs or to actively involve them in the PRSP process because they are weakly administered and lack transparency and accountability.

Most of these NGOs are financed from overseas. None are receiving financial support from the Tanzanian government. TANGO is also funded from abroad, with Cordaid being the lead donor.

Box: PRSP for Tanzania

Tanzania presented its interim PRSP in March 2000. In April, the staffs of the IMF and IDA decided that Tanzania satisfied the conditions for debt relief under the Enhanced Initiative for Heavily Indebted Poor Countries (e-HIPC).[33]

The long-term PRSP for Tanzania was submitted in October 2000. The first Progress Report, covering the 2000-2001 financial year, was published in August 2001. The second Progress Report, covering 2001-2002, was begun in September 2002.

The long-term PRSP, which is 53 pages long, consists of five chapters: (1) the current poverty situation in Tanzania; (2) the approach to poverty reduction by the various stakeholders; (3) the poverty reduction strategy; (4) financing the poverty reduction programme; and (5) monitoring and evaluating the PRS.
Tanzania's poverty reduction strategy concentrates on (1) income-related poverty, with special attention for (i) ongoing macroeconomic stability, (ii) development of the rural sector and a rise in exports, (iii) development of the private sector, and (2) human development skills, survival and welfare, covering (i) education, (ii) health care, (iii) social welfare, (iv) vulnerability, and (v) the environment.

The PRSP states that the government of the United Republic of Tanzania intends to restrict its financial intervention chiefly to seven priority areas :
- education (mainly basic education)
- primary health care
- rural roads
- agriculture (research and expansion)
- (drinking) water
- the legal system
- combating HIV/Aids.

The total costs for these priorities during the three years covered by the PRSP are estimated at approximately TZS 916 billion (USD 916 million at the November 2002 exchange rate). This is equivalent to roughly 70 percent of total budgetary expenditure. The Tanzanian government recognises that, now as in the past, the financing of poverty reduction largely depends on external financing. The budget for 2002-2003, which anticipates that donors will provide 45 per cent of the total funding required, illustrates this. Although most of the fixed budget will be financed by the Tanzanian government (78 per cent internal financing), the development budget is heavily reliant on external funding (88 per cent). However, neither the costs nor the financing of the PRSP have been fully determined, and they will be regularly adjusted in line with the economic and tax situation and the available resources. A Poverty Monitoring Master Plan was drafted at the end of 2001. The Poverty Monitoring System (PMS) is designed to track the results of poverty reduction. The PMS is a new instrument and is still being developed.

33 Tanzania was awarded USD 2 billion in debt relief in terms of net cash value.

Process

The PRSP process in Tanzania is characterised by:

- a far higher level of donor intervention than is generally admitted;
- a conviction on the part of the Tanzanian government that the PRSP process is a prerequisite for donor financing ('conditional facility');
- a low pattern of expectation. Although the PRSP builds on several decades of poverty reduction programmes, the warning that is universally heard is 'don't expect too much; this is only the second year…';
- a small core of around 40 to 50 people at senior government level who actually carry the process. The PRSP process barely operates at middle management level, to say nothing of district level or below;
- a lack of breadth and depth in the participative process. There appears to be a resistance within government to involving other stakeholders in the PRSP process. This applies not just to the general public but also to NGOs and the private sector. This is partly attributable to the weakness of these stakeholders, but much of it is due to the government's fear of giving anyone else any influence over decision-making processes.

Content

On the whole, Tanzania's Poverty Reduction Strategy Paper is clearly structured. However, one or two qualifying remarks must be made:

- the government's macroeconomic policy and the degree to which it can be qualified as pro-poor are unclear. If we look at where resources are actually going ('expenditure tracking'), it appears that only a small proportion is reaching the poor. The PRSP itself is silent on this point, even in the paragraphs dealing with the growth sectors mining and tourism. It is therefore uncertain whether the five per cent growth rate is the result of a deliberate policy or is merely due to external factors.[34]
- the PRSP is one-sided, because it is based on a narrow definition of poverty that emphasises the need to improve the conditions underlying development, such as those relating to health care, education, clean water and rural roads. Although these social sectors are vital for development, an effective poverty reduction strategy cannot simply concentrate on removing obstacles. It must also include strategies for promoting development. Such strategies are not found in the PRSP.
- more attention and commitment is needed for the productive sector as a way of boosting pro-poor growth. This calls for pro-poor investments and pro-poor budgeting, especially in agriculture,[35] a sector that, while mentioned in the PRSP, is not given the attention it deserves. Other productive sectors also require more consideration. Micro credit, for example, which is vital for stimulating the economy in the informal sector, is barely mentioned. The country's biggest micro credit institution (Pride) only has 110,000 borrowers. After five years in existence, the country's largest externally funded micro credit bank, Akiba Bank, has a mere 4,000 customers. Regular commercial loans, the oxygen of economic growth, suffer from the same lack of attention. A recent report by the World Bank reveals that in 1999, the merchant banks had the equivalent of USD 780 million in deposits, but had converted only USD 280 into domestic loans (less than USD 17 million of which had been

34 One of the donor representatives described this uncertainty as follows: 'Neither the Tanzanian government nor the donors have any idea where the growth is to come from. Don't even ask me where we'll be in five years' time…'

35 Agriculture accounts for 50 per cent of Tanzania's income and supports 80 per cent of the population.

channelled to the agricultural sector).[36] Although local banks have the capital to lend, they are unwilling to incur risks. This is partly due to inadequate legislation and ineffective administration of justice, which make it difficult to enforce agreements and to foreclose on mortgage loans.
- the PRSP omits an analysis of earlier poverty reduction measures; few lessons are therefore learned from the past.
- local development opportunities are inadequately differentiated.
- although the PRSP contains a political analysis of poverty, it fails to fully translate it into concrete measures. This creates a lack of coherence in government policy. For example, there are plans to reform the local and regional authorities, but they do not take account of the capacity of these authorities to implement the measures set out in the PRSP. Another example is the tax exemption enjoyed by foreign enterprises, the negative effects of which on local businesses are not considered. There is no comparable policy to protect or encourage local enterprise.[37]

Follow-up

Although pro-poor growth in Tanzania has not yet been translated into a policy to achieve social and political emancipation, the PRSP process has nevertheless helped to bring about a climate of change. A few promising measures have been taken, for example in relation to information supply. The commitment to prioritise poverty reduction is more deeply embedded than ever before, not just within government but also within the donor community. A start has therefore been made on changing the mindset. It is now time to broaden this new approach to lower levels of government and to society at large. Clearly, the population must be more closely involved in the process. Again, one or two qualifying remarks must be made:
- pro-poor growth requires pro-poor spending. As mentioned, expenditure tracking reports show that only a small proportion of spending is reaching the poor;
- a monitoring system has been set up with donor assistance (mainly the UNDP). In principle, a good monitoring system is both relevant and necessary. Sometimes, however, it is important to guard against monitoring becoming an end in itself. The system in Tanzania is bureaucratic and highly detailed. A disproportional amount of energy seems to have been expended in developing the perfect monitoring system for its own sake - despite the fact that few donor countries themselves have such complex and detailed systems.

Influence of the PRSP on donors

Tanzania's PRSP should ideally also have had an effect on the donors. First, because a PRSP contains policy proposals that have been drafted by the government and the population of the developing country themselves. Second, because the entire PRSP process should lead to better coordination with and between donors. Whether or not it has succeeded can be established by looking at the changes in donor commitments and expenditure and the degree to which these changes reflect the priorities set out in the PRSP. The way in which and the extent to which donors work together when issuing

36 World Bank: *Tanzania at the turn of the century*, Washington, 2000.

37 A comment made by a member of the Chamber of Commerce: 'They are given the loans that we are refused, they are awarded the tax exemptions that we are not afforded, and they are granted the licences that are withheld from us; and as an added incentive they are even allowed to fly in 80 per cent of their stock. The South African supermarket chains are squeezing out local shopkeepers and are even selling locally grown vegetables…'

funding, how they conduct their policy dialogues and the working method they use can also serve as indicators.

As mentioned, the PRSP prioritises seven sectors: health care, education, agriculture, rural roads, water, the legal system and the fight against HIV/Aids. In 1997, donor commitments were targeted mainly at the social sectors, which contain three or four of the seven PRSP priorities: namely, health care, combating HIV/Aids, education and the water sector. The social sectors received less attention in 2000. Commitments to education had already been reduced during the second half of the 1990s. At present, it is mainly the 'smaller' donors who are supporting this sector.[38] The United States is the main player in the health care sector, while Germany focuses primarily on drinking water supply and water purification. The Netherlands is an important partner in the development of the private sector, basic education, local administration, health care, and water and sanitation. The transport and communication subsector is another key priority for donors, with annual contributions totalling approximately USD 100 million. Denmark provided as much as 65 per cent of these commitments in 2000. At the moment, however, it is not clear whether these funds are chiefly intended for rural roads as one of the PRSP priorities. Agriculture, the main production sector, is underendowed, receiving just 12.6 and 7.8 per cent of the bilateral commitments in 1997 and 2000 respectively. It is significant that these commitments were not provided by the largest donors, who appear not to have paid too much heed to the PRSP priorities when making their sector choices.

Cooperation and harmonisation

Nine donors (Norway, Denmark, Sweden, Finland, Switzerland, the United Kingdom, the European Union and the Netherlands, with Japan as observer) are working closely together within the PRSP process.[39] These donors have established the Poverty Reduction Budget Support Fund, the aim of which is to support the PRSP process through additional funding over and above the regular aid contributions. The level of cooperation engaged in by these donors falls somewhere between coordination and harmonisation.[40]

Subgroups have been formed to address specific themes; they are chaired by various donors (including countries not included in the list of nine). The Netherlands is chairing the Private Sector Development and Gender subgroups, the EU is responsible for Roads, Norway for Environment, the United States for HIV/Aids and the UK for Health. These donors have also set up an Independent Monitoring Group which is headed by the UK.

One of the main aims of donor coordination is to reduce pressure on the Tanzanian government. At the moment, for example, the key policymakers are spending roughly half their time on donor-related issues due to the thousand or so missions that visit

38 Many other bilateral donors became involved in the education sector during the 1990s, albeit mainly through relatively small contributions: Australia (USD 3.3 million between 1995 and 2000), Canada (USD 8.3), Belgium (USD 21.3), Finland (USD 8.5), France (USD 1.7), Italy (USD 0.1), Japan (USD 21.3), Spain (USD 0.7), Sweden (USD 39.1) and Switzerland (USD 2.5).

39 Ireland and Canada are members of the group but have not yet made any contributions.

40 The coordination process consists of three phases: sharing information, coordination and harmonisation.

Tanzania each year. However, the donors alone may not be responsible for this state of affairs; the Tanzanian government could be exploiting the situation to play donors off against each other. Another important feature of joint donor action is the assumption that donors are there to stay. This assumption may well prove correct, but it should not be used as the basis for a development strategy since it creates a situation in which key areas of development are entrusted to platforms headed by donors, with the Tanzanian government merely acting as a subcontractor rather than being the key player. If the ultimate aim is for Tanzania to learn to stand on its own feet without being dependent on external aid, then the building blocks for such a policy must be laid now.[41]

Finally, the donors also bear some of the blame for creating imbalances in the global economy. For instance, the payment of income subsidies to farmers in Europe and the United States is losing cotton growers in Africa EUR 200 million each year and is leading to overproduction and price pressure.

Conclusions

The AIV delegation that visited Tanzania noted a relatively weak parliament with no visible role in the PRSP process,[42] an ailing private sector,[43] and, as mentioned, a civil society with no real influence. A major problem is that too many reforms and policy changes are taking place at the same time. An all-encompassing approach to poverty may be both laudable and necessary, but it is unrealistic to expect the government to be able to make good all its promises. Moreover, so many priorities have been set (to keep donors satisfied?) that it is legitimate to ask whether anything has in fact been given genuine priority. It is crucial, as the recommendations have stated, for priorities to be kept to a limit. It is also a good idea to explicitly state what is not a priority; in other words, setting posteriorities is also part of developing a policy.

The AIV feels that the PRSP process in Tanzania has brought about a **conceptual** change, such as a better understanding of poverty reduction and improved poverty analysis, but that there is still a great deal of work to be done. Important **institutional** reforms are under way, but they have not yet led to substantial changes. The most important change, however, is the change in **focus** and the broadening of attitudes. Yet at the same time, the PRSP process appears to be trapped in bureaucratic structures that are closed and untransparent and are not fully accountable to the population.

Expectations concerning the impact of the PRSP are mixed. Positive changes could result from greater investment in the social sector, although there is little indication of either the quality of these investments or of how they relate to the budget. There is almost no evidence of improvements in the productive sector. This sector is given no

41 The fact that almost all the NGO activities are entirely financed through external subsidies without the government even attempting to contribute any share of the funding suggests that it is quite happy to allow decisions about the key aspects of the development programme to continue being taken by donors.

42 The ruling party holds 86.9 per cent of the seats while the rest are shared between five parties.

43 Even the Chamber of Commerce is weak and does not lay claim to being an effective partner in the PRSP process. The Chamber of Commerce is also externally financed, in this case by Danida (Denmark).

attention whatsoever in the PRSP and was therefore ascribed low priority when the budget and expenditure were drawn up. Given the ultimate aim of the PRSP, this is a serious omission.

Framework for growth and emancipation
As outlined in Part I, the AIV describes the poverty situation in a country by means of the five DAC dimensions – access to means of production and rights, access to public services and relevant networks, and the vulnerability, lack of security and powerlessness to which poverty leads. Against this background, it is necessary to create an 'enabling environment' for growth and emancipation.

In terms of the broad economic, social and political dimensions of poverty, the PRSP for Tanzania reveals the following:
- remarkably little attention for the **economic dimension**, with a focus on relevant sectors such as agriculture;
- a focus on the **social dimension**, but with the reservations outlined above;
- limited attention for the **political dimension**, which is discussed only in terms of the need for institutional change. This agenda gives little or no space to the social and political emancipation of the poor.

The question is what is causing these shortcomings, assuming the actors on both the Tanzanian and the donor sides are trying to make tangible progress in all three areas. One of the problems could be that the Tanzanian government is faced with too many donor requirements, all of them demanding attention. In such a context, a focus on detail tends to blot out the wider picture and it is difficult to achieve coherence. A second problem could be that there are many leaders in the various subsectors, but no overall leader. This role should of course be assumed by the Tanzanian government, but it has too little scope to formulate an overall cross-cutting policy of its own. This can also cause important aspects to be lost from view. A third deficiency is that in such a context, local initiatives without an international 'sponsor' have little chance of being included on the agenda. A simple solution to this complex scenario, in which so many interests are at stake and so many actors are pursuing their own goals, is not within reach.

However, a first step would be to substantially improve coordination, both between donors and between the Tanzanian institutions and the various layers of government. This coordination must go beyond the existing functional division of tasks. A strong bridge must then be built between the two sides, not just to monitor progress but also to identify areas that are receiving, or risk receiving, too little attention. This is not always given priority within the overcrowded agendas, and there is therefore a tendency to lose sight of essential issues amid the pressure of work. In fact, the reflex is to exclude extra items from the agenda, which means that key areas are at risk of being neglected. One such area is the systematic development of income-generating activities for the vast majority of the population, such as those working in the services sector or in rural industries. Appropriate measures must therefore be identified and implemented at local level with relevant stakeholders, including the private sector.

II.1.b Ethiopia
Context
A long history of serious human rights violations, food security problems, conflict, political instability and a Marxist regime have all pushed Ethiopia to the bottom rung of the 'development ladder'. At 168th place on the Human Development Index, Ethiopia is

one of the world's poorest countries, with an average life expectancy of below 44, an adult literacy level of less than 40 per cent, a per capita income of USD 100 and, by the end of 1999, some 11 per cent of its population infected with HIV. It is important to understand Ethiopia's political, economic and social history, as well as its war with Eritrea and its involvement in the situation in Somalia and Sudan, to appreciate the possibilities opened up for it by the PRSP process.

Ethiopia was formally renamed the Federal Democratic Republic of Ethiopia in August 1995 after four years of transitional government following a takeover by an armed coalition in 1991. The country consists of nine regional states with extensive economic and executive powers, and it has a constitutionally anchored ethnic-federalist structure.

In 1995 and 2000, the parliamentary elections were won by the Ethiopian People's Revolutionary Democratic Front (EPRDF), which took 90 per cent of the seats in the Council of People's Representatives (the Lower House of Parliament).[44] Although the smaller political parties and groupings were still boycotting the elections in 1995, they took part in the 2000 elections but failed to win many seats. The government's relatively recent experience of democratic governance placed a severe strain on its potential and capacities, as did the internal struggle within the Tigray People's Liberation Front (TPLF), the dominant party in the Democratic Front. There was also disagreement about the peace treaty with Eritrea and about how the Federal Ethics and Anti-Corruption Commission should perform its brief.

Total ODA for Ethiopia in 2000 came to almost USD 700 million. Approximately 55 per cent of this was provided by bilateral donors. USD 400 million (2000) in structural adjustment loans from the World Bank and a USD 121 million loan from the IMF's Poverty Reduction Growth Fund in 2001 have made Ethiopia heavily reliant on these institutions and on the conditions they impose. Some of these conditions are useful, such as the condition specifying the need for consultations between the government and private sector.[45]

The local NGO sector in Ethiopia began to evolve only following the change of government in 1991. However, even now, local NGOs have not yet properly got off the ground due to the country's ethnic-federalist structure, in which state institutions and the leading NGOs are both closely allied to the dominant ethic-federalist groupings. In 1999, the NGOs unexpectedly drew up their own Code of Conduct with the aim of 'promoting more effective working methods and improving the partnership between NGOs, the government and the private sector'.[46] The strength and ability of the NGO sector to influence government policy are still difficult to determine, however. The extent to which they do so depends partly on the degree to which the government is open to such influence. Given the country's political history, a more liberal view of the role of other

44 The members of the smaller Upper House (the Federal Council) are indirectly nominated by the regions.

45 This showed, for example, that some areas of business were heavily dominated by members of the Democratic Front. It also found that lack of credit is creating problems for business, partly due to corruption within the Commercial Bank of Ethiopia and partly to the preferential treatment given to companies run by Democratic Front members. From: Economist Intelligence Unit: *Country Report on Ethiopia*, etc., 2002, pp. 14-15.

46 See also website: http://www.crdaethiopia.org

stakeholders in society is still likely to be at the development stage.

This also creates a dilemma for donors. If they try to break through or question this dominance by some groups, they will be accused of interfering in internal structures.

Yet if they do not, they will be helping to strengthen these dominant structures and possibly contributing to the neglect of important impoverished regions. The PRSPs should therefore devote more attention to regional disparities in order to highlight all these nuances.

The international NGOs are also still playing a role, mainly through lobbying and promoting the interests of their members within the PRSP process. Almost half the 458 NGOs registered with the Ministry of Justice are international.

Process

In 2001, one of these international NGOs, World Vision, concluded that the interim PRSP for Ethiopia was the product of a single stakeholder: the government. Other stakeholders had not been involved in its compilation. However, the interim PRSP promised a better round of consultations during preparations for the long-term PRSP. During this process, there were in fact signs that some civil society organisations were taking up this challenge. In a report published in March 2002, NGOs not only expressed a wish to be and remain involved in the PRSP process, but also suggested a number of practical changes in the form of improvements in education and agriculture, good governance and increased security.[47]

The long-term PRSP (which is known as the Sustainable Development and Poverty Reduction Programme – SDPRP) was indeed formulated in a more participative way. A national Steering Committee (consisting of ministers) and a National Technical Committee were established, and a similar structure was created at regional level. The consultative process was launched at district level in August 2001, and was followed by meetings at regional and federal level. The SDPRP gives only a brief summary of the contribution made by the various organisations and of the main discussion points raised, merely stating that the outcome of the consultations largely endorsed the direction taken. The Ethiopian government has also indicated that it wants to continue the consultation process but that it has not yet developed the mechanisms by which it wishes to institutionalise the participation of the NGOs and the private sector.

Content

The interim PRSP contains many assertions, yet little evidence to substantiate them. It states, for example, that the poverty situation in Ethiopia has improved markedly over the past decade, but offers little proof of this. Other sources suggest that the opposite is true. According to 'Voices of the Poor', the gulf between rich and poor in Ethiopia has widened since the mid-1990s, and a World Vision report similarly maintains that

47 In March 2002, the PRSP Task Force issued a report entitled *Shaping Ethiopia's Future in the 21st century – a non-governmental organisation perspective on the Poverty Reduction Strategy Paper for Ethiopia.*

the percentage of the population living below the poverty line has risen.[48] The interim PRSP does however set priorities: it places the focus of poverty reduction on the ADLI programme (Agricultural Development-Led Industrialisation), the reform of the legal system and public administration, decentralisation and participation of the population in decision-making, empowerment of women and capacity building in the public and private sector. These priorities tie in with the growth and emancipation framework required for pro-poor growth, as outlined above. However, as elsewhere in the interim PRSP, there is no practical elaboration of these priorities.

It was hoped that the long-term PRSP (the SDPRP) would contain a more detailed analysis of the poverty situation, with specific attention for its underlying causes and the lessons that could be drawn from previous experience of anti-poverty policy. Unfortunately, this was not the case. Although the 'poverty profile of Ethiopia' contains some information, most of it is highly abstract and does not lend itself to the formulation of clear policy recommendations. A more qualitative analysis is also missing. Although the SDPRP does discuss the various dimensions of poverty, such as education and health care, its focus remains on the economic dimension, and the gender perspective is almost entirely ignored. There was no analysis of the political dimension of poverty in the interim PRSP, and such an analysis is again absent in the SDPRP.

The policy lines that were drawn in the interim PRSP are continued in the SDPRP. Two sectors are added to the list of priority areas: the development of the private sector and a rise in exports, not just of agricultural produce but also of industrial products. Indicators to monitor progress in these sectors have not yet been developed.

The ADLI concentrates on agriculture as the focus of economic development, with credit programmes, the expansion of educational facilities, basic health care, and roads and water supply in rural areas as the main priorities. This choice is logical, given that some 85 per cent of the population lives in rural areas and agriculture accounts for 45 per cent of the Gross National Product. Increasing food security is an important secondary goal, although the programme points out that food aid will continue to play a major role in the coming period. This expectation is confirmed in 'Voices of the Poor', which states that the number of landless farmers will rise and that the acreage of land for farming will decrease due to deforestation and erosion. Yet at no stage does the ADLI analyse these two major problems facing agriculture. As a result, donors are sceptical about whether the ADLI can serve as the central economic growth model. They do not feel that this strategy, which largely maintains a focus on traditional farming methods, provides sufficient potential for growth.[49]

Another building block of the PRSP is 'Governance, democratisation and empowerment', through which the Ethiopian government wishes to emphasise the need for further

48 Rahmato and Kidanu: *Consultations with the poor – a study to inform the World Development Report 2000-2001 on poverty and development* (national report, Ethiopia). Addis Ababa, 1999, p. 17. World Vision: *Submission to the comprehensive review of the PRSP approach*, 2001, states that Ethiopia is characterised by overwhelming poverty: 'Ranking bottom in Africa in overall growth (-0.6% annually) with a per capita income of $100 a year, approximately 65% of Ethiopia's current population size of 63.5 million live in absolute poverty.'

49 Dutch embassy in Addis Ababa: *Annual Plan 2002*, p. 2.

democratisation and decentralisation in the light of poverty reduction. However, this will require radical adjustments from a country with a long history of centralised and non-representative government. This building block can therefore only take shape over the longer term. There are also concerns about the public budget deficit and the capacity of government, the private sector and civil society to realise the proposed plans. These concerns are partly due to the decentralisation programme that is running parallel to the PRSP process, which is a considerable drain on finance and capacity.

In macroeconomic terms, the SDPRP assumes an annual economic growth rate of seven percent and a growth rate of 7.5 per cent in the agricultural sector. In view of the growth figures of recent years and the worldwide economic recession, the proliferation of environmental problems and the limited progress that has been made in developing new technologies for dry farming, these figures must be seen as overoptimistic, especially now that Ethiopia has been hit by a famine. Despite this, donors broadly endorse the macroeconomic policy set out in the SDPRP (controlling inflation, tax reforms, increased expenditure for poverty-related sectors, reducing the financial deficit and curbing defence spending).

Follow-up

One of the main difficulties facing the PRSP for Ethiopia is how to finance the measures. The investments being proposed are unrealistic, especially if in the long term they cease to be supported by donors. In January 2002, the joint donors published a critical report on various key questions in the PRSP, which was being drafted at the time.[50] They argued that too little attention had been given to the development of the private sector, which they considered essential for economic growth and job creation. Measures were needed to promote private enterprise, a 'level playing field' and a policy dialogue between the government and private sector, and they felt that the Ethiopian government had fallen short in all these regards. The donors also expressed concern about the capacity of the local and regional authorities and the limited scope of programmes being implemented in the social sphere and in other sectors. They repeated their assessment eight months later on the SDPRP,[51] and concluded that while the long-term PRSP was now substantive enough to be supported, there were still many concerns. They expressed doubts, for example, about the implementation of the decentralisation process, the selected growth model (the ADLI), the absence of indicators, the lack of a trade strategy and the failure to integrate cross-cutting issues such as gender, HIV/Aids and the environment. They made the following comments concerning participation: 'Although consultations with civil society for the PRSP were exceptionally comprehensive by Ethiopian standards, it is unclear whether the government genuinely appreciates and acknowledges their value over and above the desire merely to pay lip service to the donors.'[52]

50 Development Assistance Group (DAG): *DAG PRSP issues note – from poverty to sustainable growth and equity.* Addis Ababa, 2002.

51 DAG: *Joint Partner Review of the Ethiopian Sustainable Development and Poverty Reduction Programme (SDPRP).* Addis Ababa, 2002.

52 Memo from the Dutch embassy in Addis Ababa to the AIV, October 2002.

Other opinions expressed by donors concerning the SDPRP are included in the box below.

Box: Joint Partner Review of the Ethiopian Sustainable Development and Poverty Reduction Programme (SDPRP)

Governance

- while the government's intention to avoid blueprints and to operate according to a 'learning by doing' method is appreciated, there is little clarity about the structure that will be adopted. Donors require the institutionalisation of stakeholder participation in policy, planning and monitoring.
- the success of the decentralisation process depends largely on the development of capacity at the lower levels of government. The SDPRP concentrates mainly on the decentralisation of the tax system. However, without 'democratic decentralisation', the process as a whole will fail to lead to empowerment at local level.

Poverty analysis

- the SDPRP uses only quantitative data on poverty, whereas qualitative data also provides insight into the causes of poverty. It is unclear how the poverty analysis will be converted into policy choices.

Content

- the economic growth model is based almost entirely on the ADLI, which donors feel provides too narrow a base. The expectation is that ADLI will generate a growth rate of 7.5 per cent in the agricultural sector, whereas over the past decade the average growth rate has only been 2.5 per cent. The ADLI is too input-orientated and is not sufficiently demand-led.
- the SDPRP endorses a pro-poor growth strategy, but it argues that an extra safety net to protect the poorest groups from external repercussions is therefore no longer needed, despite the fact that four million Ethiopians rely on emergency aid.
- while donors welcome the stated intention of the SDPRP to reform the legal system, the explicit commitment to change appears to be limited.

Donor support

Despite these reservations, some donors (such as SIDA and DFID) and the multilateral organisations have approved the proposal by the Ethiopian government to draw up a donor agenda concentrating on direct budget support. By no means all the donors (including the Netherlands) are convinced that the conditions for direct budget support have been met, and they are therefore not yet willing to pledge such support or to agree to any substantial increase in aid. The danger is that this agenda could undermine donor coordination. Figures relating to the sectoral commitments made by the bilateral donors to Ethiopia up to and including 2000 show that while the agricultural sector was pledged additional aid in 2000, most of this came from Italy. Also striking was the very sharp rise in commitments for emergency aid in 2000, mainly at the cost of social infrastructure and programme aid.

So far, there are few signs that donors are considering a radical change of course in response to the SDPRP. Before doing so, they want to improve their dialogue with the Ethiopian government and obtain more clarity about how the proposed poverty reduction

policy is to be monitored. Although they regard the monitoring system described in the SDPRP as 'sound', they still have some concerns. To begin with, they feel there is insufficient capacity to operationalise a broadly based monitoring system, especially at local and regional government level. They are also unsure what role other stakeholders can and will play in the monitoring process. This effectively brings us back to the concerns raised about the participation process and the building block of 'democratisation'.

Conclusions

As explained in Part I of this report, the PRSP for Ethiopia does not proceed from a multidimensional definition of poverty. It is dominated by an economic perspective, with some attention for the political dimension (under the heading 'decentralisation and empowerment'). However, the feasibility and effectiveness of the policy being proposed are doubtful. Affording the poor access to production factors (the rights dimension) and issuing micro credits is also given some attention.[53]

Generally speaking, the PRSP paints too positive a picture of the poverty situation in Ethiopia and of the possibilities for improvement. It lacks qualitative data, fails to draw lessons and makes little or no mention of problems encountered during implementation. It also rejects the need for an additional safety net to protect the poorest groups in society in the event of a calamity, arguing that the pursuit of a pro-poor growth strategy makes this unnecessary. Yet this strategy has so far failed to alleviate the famine currently blighting a number of countries, including Ethiopia, following a period of drought. By abandoning practical reality in favour of what appears to be most desirable, the SDPRP gives rise to the suspicion that it is mainly a cosmetic exercise which was written to please the donor community.

That said, the SDPRP does address various issues that have been prioritised in this advisory report under the framework of growth and emancipation. They include the reform of the financial sector, measures to create a positive enterprise climate and the redistribution of economic power. Tax reforms to finance poverty reduction and widening access for the poor to health care and education are other positive priorities.

On the other hand, no mention is made of land reforms. Doubts persist concerning the capacity of the government to continue implementing all the plans, especially the more political aspects on the agenda. Public finances are far from healthy, and the picture that has been painted of it is overoptimistic.

53 Sources for this chapter: Development Assistance Group (DAG): D*AG PRSP issues note – from poverty to sustainable growth and equity,* Addis Ababa, 2002. DAG: *Joint partner review of the Ethiopian Sustainable Development and Poverty Reduction Programme (SDPRP)*, Addis Ababa, 2002. The Economist Intelligence Unit (EIU), *Country Report on Ethiopia, Eritrea, Somalia, Djibouti*, London, September 2002. EIU: *Country Profile 2002 – Ethiopia*, London, September 2002. Government of Ethiopia: *Ethiopia – Interim Poverty Reduction Strategy Paper 2000/01-2002-03,* Addis Ababa, November 2001. OECD: *Geographical distribution of financial flows to aid recipients 1996-2000*, Paris, 2002. Rahmato & Kidanu: *Consultations with the poor – a study to inform the World Development Report/2000/01 on poverty and development* (national report, Ethiopia, Addis Ababa, 1999. Dutch embassy in Addis Ababa: *Annual Plan 2002 – HMA Addis Ababa*, Addis Ababa, 2002; *Actuele stand van zaken PRS-proces Ethiopië* (internal memo), Addis Ababa, October 2002. World Vision: *Submission to the comprehensive review of the PRSP approach.*

II.1.c Uganda

Context

Uganda gained its independence from Great Britain in 1962. The period that followed was governed by instability, social unrest and ethnic violence. Following the seizure of power by the National Resistance Army in 1986, Uganda achieved a measure of stability and peace, attaining economic growth rates of up to six per cent in the 1990s. President Yoweri Museveni is now in his third (and constitutionally final) term of office. Despite growing opposition to the one-party system,[54] Museveni is still popular among the Ugandan population.

With a per capita income of USD 300, Uganda is at the lower end of the Human Development Index, in 150th place.[55] The biggest problems facing the Ugandan government are poverty, refugees and regional unrest. Thirty-five per cent of the country's population of 22 million live in absolute poverty.[56] The majority of poor people are farmers and live in rural areas. Uganda is also home to several hundred thousand refugees from Sudan and Rwanda, plus hundred thousand displaced people made homeless by the unrest in the north, where the instability caused by the dominance of the Lord's Resistance Army is hampering the government in its efforts to combat poverty.[57]

Process

The PRSP for Uganda consists of a revised version of the 1997 Poverty Eradication Action Plan (PEAP), plus a summary of this original plan. Its main aim is to reduce poverty to 10 per cent by 2017. The PEAP was compiled by the National Task Force on Poverty Eradication, which brought together representatives from civil society organisations, other ministries and donors, at the request of the Ministry of Finance, Planning and Economic Development (FPED). Seven theme-based working groups were appointed to undertake preparatory work on the PEAP, each of which studied a priority theme based on data research, expert meetings and seminars, to which MPs and representatives from government agencies were also invited. Forty-five civil society organisations, including the Uganda Debt Network, Uganda's Women's Network (UWONET), Oxfam, SNV and World Vision, also set up a Civil Society Task Force. The creation of this task force boosted the visibility of civil society and facilitated contacts with the FPED. The task force was also used as a collection point for all the information that the affiliated organisations had gathered from their members.

Each year, new information and insights are included in the Poverty Status Report, which serves as a basis for the PRSP Progress Report. The first Poverty Status Report

54 Officially, Uganda has a 'no-party' system; The Movement is said to enjoy universal support among the population and is therefore not regarded as a political party.

55 UNDP, *Human Development Report* 2002, 2002.

56 Appleton, *Uganda National Household Survey,* 2001.

57 In 1999, 58.8 per cent of the population in northern Uganda, 42 per cent of the population in western Uganda, 54.3 per cent of the population in eastern Uganda and 27.7 per cent of the population in central Uganda were living on less than USD 1 a day. Ministry of Finance, Planning and Economic Development, *Uganda's Poverty Eradication Action Plan: summary and main objectives*, Kampala, 2000 (p. 15 and table 2.3).

was published in 1999, and was followed in 2000 by a revised version of the PEAP.[58] The revised PEAP makes liberal use of the Uganda Participatory Poverty Assessment Project (UPPAP), in which 67 local communities and nine districts took part. The central and local authorities were also involved in the preparatory work, as were MPs, civil society organisations and donors. The population was invited to take part in the process through radio and television programmes and discussion pages in the newspapers.[59] Revised draft texts were distributed among the participants prior to each consultation. Nevertheless, there are one or two criticisms to be made of what otherwise appears to be an exemplary participation. To begin with, the definitive PEAP appears to have been written behind closed doors at the Ministry of Finance, Planning and Economic Development, with technical assistance provided by a consultant financed by the United Kingdom.[60]

The PEAP provides the overall framework for the sectoral plans and investment programmes. The local authorities are responsible for implementing locally devised measures, with financial and technical support from the relevant ministries. This gives the ministries an insight into the various problems and obstacles that may arise. They can then, for example, gradually resolve identified capacity problems with the help of donors and NGOs.

The World Bank and the IMF have praised Uganda's approach to the PRSP process. The Joint Staff Assessment concluded that the government had adopted an integrated approach to planning and budget procedures. The Progress Report had responded to the problems identified, recognised where specified targets had not been met, analysed the underlying reasons and put forward suggestions for improvement.

58 The Ugandan government intends to revise the PEAP/PRSP every three years, and to publish two Poverty Status Reports during the years in-between. So far, it has done so.

59 The UDN concluded that 'Civil society inputs were sometimes wholly incorporated into the draft. For instance … the whole section on participation and monitoring was written by civil society'. Moreover, the entire section on employment was only included at the suggestion of civil society. The UDN describes this participative approach by the government as 'a very important milestone in changing government-civil society relationships in Africa', Uganda Debt Network: *Debt Relief and PRSPs in Africa, p. 5 and 6.*

60 K. Brock, R. McGee and R. Sewakiryanga, in: Wilks, A. & F. Lefrançois: *Blinding with Science or Encouraging Debate: how World Bank analysis determines PRSP policies*, Bretton Woods Project & World Vision, 2002, p. 29.

Uganda's PRSP[61]

In March 2000, the Ugandan Ministry of Finance, Planning and Economic Development presented its long-term Poverty Reduction Strategy Paper. This was effectively a revised version of the 1997 Poverty Eradication Action Plan (PEAP), a summary of which was attached. The first Progress Report was published in March 2001 and the second was issued in March 2002. The revised PRSP is due for publication in 2003.

The PRSP is 28 pages long and consists of five chapters: (1) Introduction, (2) National vision and overall goals, (3) The Poverty Eradication Strategy (4) Macroeconomic stability and medium- and long-term expenditure implications of the PEAP, and (5) The Monitoring Strategy. The government wants to use the PRSP to put in place various conditions to transform Uganda into 'a modern economy […] in which people in all sectors can participate in economic growth'.

These conditions are:
- structural transformation of the economy, including the modernisation of agriculture, development of farming-related industries and continuation of institutional development in the legal and financial sectors;
- participation by the poor in economic growth, through the expansion of small farms and increased employment in industry and services;
- sustainable, high-quality and broadly-based economic growth;
- a focus on the intangible aspects of poverty: uncertainty, illness, isolation and disempowerment, in addition to low incomes.

Content

The PEAP/PRSP (2000) is based on the following four pillars:
- creating a framework for economic growth and change;
- upholding good governance and security;
- increasing opportunities for the poor to boost their income;
- improving quality of life for the poor.

The Progress Report for 2002 makes the following points concerning the aims envisaged for these pillars:

Pillar 1: While inflation remains below five per cent, the seven per cent economic growth target has not been reached over the past few years. Private sector growth is below target due to the slow progress in legislation and reforms, and the poor infrastructure.

61 Sources: *Uganda's Poverty Eradication Action Plan: summary and main objectives,* 24 March 2000, *Uganda's Experience in Preparing the PRSP*, June 2000 (presented at the Poverty Reduction Strategy Forum, Côte d'Ivoire 5-8 June), *Uganda Poverty Status Report 2001*: summary (Uganda Annual PRSP Progress Report), 2 March 2001, *Poverty Reduction Strategy Paper Progress Report Joint Staff Assessment*, 9 March 2001, *Summary of Background to the Budget 2001-02* (Uganda PRSP Progress Report 2002), March 2002 and *Poverty Reduction Strategy Paper Annual Progress Report Joint Staff Assessment*, 26 August 2002.

Pillar 2: Decentralisation has improved the level of public services, but maintaining it at the desired level is proving very costly. Problems that still need to be tackled include corruption, the disturbances in the north of the country and capacity shortages.[62]

Pillar 3: Although absolute poverty in Uganda has fallen over the past decade, income disparities between the rich and poor have widened. Since the majority of poor people work in the agricultural sector, the Programme for the Modernisation of Agriculture (PMA, which organises micro credits, research, education and technical assistance) is the most important poverty reduction instrument. However, this programme is not yet being implemented. The improvements in income that the poor have experienced to date are attributable to non-agricultural activities such as job growth in the services and industrial sectors, improved access to markets and a better rural infrastructure.

Pillar 4: Almost all the quantitative targets in the PRSP for 2001-2002 have been attained. The downside is that improved access to health care for the poor has led to a reduction in the quality of care provided. In the education sector, the increased influx of students has led to unwieldy class sizes and to a shortage of teachers and text-books. High levels of non-attendance among girls and children from the poorest groups are also giving cause for concern. Targets in the water and sanitation sector have been met, although rural areas are still lagging behind urban regions.

As mentioned, these achievements are difficult and immensely costly to maintain. This is due to inefficiency and corruption at all levels of government, the wide gulf between rich and poor and the rapid population growth. This is reflected for example in the high fertility rate of 6.9; the poorest 20 per cent of households have twice as many children as the wealthiest 20 per cent.[63] According to the PRSP Progress Report, a more wide-spread distribution of family planning information could assist poverty reduction.[64] The number of people with HIV (6.1 per cent in 2001) provides grounds for cautious optimism. If this figure is correct, this would make Uganda one of the few countries in sub-Saharan Africa where the Aids problem appears to be under control.[65]

Follow-up

Uganda's plans may be in order, but the proposed policy has not yet been implemented. The main poverty reduction instrument, the Programme for the Modernisation of Agriculture, has yet to be operationalised. Institutional reform of government, the legal system and the financial sector have also not yet been tackled. There is still no sign of the economic stability and enabling environment needed to achieve the hoped-for seven per cent growth target.

62 Uganda occupies third place on Transparency International's Corruption Perceptions Index, which ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians.

63 Annual population growth averaged three per cent between 1995 and 2000.

64 Although Aids is a common disease in Uganda, less than half the population knows how to prevent it. Between 1995 and 2000, the number of fully immunised children fell from 47 to 37 per cent (PRSP – Progress Report, 2002, p. 64 and p. 69).

65 This percentage is largely based on surveys conducted among pregnant women.

Uganda's donors have now reached consensus about using the PEAP/PRSP as a springboard for donor assistance. This has prompted some of them (including the Netherlands, the United Kingdom, Ireland, Norway and the World Bank) to provide their aid in the form of budget support to the Medium Term Expenditure Framework/Poverty Action Fund (MTEF/PAF). Others, such as the United States and Denmark, are basing their project or sector aid on the priorities set out in the PEAP/PRSP. However, all the donors agree that the PMA must be introduced at the earliest opportunity if policy is to be made pro-poor. First, they believe that the acreage of land for farming must be increased and that more farmers than the existing 500,000 must make use of micro financing facilities in rural areas. They also feel that productivity in the agricultural sector must be substantially increased. Second, they feel that more attention should be given to gender aspects. Finally, they argue that indicators must be improved. Most of the indicators currently being used are quantitative.[66]

Conclusions

Despite these criticisms, the AIV feels that the participation process in Uganda in preparation for the PEAP/PRSP has been exemplary. The government has provided the necessary leadership at senior ministerial level, local and regional authorities have been given a chance to provide their input, NGOs have played an active preparatory role and civil society is very pleased with its own role in the process. This satisfies one of the key conditions and aims of the international financial institutions. Despite this, the Uganda Debt Network, one of the country's leading NGOs, has noticed a marked difference in composition between the PEAP as originally drafted and the version that was approved by the World Bank and the IMF.[67] An official at the Ministry of Finance has also publicly stated that the PRSP as it appears on the World Bank's webpage is not the same PEAP/PRSP that was written by his ministry.[68] These remarks and the external technical assistance mentioned earlier lead to the suspicion that the text of the PRSP that was agreed between the Ugandan government and civil society was subsequently altered by third parties and that the IFIs and donors (notably DFID) have had considerable influence over the PRSP process in Uganda. This risks undermining the proclaimed ownership of the recipient countries. On the other hand, it is understandable for donors to be closely involved in policymaking in Uganda, in view of the country's heavy reliance on donor aid. Donors provided approximately 55 per cent of the budget in 2001-2002.[69] The fact remains, however, that a country that is making a genuine effort to combat poverty (government spending on poverty reduction rose from 17 to 32 per cent of the budget between 1997 and 2001) and is doing so in line with the spirit if not the letter of the PRSP, is not being given the confidence it deserves by donors. Whereas for Uganda the PRSP is a strategy for eradicating poverty, for the World Bank and the IMF it appears to be primarily a document for assessing creditworthiness.

66 Danida: *Dansk bidrag til review af PRSP-processen i Verdensbanken og IMF*, 2001, p. 9.

67 UDN: *Debt Relief and PRSPs in Africa*, 2001, p. 3.

68 K. Brock, R. McGee and R. Sewakiryanga, in: Wilks, A. & F. Lefrançois: *Blinding with Science or Encouraging Debate: how World Bank analysis determines PRSP policies*, Bretton Woods Project & World Vision, 2002, p. 29.

69 HMA: *Annual Plan Kampala* 2002, 2002, p. 5.

II.2 Key elements and lessons learned

An analysis of the PRSPs for Tanzania, Ethiopia and Uganda shows that they have several aspects in common, despite the differences in the histories and contexts of the respective countries. This chapter examines these key elements, illustrated by examples from the PRSPs of other countries in sub-Saharan Africa with which the Netherlands maintains a structural bilateral relationship. This study concentrates on previously adopted poverty reduction strategies and conditional relationships in the provision of financial assistance (the **context**), on the degree of participation in the PRSP process (the process), on the setting of priorities (the **content**) and on the reaction of donors (the **follow-up**).

Context

Existing poverty reduction strategies

All the Netherlands' bilateral partners in sub-Saharan Africa, with the exception of Zambia, have based their PRSPs on existing poverty reduction strategies. These earlier strategies can be used not just to plan the process and content of the PRSP but also to influence their operational progress and coordination with the annual budgetary plan. In Mozambique, the I-PRSP (October 2001) develops the existing poverty reduction action plan (PARPA), which was drafted in the 1990s. Detailed poverty assessments were also carried out at the time, and were used as a source for what is a reasonably clear picture of the poverty situation in the PRSP. The PRSP for Burkina Faso builds on the Plan National de Bonne Gouvernance 1998-2003. Uganda has maintained a special budget item (the Poverty Action Fund) since 1998, into which the government and donors channel funding for implementing the Poverty Eradication Action Plan. Tanzania has for several decades been developing its own socialist approach to poverty reduction. Since completing this socialist experiment, it has converted its poverty reduction policy into the forward-looking 'Vision 2025', which is incorporated into the current PRSP. Mali sees its PRSP as a follow-on to the Policy Framework Papers and hence more as a negotiation tool for structural adjustment programmes than as a road map for poverty reduction. Rwanda is developing an existing anti-poverty strategy, Vision 2010, which was drawn up in 1998. This has given it relatively recent statistics and other data, producing a detailed poverty analysis in the PRSP. Rwanda's PRSP even includes an initial attempt to conduct an ex ante measurement of the effects of the proposed measures on the status of the poor. Ethiopia has had the Agricultural Development-Led Industrialisation (ADLI) plan since the mid-1990s, which forms one of the cornerstones of the interim PRSP. Ghana is building on Vision 2020, a long-term plan dating from the 1990s. Finally, Zambia is basing its PRSP on an ex ante poverty analysis, among other data.

Conceptualisation of poverty

Both the PRSPs for Tanzania and Ethiopia show that there is as yet no multidimensional definition of poverty (or poverty reduction). The social dimension of poverty is generally the one that is best worked out and it often covers a large proportion of the policy. Of course, the social dimension is relatively easy to study and fairly easy to convert into specific targets and indicators for monitoring and evaluation. Moreover, introducing targets for health care, education, drinking water and sanitation will generate little opposition and will obtain considerable support from the poor. Donors, too, see the social dimension as an important pillar in the struggle against poverty, and this is reflected in the high proportion of overall aid channelled towards it.

The economic dimension is rather more difficult. Countries find it difficult enough to formulate clear, consistent plans for economic growth, let alone economic growth that

benefits the poor more than other groups. There is no insight at macro level into the capacity of the poor to improve their own situation at micro level. There is also no proper overview at national level of regional differences. Measures therefore need to be taken at decentralised level, with participation from all stakeholders, including the private sector. Also important is the fact that the economic dimension touches on the internal balance of power in a country, as in Ethiopia. This applies even more clearly and directly to the political-legal dimension of poverty, in so far as it affects direct participation by the poor in decision-making. It is therefore no surprise that it is in the political-legal dimension that the PRSPs exhibit shortcomings or cannot formulate clear goals.

Process

Participation

Participation should be one of the key elements in the PRSP process. After all, the involvement of direct stakeholders ideally widens support for poverty strategies, boosts the level of organisation of the population and yields a better poverty analysis.

In practice, however, things tend to be more complicated. Governments complain that they are only given lists of requirements. It also appears to be difficult to reach agreement with so many partners sitting around the table. Interests are highly diverse (sometimes running along ethnic lines), and what is meat to one may be poison to another. Democratically accountable institutions are sometimes by-passed. However weak the parliaments in African countries may sometimes still be, the PRSP nevertheless always concerns an element of national policy in which conflicting interests must be reflected. These political choices must be arrived at democratically. On the other hand, the parliament and local and regional representations in most of these countries are operating far from optimally. Yet despite these reservations, encouraging participation by institutions with a democratic legitimacy, such as municipal councils, is obviously a goal worth pursuing.

Participation should take place at national, regional and local level. PRSPs ultimately take effect at national level, and it is important that these final decisions are not taken by policymakers (and civil servants) alone. This is why representatives from civil society should be encouraged to participate in the formulation of the PRSP. But the actual input must come from bottom-up.

To assess to what extent such local processes reflect the views of the population, in other words, to what extent participation has been 'genuine', it is important to find out how it has been carried out. This should be described in the PRSP itself.

There is also of course the question of whether the PRSP truly reflects the views of the poorest groups or is merely a politically correct presentation of the situation for the benefit of donor consumption. Moreover, it is not always clear whether those who claim to speak for the poor really do reflect their concerns. A statement by a representative from Sierra Leone at the first meeting of the World Bank's African Learning Group on PRSPs provides food for thought in this regard: 'I can assure you that their priorities will be totally different from what we list as priorities in our PRSPs. Their priorities will definitely be food on their tables or in their villages improved housing... But we, the spokespersons, will come out with grander priorities, which at the end of the day may not even meet their needs...'[70]

70 African Learning Group on the PRSPs: *Summary report of the first meeting*, November 2001, p. 5

It is also interesting to speculate on the degree of independence of NGOs that receive all their funding from foreign donors. Such organisations may simply tell donors what they want to hear, especially if this means that their staff will be paid more than those in other organisations. Although designed to strengthen civil society, foreign aid sometimes undermines the development of a civil society that is independent of the donor drip-feed. If the development of a civil society cannot be achieved via the NGOs or it would lead to a distortion in NGO-donor relationships (as in Tanzania and Ethiopia), then donors should instead consider providing direct funding to the intelligentsia and other lobbying organisations in the country.

These problems partly arise from the use of participation models based on western culture, which assume equality between the discussion partners and the existence of an organised civil society. In Africa there are generally different forms of participation which centre on respect for an older, more senior or more powerful party. These models have deep cultural and social roots and cannot simply be swept aside by a western participative model. Westerners want to know what people really think and want to create circumstances in which these people can speak their mind. They believe that this is part of an emancipated society. For many people in Africa, especially those on the bottom rung of the social ladder, this is an alien, even risky, concept. The art is therefore to encourage participation in PRSP themes within the confines of these indigenous participation models. Certainly, the western participation model as applied in Africa ('everybody turned up, they were all familiar with the agenda, one or two spoke and there were no further questions') is insufficient to guarantee the input of direct stakeholders. At the same time, however, it should be remembered that locally accepted participation processes substantially reinforce the existing balance of power, and that this ignores one of the main donor aims, namely to make the poor more critical and self-confident.

Donors may also be slightly apprehensive of being accused of hypocrisy. They are after all asking partner countries for a measure of direct participation which in many cases is not reflected in their own decision-making processes.

Finally, there are a number of other important obstacles:
- insufficient up-to-date information in a language that is accessible to the participants, and insufficient access to unbiased sources of information;
- lack of transparency in the procedures and insufficient capacity or experience;
- insufficient time or resources, or insufficient political will to let all the organisations have their say;
- the organisations consulted are not representative, or else always consist of the same elite groups;
- NGOs are sometimes dependent on foreign donors;
- some groups are wholly excluded. These include trade unions (in Mali), farmers' organisations, parliament (in Mozambique and Tanzania) and the private sector. Women's groups and organisations involved in gender issues appear to be at a particular disadvantage;[71]
- no participation in the planning and implementation process, only in the consultation (Ghana);
- overambitious expectations (Burkina Faso).

71 World Bank: *Gender in PRSPs: a stocktaking*, August 2001.

Despite these critical remarks, the AIV nevertheless believes that the PRSP process is important, including as regards participation. Participation after all makes it possible to incorporate local insights into the decision-making process, to include questions on the agenda and to measure progress. But even if this process were to run like clockwork, it would still not be enough to reduce poverty. Nor would the application of instruments that are not yet fully developed, such as PSIAs, expenditure tracking and the strengthening of local institutions, provide enough of a guarantee. If PRSPs are to make a genuine contribution to the operationalisation of pro-poor growth, they must also take account of the international context and of the rights-based approach to development cooperation.

Content

Setting priorities

Some partner countries try to do too much when tackling poverty, partly in an attempt to satisfy a wide variety of donor perceptions. Many different processes of change, from the decentralisation of public administration to the reform of the legal or tax system, are carried out in parallel, overburdening the limited capacity of governments. This is particularly frustrating as decisions are often taken by the same small group of people, as in Tanzania and Ethiopia. In Tanzania, for example, local businesses are badly affected by the tax exemptions that have been awarded to foreign companies in an effort to encourage economic liberalisation and employment (see chapter II.1.a).

As well as long-term plans covering a range of sectors, PRSPs also contain forecasts predicting the likely effects of these activities. Doubts concerning the reliability of forecasts are of course nothing new, especially in situations where a positive prognosis is needed to get plans approved and financed. But if a PRS process is to be efficient, these prognoses must be realistic and not simply produced to get the go-ahead for an aid programme. This is not easy in the context in which PRSPs are formulated. There are doubts as to whether enough effort is being put into these forecasts. These doubts are strengthened by the fact that many direct stakeholders appear to regard them as less relevant. They seem to feel it is more important to be moving in the right direction than to make an accurate forecast.

It is unlikely that instruments can be developed which will bring about a better balance between quality and ownership. Second opinions can generally be helpful, although one should not underestimate how much courage is needed for a co-player to strike at the roots of what seems to be a good plan that is being supported by important actors. The following section will discuss in more detail the setting of priorities in PRSPs and the degree to which donors adhere to these priorities.

Follow-up

Reaction of donors

Although a PRSP is by definition seen as expressing the will of the population, donors play an important role in formulating the poverty policy and in financing the programmes envisaged. This role is discussed in the account of the PRSP process in Tanzania, Ethiopia and Uganda. The PRSP process is after all not just a requirement for donor financing, but it also indicates where that financing is required. As such, the PRSP process is also seen as a framework for development cooperation. Linked to this is the idea of the PRSP as a coordination mechanism between donors. The Poverty Reduction Budget Support Fund, which was established in Tanzania with the help of various bilateral donors, is an example of this. Such initiatives are a first step towards coordination and harmonisation between donors, but of course there is still much to do in this area.

A large proportion of the studies published so far concern levels of participation in the PRSP process. Little is so far known about the degree to which donors genuinely align their aid programmes with the key elements in the PRSPs. This is to some extent understandable. The PRSP process is after all a recent concept and changes to donor programmes cannot be implemented overnight. Moreover, there are no summaries of the changes made to donor policy, and quantitative data from the DAC detailing the allocation of aid to each sector, for example, are only available up to and including 2000. The AIV is concerned that so far, donors seem to have made few changes to their own development cooperation policies in the light of the PRSPs.

Total aid flows

The flow of aid to the 11 Dutch partner countries in sub-Saharan Africa fluctuated sharply between 1992 and 2000. One striking development was that the pace of bilateral and multilateral aid flows was not the same for all the countries. The net flow of multilateral aid to Uganda steadily declined, for example, while bilateral aid went up during the same period. The same largely also applies to Benin, Mali and Tanzania. Total bilateral aid to the 11 countries went down over the 1992-1999 period, but revived in 2000. Only Mozambique and Rwanda failed to benefit from this upward trend. Multilateral ODA fell over the period as a whole, although in 2000 this decline was well down on previous years.

In 2000, the Netherlands' 11 bilateral partner countries in sub-Saharan Africa received 6.5 per cent less bilateral aid and 41.8 per cent less multilateral aid on average than in 1992. Only four of these countries received more in bilateral aid (Eritrea, Uganda, Ghana and Mali), while multilateral aid went down for all the countries except Eritrea.[72]

TABLE 1. ***Decline in aid flows (change in percentage terms in 2000 compared with 1992)***

Country	Bilateral aid	Multilateral aid	Total
Benin	-11.1%	-50.0%	-11.2%
Burkina Faso	-15.0%	-36.2%	-23.0%
Eritrea	+16.8%	+10.2%	+14.6%
Ethiopia	-17.1%	-58.6%	-42.4%
Ghana	+16.0%	-21.6%	-1.3%
Mali	+25.1%	-67.7%	-15.9%
Mozambique	-38.1%	-44.2%	-39.9%
Rwanda	-6.4%	-10.4%	-8.3%
Tanzania	-4.7%	-48.8%	-21.9%
Uganda	+127.5%	-48.4%	+14.7%
Zambia	-30.5%	-8.3%	-23.3%
TOTAL	**-6.5%**	**-41.8%**	**-21.7%**

The Netherlands' response

Obviously, not all the bilateral donors are equally important for all 11 countries. However, according to table 2, the Netherlands is one of the leading donors, in quantitative terms at least, being one of the five main bilateral donors in nine of the 11 countries in 2000.

72 For Eritrea, the figures for 2000 were compared with those for 1994. Eritrea received no aid in 1992.

TABLE 2. ***The five leading bilateral donors for each country (in 2000, as a percentage of net ODA)***

	Benin	Burkina Faso	Eritrea	Ethiopia	Ghana	Mali	Mozambique	Rwanda	Tanzania	Uganda	Zambia
Belgium								X			
Canada									X		
Denmark	X	X	X		X		X			X	
France	X	X				X					
Germany	X	X		X	X	X	X			X	X
Italy	X		X	X							
Japan		X		X	X	X					X
The Netherlands		X	X	X		X	X	X	X	X	X
Norway			X				X				
Sweden								X	X		
UK					X		X	X	X	X	X
USA	X		X	X	X	X	X	X	X	X	X
% total DAC	**86%**	**73%**	**67%**	**82%**	**82%**	**87%**	**57%**	**72%**	**77%**	**80%**	**73%**
Total ODA	**190.5**	**379.5**	**227.8**	**111.9**	**385.0**	**299.8**	**623.5**	**175.4**	**778.7**	**578.2**	**486.2**

The Netherlands' status as a donor has already been discussed in the analysis of the PRSPs for Tanzania, Ethiopia and Uganda. It is important, however, to point out that during the second half of the 1990s, the Dutch government announced a further sectoral concentration of its aid, which it has now largely implemented. The choices of sector were essentially regarded as being based on the priorities of the recipient countries themselves, together with the practical experience gained by the Netherlands in various sectors and its own specific preferences.

TABLE 3. ***PRSP priorities and sectoral choices within Dutch bilateral aid***

PRSP PRIORITIES	DUTCH SECTORAL CHOICES
Benin	
• *No clear prioritisation*	• *No choice made yet*
Burkina Faso	
• Education	• Education
• Health care	• Health care
• Drinking water	• Rural development
• Agriculture and livestock raising	
Eritrea	
• *No PRSP/I-PRSP yet*	• *No choices made yet*
Ethiopia	
• Agriculture	• Education
• Reform of the legal and administrative system	• Health care
• Decentralisation and empowerment	• Food security
• Capacity building in the public and private sector	
Ghana	
• Infrastructure	• Health care
• Agriculture	• Environment
• Social services	
• Good governance	
• Private sector	
Mali	
• *No clear prioritisation*	• *No clear prioritisation*
Mozambique	
• Education	• Rural development
• Health care	• Health care
• Infrastructure	• Water and sanitation
• Agriculture	• Environment
• Good governance	
• Macroeconomic and financial policy	
Rwanda	
• Agriculture	• Decentralisation
• Social development	• Justice (inc. human rights)
• Economic infrastrucure	
• Good governance	
• Private sector	
• Institutional capacity	

PRSP PRIORITIES	DUTCH SECTORAL CHOICES
Tanzania	
• Education (especially basic education)	• Education
• Primary health care	• Local government
• Rural roads	• Health care and drinking water
• Agriculture (research and expansion)	
• Water/drinking water	
• Judicial system	
• HIV/AIDS	
Uganda	
• Education	• Legal sector
• Health care, HIV/Aids	• Education
• Water and sanitation	• Local government
• Private sector	
• Agriculture	
• Good governance	
• Social security	
Zambia	
• Agriculture	• Economic development
• Education	• Education
• Health care	• Health care

The table shows that in some cases, the Netherlands' sectoral choices tie in fairly well with the PRSP priorities of the country concerned. The sectoral choices made for Burkina Faso, for instance, are largely the same as the priorities contained in the PRSP. The same is broadly true for Mozambique, Uganda and Zambia. However, the Netherlands adhered less closely to the PRSP when setting its aid agenda for Tanzania. For example, it is no longer supporting the agricultural sector even though the PRSP targets agriculture as a priority. Where there are correspondences, they are mainly in sectors that have already been prioritised by many other donors.

Elsewhere, the link between the PRSP priorities and the Netherlands' sectoral choices is equally unclear at first sight. In such cases, the precise alignment of sectors and priorities can only be established following closer study. This applies especially to Ethiopia and Ghana, where there initially appear to be some major misalignments. If confirmed, they will require urgent attention.

Further study is needed to find an alternative way to monitor how successfully donors adapt to PRSP priorities. This can be done by comparing these priorities with changes in the distribution of aid between the different categories of assistance: project aid, sectoral aid and general budget support. Annexe II lists the main bilateral donors of the Netherlands' 11 partner countries in Africa. This yields no great surprises where the Netherlands is concerned.

II.3 Summary of findings and recommendations

Background

Pro-poor growth is a strategic concept that is applied to interventions in development processes. It has evolved in response to the experience gained during several decades of international development, during which time poverty has not appreciably diminished. The key tenet of pro-poor growth is that policy to strengthen the economy should be harmonised or even integrated with measures to promote direct poverty reduction. This calls for clear choices to be made. The AIV welcomes this approach, but points out that the definition of pro-poor growth applied (i.e. growth that on average more than proportionally benefits the poor) relates only to income, and that the PRSP processes launched so far have not yet fully realised the pro-poor growth concept.

The AIV has the opinion that poverty reduction should not concentrate solely on income and macroeconomic growth, but also on measures to improve other poverty-related dimensions.

The PRSP processes arose from a desire to create conditions that would reduce the debt burden of developing countries, and to promote a pro-poor policy when issuing international credit facilities, including outside the HIPC context.[73] In some partner countries, the search for a direct link with poverty reduction provided opportunities to link up with existing anti-poverty strategies. Although PRSPs are technically based on the views of the recipient countries, in practice their form and content are dominated by the political and economic vision of the IFIs and the donors. This forces the AIV to conclude that these processes must primarily be regarded as conceived, established and overseen by donors, and hence that they are at variance with the aims of the PRSP process.

PRSPs are often substantial and weighty documents, providing donors with a detailed account of the policies of the partner countries. Moreover, since they require an integrated, multifaceted formulation of policy, they place a considerable burden on the limited administrative capacity of recipient governments.

The AIV holds the view that the PRSPs should be as succinct and strategically formulated as possible.

Process

Pro-poor growth requires that policy decisions concerning development should at the very least not be anti-poor (that is, they should not have a negative impact on the poor). The AIV therefore regards an ex ante examination of the likely effects of policy measures on the poor as crucial.

The AIV therefore holds the opinion that PSIAs should be an integral part of the PRSP process. However, certain conditions must be met to ensure that yet more externally imposed procedures do not place a further strain on local capacity. To begin with, the existing capacity of NGOs and civil society must be strengthened to provide a counterweight to the local and international consultancies hired in by the

73 Heavily Indebted Poor Countries, a debt relief scheme for certain Low Income Countries. See also note 14 of this advisory report.

*IFIs and donors. Second, existing monitoring instruments must be used to the full, to prevent a 'cas*cade' of monitoring and guidance mechanisms.

PRS processes are designed to enhance the participation and ownership of the partner countries. Beyond this, it is usually also necessary to increase the involvement of parliaments, local and regional governments and associated political structures. Moreover, too many donors still assume the existence of a strong, highly organised and vocal civil society. It is doubtful that this western consultative model based on equality between partners can simply be transferred to Africa wholesale. Yet despite this, the participative process often consists of compulsory consultation rounds with people who have not been adequately briefed by their governments and the nature of whose 'representation' is not always clear. Civil society in Africa is still quite weak, especially in rural areas. As a result, participation will primarily mean having to involve the local leadership in formulating and implementing specific goals. More time will probably need to be spent on this phase in the process. Participation processes must be developed gradually, as must efforts to build trust at local level.

The AIV recommends ensuring the effective participation of civil society (the 'emancipation framework' referred to in this advisory report), both structurally and in the context of specific PRSPs. The elected parliament must also become more involved. The AIV recommends that donors adopt the approach used by Denmark to measure the effectiveness of participation, namely attaching an annexe to the PRSPs asking the government to list the civil society organisations it has consulted and to state how these consultations have affected the outcome of the PRSP.

Despite these criticisms, the AIV feels that the PRSP process is important in incorporating local insights into the decision-making process, adding questions to the agenda and measuring progress. However, even if the process were to run like clockwork, it would still not be enough to bring about poverty reduction. Nor would the deployment of instruments that have not yet been fully developed, such as PSIAs, expenditure tracking and the strengthening of local institutions, provide sufficient guarantee.

The AIV has the opinion that if the PRSPs are to be more effective in promoting pro-poor growth, they must also take account of the international context and of the rights-based approach to development cooperation.

Content

The PRSPs often contain so many priorities that – in view of the limited funding available – they effectively set no priorities at all.

The AIV holds the view that the Netherlands should argue for a restriction in the number of priorities and for the adoption of explicit posteriorities. It is also important to set a specific timeframe when formulating targets.

An analysis of the obstacles encountered by the poor when they are trying to improve their circumstances should be central to all PRSPs, since these 'income-generating efforts' are the natural springboard for pro-poor growth.

The AIV therefore believes that the PRPS should place more emphasis on local enterprise, including the informal sector. The poor must be afforded better access to micro credit and the labour market, and rural income-generating activities must be encouraged.

It is impossible to gain a proper overview of regional pro-poor development opportunities and priorities at national level. Measures targeted at local situations must therefore be developed on a decentralised basis with local civil society and local enterprise.

It is the confiction of the AIV that the PRSP should include instructions on how to organise a follow-on process to draft more detailed plans at local level.

Although most PRSPs are based on a multidimensional analysis of poverty, they nevertheless fall back on a macro-variant of the economic dimension when compiling their strategies, concentrating chiefly on measures to create favourable conditions for economic growth (the 'growth framework'). The social dimension is addressed later in the form of increased national expenditure on education and health care. The political-legal dimension (the 'emancipation framework') receives little or no attention. Measures to improve access to means of production and to redistribute wealth and income (such as increasing the availability of land for the poor) impinge on existing power relations. They are therefore highly sensitive and are rarely addressed in PRSPs, if at all.

The macroeconomic dimension is seen as a way of fostering a positive investment climate, usually through Foreign Direct Investment (FDI). This can put local businesses at a competitive disadvantage.

The AIV holds the opinion that more attention should be given to the role of the private sector in boosting pro-poor growth, and therefore recommends that a follow-on advisory report should focus on the importance of developing the private sector, the relationship between international and local enterprise and how they can be used to benefit development cooperation. The report could also examine corporate social responsibility in the context of North-South relationships.

The PRSPs tacitly assume that development aid is permanent and ongoing.

The AIV considers reduced dependence on aid as a key long-term goal, obviously as part of a combined effort by donors and partner countries to strengthen the position of developing countries in the global economy.

Follow-up

The implementation of PRSPs assumes the presence of an effective monitoring system. The AIV welcomes specific measures to strengthen good governance, such as developing a policy of 'zero tolerance' on corruption, establishing Public Expenditure Management, Expenditure Tracking and a Financial Accountability Review, harmonising procedures, reducing administrative and transaction costs and creating viable national systems for monitoring input, output and impact.

The AIV recommends a systematic analysis of the likely effects at local level of allocating extra funding to e.g. education and health care.

The integrated approach to policy guidance that the PRSPs impose on developing countries stands in stark contrast to the lack of coordination and coherence on the donor side. Donors often get little further than a geographical or sectoral allocation of tasks. This leads to a fragmentation of development policy and impedes cross-border harmonisation.

The AIV therefore recommends encouraging systematic coordination between donors based on the priorities set out in the PRS process of the partner country. Donors must therefore subordinate their own policy priorities to those in the PRSP, as long as key cross-cutting issues such as the environment and gender equality are adequately addressed. Donors should only withdraw from the PRS framework if the overall policy being conducted is at odds with the primary goal of poverty reduction.

Concluding remarks

Although the PRS processes have embedded poverty reduction more explicitly in development policy than ever before, they have not yet led to a restructuring of donor policy in favour of pro-poor growth. This requires changes, not just in the partner countries but also in the form of increased coherence among donors.

The AIV supports the relevant UN initiative to assess the policies of all donor countries with a 'coherence yardstick'.

The AIV recommends looking at ways to improve reciprocal communication in order to improve internal coherence within the Ministry of Foreign Affairs. The following are areas where change is needed (although this is not to suggest that these areas are not already being addressed). If the Dutch government wishes to promote pro-poor growth, the departments concerned with macroeconomic and social policy should not take separate approaches. For instance, in the case of budget support, critical questions must be asked about mechanisms and processes of distribution and protection; with regard to social interventions, greater attention should be paid to questions of economic efficiency and effectiveness.

The policies of Dutch ministries must become more mutually compatible and supportive. The AIV regards the government memorandum on coherence between international development policy and agriculture policy as a positive step in this direction.

One key prerequisite for the overall PPG concept is for the anti-poor effects of the existing international economic order to be tackled without delay. For example, many poor farmers in developing countries are still experiencing a substantial loss of income, not just due to the low prices paid for their products on the international market but also due to the subsidies paid to farmers in the north. It is not enough for donors simply to coordinate their respective development policies; they must also remove barriers to farming and food security in developing countries.

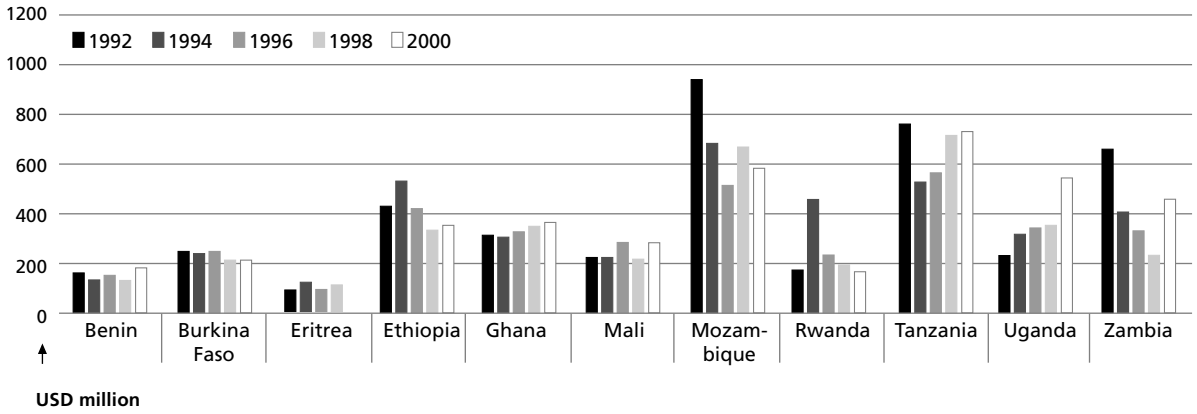
The AIV believes that a credible pro-poor policy can only be achieved if donors dismantle the protectionist measures that favour their own farming sectors and remove the import barriers to agricultural and other produce from developing countries.

List of persons consulted by the Dutch mission to Tanzania, in chronological order

- Staff of the Netherlands Embassy in Dar es Salaam, notably G.J. Tempelman, deputy Head of Mission and Head of International Cooperation.
- R. Makaramba, Human Rights Commissioner.
- Poverty Monitoring Steering Committee, chaired by M. Mollel, Permanent Secretary at the Office of the Vice-President.
- Poverty Eradication Division of the Office of the Vice-President: S.B. Likwelele, Director.
- Tanzania Chamber of Commerce, Industry and Agriculture: E. Musiba, President.
- UNDP: A. van Diesen, Poverty Monitoring Advisor: J. Hendra, Resident Representative, and E. Owusu, Local Representative.
- UNICEF: V. Leach, Expert on the monitoring of poverty reduction.
- Tanzania Gender Networking Programme (TGNP): F. Mukangara, Chair; M. Rusimbi, Administrator; S. Kasulwa, Programme Officer; A. Mosha, Programme Officer; U. Malkye, Head of Capacity Development Training.
- Akiba Commercial Bank: T.O. Kore, President, and S.O. Elias, Head of Micro Financing.
- Business Times Newspaper: S. Makilla.
- Cotton Board: D. Kabissa.
- DFID: C. Sargeant.
- Sida: A. Stodberg.

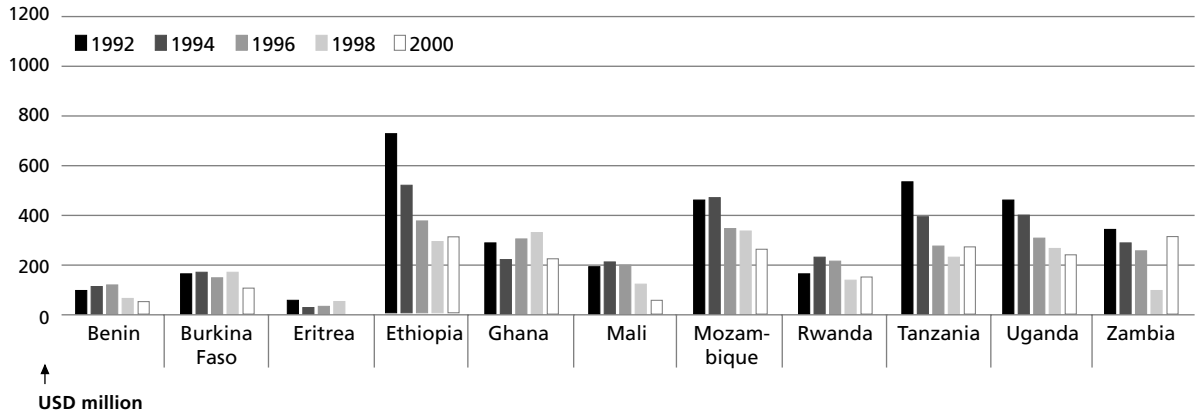
Bar chart 1. **Total net ODA for each country (1992-2000) via DAC member states (bilateral) (in USD million)**

(each bar represents data covering two years: 1992, 1994, 1996, 1998 and 2000)



Bar chart 2. **Total net ODA for each country (1992-2000) via multilateral channels (in USD million)**

(each bar represents data covering two years: 1992, 1994, 1996, 1998 and 2000)



Source: OECD, International Development Statistics, CD-Rom (2002)

List of abbreviations

ADLI	Agricultural Development-Led Industrialisation (Ethiopia)
AIV	Advisory Council on International Affairs
ALAT	Association of Local Authorities of Tanzania
COS	Development Cooperation Committee (Commissie Ontwikkelings-samenwerking)
DAC	Development Assistance Committee
DAF	Sub-Saharan Africa Department of the Dutch Ministry of Foreign Affairs
DAG	Development Assistance Group (Ethiopia)
DFID	Department for International Development
EIU	Economist Intelligence Unit
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESRF	Economic and Social Research Foundation
FDI	Foreign Direct Investment
FPED	Finance, Planning and Economic Development
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
IDA	International Development Assistance
IFI	International Financial Institution
IMF	International Monetary Fund
MTEF	Medium Term Expenditure Framework
ODA	Official Development Aid
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PMA	Programme for the Modernisation of Agriculture (Uganda)
PMS	Poverty Monitoring System
PPG	Pro-Poor Growth
PPP	Purchasing Power Parity
PRGF	Poverty Reduction Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper

PSIA	Poverty and Social Impact Analysis
SDPRP	Sustainable Development and Poverty Reduction Programme (Ethiopia)
SIDA	Swedish International Development Authority
SNV	Netherlands Development Organisation (Stichting Nederlandse Vrijwilligers)
TANGO	Tanzanian NGO
TGNP	Tanzania Gender Networking Programme
TPLF	Tigray People's Liberation Front
TPSF	Tanzanian Private Sector Foundation
UDN	Uganda Debt Network
UNDP	United Nations Development Programme
UPPAP	Uganda Participatory Poverty Assessment Project
UWONET	Uganda Women's Network
UK	United Kingdom
UN	United Nations

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