Beyond the Review: 
Sustainable Poverty Alleviation & PRSP

Conference Report
Berlin – May 2002

Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
The findings, interpretations, and conclusions expressed in this report are entirely those of the conference participants and of the rapporteurs who have produced the documentation and the summaries.

Publishers:
Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ)
Friedrich-Ebert-Allee 40
53113 Bonn, Germany
internet: http://www.bmz.de
Division 414 – Poverty Reduction and Social Policy

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
Postfach 5180, 65726 Eschborn, Germany
internet: http://www.gtz.de
Division 42 – State and Economic Reform, Civil Society
Poverty Reduction/PRSP Project

Printed by:
Universum Verlagsanstalt, 65175 Wiesbaden, Germany
Foreword by Minister Heidemarie Wieczorek-Zeul

At the Cologne G8 Summit in 1999, the major industrialized countries agreed on far-reaching debt relief for highly indebted poorer developing countries, the purpose being to give developing countries a chance again to enjoy participation in the global economy on the basis of equal opportunities and to achieve sustainable economic development. It was not only the volume of debt relief that was new (in total, the debt relief effort involves a sum of US$ 70 billion) but also the fact that debt relief was tied to poverty reduction. Eligible developing countries are to draw up and implement Poverty Reduction Strategy Papers (PRSP) – and they are to do so on the basis of dialogue with their civil societies. Governments are not to decide by themselves on how to use the funds freed up through debt relief, but rather nongovernmental organizations and local and regional authorities are to take part in the decision-making as well. They can help improve the degree to which the relief actually reaches the stakeholders, that is, particularly the poor, making the strategies more effective.

However, PRSPs are not limited to highly indebted countries. In addition to the debt relief initiative, the World Bank and the IMF decided that as of mid-2002, their concessional funds for all approx. 70 low-income countries would only be made available on the basis of poverty reduction strategies that had been drawn up in a participatory manner. We believe that all bilateral donors should follow suit. So far, about 45 developing countries have drawn up PRSPs, most of them interim PRSPs that are to be developed into full PRSPs. They will be subjected to renewed scrutiny every three years. The process only just began and is meant to be long-term.

In May 2002, the Federal Ministry for Economic Cooperation and Development (BMZ) invited representatives of governments and nongovernmental organizations from 14 developing countries to Berlin for a discussion of the course their national PRSP processes have taken so far.
They were joined by representatives of multilateral institutions and nongovernmental organizations. The conference brought together players from Asia, Africa, Latin America and Europe and was designed in such a way that it was possible to have an exchange of concrete experience from individual countries.

The principles of the PRSP approach,

- ownership and comprehensive national efforts for the drafting and implementation of sustainable poverty reduction strategies,

- participation of civil society and, in particular, of women and men affected by poverty in drafting and implementing the strategies and monitoring their impact, and

- coordination of development cooperation on the basis of the PRSP,

met with staunch support at the conference. Participants very clearly voiced their hope that this approach continue to prevail, because only an approach based on these principles could be successful in the long term.

The meeting gave more in-depth attention to central problems faced by many PRSP countries: has the identification of structural causes of poverty been clear enough, what are the policy responses contained in the strategies, how is the impact of the implementation efforts that have now begun monitored? How can the private sector help to advance broad-based poverty reduction, what is "pro-poor growth"? How can the greatest possible participation of civil society be achieved? How can the participation of women be enhanced? And how can environmental and resource protection be reconciled with poverty reduction so as to make it sustainable in the long term?

What emerged very clearly from the discussions was that participation must be a lasting process which involves all population groups and is implemented effectively. Participants felt that weaknesses in the processes to date included insufficient participation by parliaments, and the fact that
civil society organizations were often not representative of extremely poor and vulnerable groups such as women, the sick (e.g. people living with AIDS) and older people in marginal rural regions. Another deficit noted was that the needs and interests of poor people were not, or only partially, included in the strategies due to institutional weaknesses and lack of know-how on the part of decision-makers.

These are issues that must be increasingly addressed in future. We need to make even stronger efforts than in the past in our development cooperation to build the capacity of local and regional authorities and of nongovernmental organizations that do credible work for the improvement of the living conditions of extremely poor population groups. The PRSP process gives them an option for political participation that did not exist in that form before. In order to really make use of it, nationwide sensitization is needed. The conference participants stated very clearly that they consider such mainstreaming at all levels to be vital. We should give targeted support to the national dialogues on the poverty reduction strategies that have been started in many PRSP countries.

The criticism voiced most frequently by the developing countries represented at the conference was a lack of coherence and coordination of donor policies: on the one hand, they cancelled developing countries' debts, on the other, they provided them with new loans resulting in new debt. On the one hand, the industrialized countries urged developing countries to liberalize their markets, on the other hand, they protected and subsidized their own agricultural markets. This complaint is justified, and I can only emphasize that we must not falter in our efforts to overcome these problems at the international level. The OECD countries must open their markets consistently for products from developing countries and reduce export subsidies, especially in the agricultural sector, so as to achieve an improvement in developing countries' terms of trade. Their debt must continue to be reduced. One important step has been the decision that the World Bank agency IDA will now be able to provide about one fifth of its
resources in the form of grants in support of, in particular, projects of direct poverty reduction.

On the part of PRSP countries, criticism was also voiced of the differing donor procedures, and it was suggested that donors should engage in program and budget financing. I believe that this form of development financing, which strengthens developing countries' ownership, should be used more often, including in Germany's development cooperation. However, the prerequisites that need to be in place in the developing countries are good governance, transparency, stable public administration structures, and a functioning monitoring system on the basis of meaningful indicators. It must be ensured that the impact of national poverty reduction strategies will be monitored if we give direct support to our partners' budgets. Their commitment to rigorous implementation of the PRSPs and measurable results are indispensable for that. Only then will we be able to argue that such use of our tax funds leads to greater efficiency than the previous practice of project-based cooperation.

The Berlin meeting was a forum that reflected a global cross-cultural cross section of the PRSP process that is already under way. At the same time, by limiting the event to 14 developing countries that had been invited it was also possible to discuss their experience in fairly great detail. This discussion showed that particularly with regard to politically sensitive issues such as the causes of poverty and the prioritization of policy measures to fight it, the strategies vary in terms of how far they go. In the debates at the meeting, however, most participants underlined the importance of key issues such as access to land, access to credit, the distribution of property and wealth, and the situation of minorities. Many emphasized that they had been able to learn from others and that they were gaining new insights by comparing their experience.

The representatives of the industrialized countries were also able to learn. Just like the developing countries, they too are faced with the task of continually reviewing and refining their policies.
The PRSP process is a decisive contribution towards reaching the Millennium Goals adopted by the United Nations General Assembly in September 2000, the foremost of which is the halving of the proportion of extremely poor people in the global population. The PRSP process shows just how difficult broad-based poverty reduction is in many countries, but also the new opportunities that emerge for that endeavor. This is the central task of development policy today. We want to help in addressing it in a sustainable manner, and we want to reexamine our approach time and again together with our partners. The conference was one step towards that end, and further steps are to follow.
Foreword by Wolfgang Schmitt, Managing Director of the GTZ

Fighting poverty in our globalised world is a major political challenge. The core task is to actively advocate good, democratically legitimate and decentralised forms of governance. For poverty must be seen as part of a closely intertwined mesh of causes and effects: poor access to markets and economic performance, inadequate social security, lack of political empowerment. So how can we best advise on how to improve the political, social and legal framework? How must we shape economic forces if we are to check the relentless advance of poverty in the world?

Since poverty reduction strategies were introduced internationally, numerous countries have launched processes based on the political will to eradicate poverty on a sustainable basis. This positive overall impression was confirmed in particular by an interim World Bank/IMF report published at the start of this year. The PRS process has made poverty a central political issue in many countries, and has led to greater transparency of government actions. What is more, all PRSP countries have prepared the ground for rigorous, poverty-oriented budget planning.

Open dialogue on specific experience gained with PRSPs, held amongst key persons involved in fourteen countries of Latin America, Asia, Africa and Europe; representatives of important national and international NGO networks and donor organizations; and members of research institutions, provides an important yardstick for an implementing organization such as the GTZ. That is why we held a four-day conference in Berlin in May under the banner: "Beyond the Review: Sustainable Poverty Alleviation and PRSP – Challenges for Developing Countries and Development Cooperation".

In Berlin, we discussed what must be done by partner countries to ensure enhanced design and implementation of their poverty reduction efforts. We discovered what PRSP countries expect of the donor community in order to upgrade our support in this regard. And we debated what form future development cooperation must take in this light. The view forward, to the
actual realization of political decisions, marked this conference. What political response can we give to poverty in developing and industrialised countries with our national and international poverty reduction strategies? What form should political structures take? What economic-policy initiatives can help the poor on a sustainable basis, and how are the poor to be involved in these?

We gleaned important results – and not only for technical cooperation, which sees its role as promoting capacity development for individuals and organizations: New issues emerged, including the relations between participatory processes and the formal political system, i.e. parliament, the new avenues for political action, the legitimacy of civil society groups, the necessary institutional reform processes and the role of the organizations that advise process participants.

The experience of various actors from partner countries in these areas, and the views of development advisers and organizations, vary widely, are sometimes contradictory and were the subject of extremely lively debate in Berlin. We had invited a broad cross-section of those involved in PRS countries, and all of them were convinced that "the" task of governments, civil society and donors will in future be to mainstream structure-shaping, poverty-reducing policies across the board.

We already support national dialogue processes on poverty reduction policy in individual countries: We play an important part in ongoing participation processes in policy drafting in partner countries, and in participation-oriented prioritising of concrete political activities. If we, in technical cooperation, manage on the basis of the conference results to optimise our own range of advisory tools in the field of poverty reduction and political reform, we can consider it a major success. After all, the GTZ developed a corporate strategy at the beginning of this year, which gears the advisory procedure and methods of German technical cooperation to international poverty reduction approaches. We see the fight against poverty as a task of global structural policy.
I am delighted that the conference saw such excellent discussion among partners, marked by a productive, mutual learning process, which certainly will not stop here. It will be carried on at the level of concrete programmes, within the scope of the ongoing political dialogue, and hopefully also in the intensive forum provided by a future conference.
# Table of Contents

Foreword by Minister Heidemarie Wieczorek-Zeul ........................................ i
Foreword by Wolfgang Schmitt, Managing Director of the GTZ ................ vi
Table of Contents ......................................................................................... ix
Boxes ............................................................................................................ x
Acronyms ....................................................................................................... xv
Executive Summary and Main Recommendations ....................................... xvii
  Main issues of discussion ........................................................................ xvi
  Recommendations addressing partner countries .................................. xxi
  Recommendations addressing the donor community .......................... xxv

1 Ownership by Partner Governments for Sustainable Poverty Alleviation ................................................................. 1
  1.1 Poverty alleviation activities and achievements prior to PRSP ........ 2
  1.2 The PRSP process ........................................................................... 4
    1.2.1 PRS objectives ......................................................................... 4
    1.2.2 PRS implementation measures and instruments .................... 5
    1.2.3 Participation in PRSP formulation, implementation and
         monitoring................................................................................... 6
  1.3 Challenges ahead ............................................................................. 8
  1.4 Recommendations to the international donor community ............ 9

2 Assessment of the Poverty Reduction Strategy Process by Representatives of Civil Society Organizations .......... 11
  2.1 Limited participation of CSOs in the PRSP process ....................... 12
  2.2 Limited ownership of the PRSP process by developing countries .................. 13
  2.3 Insufficient consideration of external factors ................................ 14
  2.4 Capacity constraints of CSOs ......................................................... 15
3 Assessment of PRSP by Representatives of Multilateral Donor Agencies ..............................................17

3.1 The role of PRSP in the shift of development strategies and paradigms ..............................................17

3.2 Donor support to PRSP implementation and donor coordination .....................................................18

3.3 Coherence and consistency ..................................................................................................................18

3.4 The tension between country ownership and donor advice .........................................................20

3.5 Political will ........................................................................................................................................21

3.6 What is to be taken home from the Conference? ...........................................................................22

4 Main Results of the Washington Review  
(Speech by John Page, World Bank) ........................................................................................................23

4.1 The background ...................................................................................................................................23

4.2 The review process .............................................................................................................................24

4.3 Early achievements .............................................................................................................................25

4.4 Issues for the future .............................................................................................................................27

4.5 Conclusion ...........................................................................................................................................31

5 Analysis of Key Implementation Issues ...............................................................................................35

5.1 Poverty analysis, monitoring, and the prioritization of government action ...........................................35

5.1.1 Relevance of the issue and main challenges ................................................................................35

5.1.2 Country experiences, lessons learned and open questions .........................................................41

5.1.3 Recommendations for future co-operation ..................................................................................51

5.2 Participation .........................................................................................................................................54

5.2.1 Introduction .....................................................................................................................................54

5.2.2 Important questions .........................................................................................................................54

5.2.3 Summary of recommendations .......................................................................................................66
5.3 Pro-poor Growth ................................................................. 69
5.3.1 Introduction and overview .................................................. 69
5.3.2 Equity and pro-poor growth .............................................. 69
5.3.3 Macro-economic policies ................................................... 71
5.3.4 Institutional and legal framework ...................................... 74
5.3.5 Policies towards the productive sector ............................... 76
5.3.6 Budget policy ................................................................. 79

5.4 Gender equality ............................................................... 83
5.4.1 Introduction ..................................................................... 83
5.4.2 Relevance of the issue and main challenges ....................... 84
5.4.3 Critical analysis of experiences based on country examples ... 86
5.4.4 Lessons learned and open questions .................................. 91
5.4.5 Prioritized recommendations for future co-operation ........... 94
5.4.6 Final conclusions ............................................................. 99

5.5 Sustainability .................................................................... 101
5.5.1 What is the problem? How is sustainability interrelated with poverty? .................................. 101
5.5.2 Country experiences ....................................................... 103
5.5.3 What can be learned from the country cases? ..................... 106

5.6 HIV / AIDS prevention and mitigation ................................. 110
5.6.1 Introduction .................................................................... 110
5.6.2 The relevance of HIV / AIDS and main challenges arising from the epidemic ......................... 111
5.6.3 Analysis of experiences addressing HIV / AIDS in PRSP processes ........................................... 116
5.6.4 Lessons learned and open questions ................................. 118
5.6.5 Recommendations for future co-operation: ....................... 125
ANNEX .................................................................................................................. 127

A1 Statements by Ministers .................................................................................. 129

  1 Speech by Mrs. Heidemarie Wieczorek-Zeul, Minister, Ministry for Economic Co-operation and Development, Germany ............ 129

  2 Speech by Mrs. Nguyen Thi Hang, Minister, Ministry of Labour, Invalids and Social Affairs, Vietnam ................................. 136

  3 Speech by Ms. Rocio Tábara, Vice Minister, Ministry of Labour and Social Protection, Honduras ........................................ 142

  4 Speech by Mr. Luvsandagvyn Enkhtaivan, Vice Minister, Ministry of Finance and Economy, Mongolia .............................. 144

  5 Speech by Mr. Ramiro Cavero, Vice Minister, Ministry of Sustainable Development, Bolivia .................................................. 149

  6 Speech by Mr. Abdulrahman Tarmoom, Vice Minister, Ministry of Planning and Development, Yemen .............................. 154

  7 Speech by Mr. Chris Kassami, Permanent Secretary, Ministry of Finance, Planning and Economic Development, Uganda ..... 157

A2 Statements by civil society representatives ....................................................... 163

  1 Statement by Mr. Warren John Nyamugasira, NGO Forum, Uganda ............................................................. 163

  2 Statement by Ms. Barbara Unmüßig, President, Heinrich Böll Stiftung, Germany .............................................................. 165

  3 Statement by Mr. Hector Cordova, Vice President, Mecanismo de Control Social, Bolivia ..................................................... 168

  4 Statement by Ms. Winnie Byanyima, Member of Parliament, Member of Forum for Women in Democracy, Uganda .......... 170

  5 Statement by Mr. Seth Vordzorgbe, DevCourt Ltd., Ghana .................. 173

A3 Assessments by representatives of multilateral donor agencies ................. 177
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A4</td>
<td>Bibliography of PRSP material relevant to the key implementation issues</td>
<td>207</td>
</tr>
<tr>
<td>1</td>
<td>Poverty analysis, monitoring, and the prioritization of government action</td>
<td>207</td>
</tr>
<tr>
<td>2</td>
<td>Participation</td>
<td>208</td>
</tr>
<tr>
<td>3</td>
<td>Pro-poor growth</td>
<td>209</td>
</tr>
<tr>
<td>4</td>
<td>Gender equality</td>
<td>211</td>
</tr>
<tr>
<td>5</td>
<td>Sustainability</td>
<td>213</td>
</tr>
<tr>
<td>6</td>
<td>HIV / AIDS</td>
<td>214</td>
</tr>
<tr>
<td>A5</td>
<td>List of participants</td>
<td>217</td>
</tr>
</tbody>
</table>
Boxes

World Bank / IMF review of the PRSP-approach: main findings .................. 33
The roles of Government and CSO in PRS monitoring in Uganda ................. 47
The case of Mauritania: Primary sector diversification plus tourism ............ 78
Ghana: The critique of CSOs ...................................................................... 81
Example of good practice: FOWODE's gender budgeting project, Uganda .............................................................. 87
Examples of good practices: PRS-processes in Kenya and Uganda .......... 89
Example of good practice: Gender mainstreaming in PRSP, Rwanda ...... 91
Detailed recommendations of the gender working group ............................ 97
Recommendations of the sustainability working group on how to improve poverty-environment linkages in PRSPs .......................... 107
Recommendations of the sustainability working group on how to achieve more consistency with other strategies, policies, initiatives .... 108
HIV / AIDS example 1: A young farmer migrating to the city ................. 113
HIV / AIDS example 2: A school girl in a small town ................................. 114
HIV / AIDS example 3: The young accountant in a big firm ....................... 115
Proposed HIV / AIDS checklist for PRSP .................................................. 119
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>BMZ</td>
<td>Federal Ministry for Economic Co-operation and Development <em>(Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)</em></td>
</tr>
<tr>
<td>BWI</td>
<td>Bretton Woods Institutions</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organization</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GAD</td>
<td>Gender and Development</td>
</tr>
<tr>
<td>GFATM</td>
<td>Global Funds to Fight AIDS, Tuberculosis and Malaria</td>
</tr>
<tr>
<td>GTZ</td>
<td>German Technical Co-operation <em>(Deutsche Gesellschaft für Technische Zusammenarbeit)</em></td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>HIPC</td>
<td>Highly Indebted Poor Countries</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for African Development</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NPAP</td>
<td>National Poverty Alleviation Program</td>
</tr>
<tr>
<td>NSSD</td>
<td>National Strategies for Sustainable Development</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PLWHA</td>
<td>People Living with HIV / AIDS</td>
</tr>
<tr>
<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
</tr>
<tr>
<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
</tr>
<tr>
<td>PRS(P)</td>
<td>Poverty Reduction Strategy (Paper)</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNAIDS</td>
<td>Joint United Nations Programme on HIV / AIDS</td>
</tr>
<tr>
<td>USD</td>
<td>US Dollar</td>
</tr>
<tr>
<td>WB</td>
<td>The World Bank</td>
</tr>
<tr>
<td>WID</td>
<td>Women in Development</td>
</tr>
<tr>
<td>WTO</td>
<td>World Treaty Organisation</td>
</tr>
</tbody>
</table>
Executive Summary and Main Recommendations

The conference was based on an exchange of experience between representatives from 14 Poverty Reduction Strategy Paper (PRSP) countries and representatives of organizations involved in the respective processes. The fact that the conference was hosted by the German Ministry for Economic Co-operation and Development (BMZ) and the German Technical Co-operation (GTZ) underlines the importance the German Government attaches to PRSP. It is seen as a process in which developing countries define their own policies for sustainable poverty alleviation, elaborated and implemented with the participation of their civil society. Donors are supposed to integrate their contributions into the resulting national strategies.

Taking the results of the PRSP review conducted by World Bank and IMF as a starting point, the conference concentrated on the following issues:

- What can the partner countries do to make the elaboration and implementation of their poverty reduction strategies more effective?
- What do the PRSP countries expect from the donor community so as to make their support in this context better than it has been?
- How should development co-operation be designed in the future to achieve this?

Main issues of discussion

Summarizing the statements by Ministers, civil society and donor agency representatives, the plenary discussion and the working group outputs, the conference focussed on the following issues:

1. All participants regard PRSP as a promising approach with a considerable potential to contribute significantly to poverty reduction.

2. In view of the frequent changes in paradigms and approaches promoted by the Bretton Woods Institutions (BWI) in the past, many participants emphasized the need to stick to the PRSP-approach as a long-term approach which is not abandoned after a few years.
Representatives of multilateral donor organizations and the German Government stated that they will align their development co-operation with the national poverty reduction strategies.

(3) There was the feeling that after only two years it may be too early to expect impacts on the level of the Millennium Development Goals. It was also felt that considerable efforts are required by all partners involved to make PRSP more effective. Participants stressed the need to proceed with the PRSP approach. Flaws and difficulties experienced in the first phase of PRSP processes were seen as a challenge that requires learning and adjustment processes of all stakeholders.

(4) Ownership of the PRSP processes by the Governments and other stakeholders of the respective countries was seen as the most important precondition for successful and sustainable implementation. While from the perspective of the World Bank enhanced ownership can already be observed, many participants from partner countries pointed out that in practice there is a tension between country ownership and a dominant role that the BWI are playing. Some of the indications of limited ownership mentioned from the participants’ side are: The lack of country-specific models for pro-poor macro-economic policies and alternatives to neoliberal macro-economic principles, the impression that many PRSPs are similar, the observation that governments rather than bringing forward their home-grown policies apply self-censorship in order to meet BWI expectations, and the approval of PRSPs by the World Bank / IMF-Boards in Washington in order to receive PRSC / PRGF-funds. From a different perspective it was stated that partner countries will not have ownership in a real sense unless they lower their dependency on ODA and rely more on their own resources.

(5) Closely connected to ownership, the principle of participation was also seen as essential for the success of PRSP, but in several cases so far is not effectively implemented. While some countries like Uganda, Vietnam and Bolivia had institutionalized participation down to the grass roots level, all countries observed that results of participatory
processes were lost during subsequent stages and did not find their way into the final documents. This was especially felt for gender and macro-economic issues. It was also observed that parliaments were hardly included in PRSP-processes. One of the most vulnerable groups – AIDS-affected households which form an important and increasing group of the poor in Africa but have huge problems to organize and raise their issues – in most cases could not make their voices heard. In this context, many participants stressed that decentralization is a precondition for meaningful participation and will also contribute to sustainability. Bolivia and Uganda gave examples for consistent decentralization which includes fiscal decentralization. But there is no guarantee that decentralized funds are actually invested in poverty reduction.

(6) **Mainstreaming gender in PRSP** and taking the Gender-AIDS-Poverty nexus into account has been neglected in most countries. The macro-economic models underlying PRSP seem to be gender-blind: The different macro-economic implications for men and women are not properly considered (e.g. gender budgeting), equal political rights for men and women, property rights, labour market discrimination and legal rights are hardly addressed. Women are just seen as a vulnerable group that is targeted by isolated social measures; their contribution to the reproduction of the labour force is not accounted for (care economy). They are not seen as actors who contribute to the welfare of their societies but face gender-specific barriers which have to be removed to enhance the societies’ productivity and efficiency.

(7) Gender differences and the special needs of AIDS-affected households are just examples of the general problem that the *heterogeneity of “the poor”* has not been adequately dealt with in the different stages of the PRSP cycle. Poverty analysis, priority setting and programme planning have so far not been sufficiently disaggregated with regard to different degrees and different causes of poverty. They are therefore likely to by-pass large sections of the poor and only by chance benefit the extremely poor. PRSPs give priority to certain
sectors like education or health but fail to disaggregate further in order to meet particular needs of specific categories of the poor.

(8) ‘Pro-poor-growth’ turned out to be a controversial conceptual issue. The representative of the World Bank confessed that a clear and concise definition of pro-poor growth is still missing. The conceptual gap, which is caused by a lack of systematic analysis of the social impact of structural adjustment programmes, still remains. Civil society representatives shared the view of the BWI that PRSP has resulted in efforts to increase ownership and participation but stated that the BWI’s macro-economic models have not yet been opened for alternative options that would be better adapted to the specific conditions, needs and priorities of PRSP countries.

(9) Deterioration of the environment often results in economic losses and can furthermore lead to changes in the socio-political structure by causing migration and even violent conflicts. There was a consensus that environmental degradation affects the poor more than other population groups since poor people tend to depend on natural resources and live in more polluted parts of the cities. Due to this dependence, sustainable management of natural resources is a prerequisite for long-term, sustainable poverty reduction. It was, however, observed that most PRSPs have integrated environmental concerns only in a superficial way. In some PRSPs the environmental chapters seem to be just copied from other papers without linking them to the economic analysis.

(10) Monitoring PRSP implementation was seen as a means to enhance transparency and meaningful participation of all stakeholders and to facilitate a learning process. Indicators used so far only cover the long-term targets for poverty reduction derived from the Millennium Development Goals. They do not cover related aspects important for poverty reduction such as poverty-environment and / or poverty-gender links. In addition, there is a lack of intermediate input and output indicators which fill the “missing middle” and which permit the setting of annual
targets. All but a few countries involve civil society and communities actively in monitoring.

(11) A major complaint from the partner country government and civil society representatives was the lack of consistency, coherence and coordination of donor policies. Donors push for liberalization but protect and subsidize their own agricultural sectors at the expense of poor countries. Donors cancel debts while, for instance, IDA immediately gives new loans — instead of grants — to the same countries, risking a new circle of indebtedness. BWI were blamed to insist on cost recovery and cost sharing in education and health while this may exclude the poorest from these services. And most bilateral donors stick to their individual priorities and strategies and uphold their legislative requirements, administrative needs and regulative standards. Instead of programme, basket, or budget financing, they proceed with the project-by-project approach.

(12) Donors and civil society representatives raised concerns that politically sensitive issues crucial for poverty alleviation were insufficiently addressed in PRSPs. Among these are: access to land, legal tenure rights, access to credit, corruption, HIV/AIDS and the targeting of disadvantaged groups like ethnic minorities and the poorest of the poor. In the subsequent discussion participants pointed out that governments often shy away from sensitive issues. They also pointed out that poverty analysis has in many cases failed to identify the specific causes of poverty for different categories of the poor and has therefore failed to offer policy options to decision-makers. Also BWI advice is primarily concerned with macro-economic stability, infrastructure and service delivery in health and education but neglects the empowerment agenda.

Recommendations addressing partner countries

(1) Partner countries have realized that they can learn from each other and should fully exploit this opportunity. Nearly every country represented in the workshop has gained experience in certain areas
and has developed best practices which are relevant for other countries. Some countries like Bolivia, Uganda, Mozambique and Vietnam have elaborated national poverty reduction strategies long before the term PRSP was coined and are willing to share their experience. Some have gained experience with institutionalizing participation and with decentralization including fiscal decentralization. Rwanda was referred to as having integrated the mainstreaming of gender and sustainability. Vietnam and Mozambique have disaggregated their poverty analysis in order not to miss out on specific categories of extremely poor households and have integrated social safety nets in their PRSPs. HIV/AIDS high prevalence countries can share their experience in dealing with this epidemic with countries in transition where similar problems are expected.

(2) It has been recommended to clarify and legalize the roles of different stakeholders, to provide training in fields like macro-economics, poverty analysis, monitoring, gender, and sustainability, and especially to include parliament, women organizations, groups of HIV/AIDS affected people, and other stakeholders who have hitherto been neglected in the PRSP process. Though all countries made extensive efforts with regard to participation, there is still a long way to go to ensure the active involvement of all stakeholders throughout the whole PRSP process. It has to be ensured that participation is institutionalized and that it is not restricted to issues regarding service delivery but extends also to macro-economic issues like trade liberalization and privatization. And it has to be ensured that issues raised at grass roots level are not lost because the paper writers are disconnected from the participatory processes.

(3) Decentralization has to go hand-in-hand with democratization (checks and balances), accountability, transparency and respective capacity building at micro and meso level. Decentralization including fiscal decentralization is seen as one of the preconditions for meaningful participation in all phases of the PRSP cycle and for sustainable development. However, hijacking of decentralized funds by the
local elite must be prevented. Relevant experience is available from
countries like Bolivia and Uganda.

(4) With regard to poverty assessments, priority setting and moni-
toring, partner countries should disaggregate “the poor” in more
homogenous groups and categories of households and analyze
their specific causes of poverty. Intra-household gender differen-
tiation also has to be consistently applied in assessments, prio-
rity-setting and monitoring. Prioritizing certain sectors like education
or infrastructure is not sufficient because activities in these sectors
may benefit the non-poor more than the poor, men more than women,
etc., if not properly targeted. At the same time, specific groups like
elderly-headed or AIDS-affected households may have needs that are
not covered by the prioritized sectors. In addition to the long-term out-
come indicators relating to the Millennium Development Goals, inter-
mediate indicators related to inputs (budgets) and outputs have to be
used which permit annual targeting and timely monitoring. Involving
civil society and communities as part of a control mechanism is highly
recommended.

(5) In order to achieve pro-poor growth, the impact of all public ex-
penditures on the poor has to be analyzed, not only the impact of
expenditures in the social sectors. Access of the poor to productive
assets (land, credit) has to be assured. A shift from indirect to direct
taxation is recommended.

(6) PRSPs should consider different macro-economic implications for
men and women, and the contribution of women to the reproduc-
tion of the labour force should be accounted for. PRSPs should
emphasize equal rights of men and women in the political realm (repre-
sentation), in the economic sphere (property rights, dismantling of
labour-market discrimination), and in the family and household sphere
(divorce, inheritance rights). Gender equality is also recommended as
the guiding principle of the response to HIV / AIDS.
(7) **Empowerment issues like access of the poor to land, to legal tenure rights and to credit as well as other sensitive issues like corruption and HIV / AIDS have to be more explicitly addressed in PRSPs.** Though it has to be acknowledged that governments facing elections tend to shy away from decisions which touch vested interests, they should at least programme for a process of negotiations to address such issues, giving the PRS process a much needed political dimension.

(8) **Minimizing the vulnerability to external shocks**, be they natural (like the severe drought in Mongolia or the devastating hurricane in Honduras), be they political (like the Gulf War and its aftermath in terms of hundreds of thousands of Yemenis returning from oil producing neighbouring countries), be they economic (like the sharp drop in prices of export commodities that are essential to Uganda), is a particularly difficult task which nevertheless needs to be addressed in PRSPs. Over-reliance on volatile world markets by investing in export crop production while neighbouring countries do the same, thus programming over-supply, should be avoided. In this context, diversification of products and markets should be considered as one important measure to minimize vulnerability.

(9) **Given the significant economic losses, including the potential for social conflict caused by environmental degradation, the impact of the environment on the economy and the development opportunities of poor should more thoroughly be analyzed and integrated into PRSP.** To this end, the following means are recommended: awareness raising for decision-makers, taking environmental strategies into account in developing and implementing PRSP, costing of environmental degradation, using combined poverty-environment indicators, and improving decision-making procedures, rules and systems to allow for an enhanced recognition of poverty-related environmental interests.
Recommendations addressing the donor community

(10) Support to PRSP provided by the donor community should be continued and increased. Capacity building support for all stakeholders in the PRS process with priority on gender, sustainability, poverty assessment and monitoring, and also on macro-economics is particularly needed.

(11) To facilitate ownership, many participants from developing countries expressed their view that the overwhelmingly dominant role of the BWI and their rigid insistence on a narrow set of neoliberal macro-economic principles has to be overcome. One important step in this direction is to shift the mandate for PRSP approval from Washington to an in-country stakeholder forum, which could also include bilateral donors. Bilateral donors can contribute their own wealth of experience with different strategies for poverty reduction, which offers partner countries alternatives to BWI-favoured models. It does not seem to be justified that bilateral donors, who carry the main burden of the HIPC dept relief initiatives, only play a marginal role when it comes to negotiating and approving PRSPs.

(12) BWI should commission a thorough analysis of past SAP processes and impacts by independent organizations. The analysis should serve as a starting point for the development of broader development concepts which focus on pro-poor growth. A situation characterized by some participants as “PRSP outside, SAP inside” has to be overcome.

(13) Concerning the tension between ownership and donor advice which many participants commented on, more clarity about the roles and responsibilities of the respective actors in the PRSP process is required. This needs an atmosphere of mutual trust. It also needs a streamlining of bureaucratic processes on the side of the donors and a shift from the project-by-project approach to programme, basket and / or budget funding. Partner country representatives recom-
mended that the implementation of donor commitments regarding deregulation, co-ordination, integration into partner strategies and respecting partner countries priorities, given on the ministerial level, is speeded up.

(14) **Donors should improve the coherence and consistency of their poverty reduction policies.** If donors recommend liberalization they should at the same liberalize their own agricultural markets and stop burdening world markets with highly subsidized products at the expense of the producers in poor countries. Instead of cancelling only part of the debts of low-income countries combined with new IDA loans, which will keep them in an eternal debt trap, debts should be totally cancelled for the poorest countries and new loans should be replaced by grants. In negotiating international agreements with regard to trade and intellectual property rights, donor countries should ensure that the impact of ODA is not overcompensated by the negative impacts which globalization has on unprotected poor countries.
1 Ownership by Partner Governments for Sustainable Poverty Alleviation

On behalf of their Governments, the attending Ministers Ms. Nguyen Thi Hang (Vietnam), Ms. Rocio Tábora, (Honduras), Mr. Ramiro Cavero (Bolivia), Mr. Luvsgandagvyn Enkhtaivan (Mongolia), Mr. Abdulrahman Tarmoom (Yemen), and Permanent Secretary Mr. Chris Kassami (Uganda) (their speeches are documented in Annex 1) cordially thanked the German Government for its longstanding technical and financial support for the fight against poverty. They highly appreciate the initiative of the German Government to organize a significant international conference on PRSP, giving them the opportunity to actively participate in the review of issues they consider crucial for the development of their countries.

During the period prior to PRSP, all represented countries had already made great efforts to alleviate poverty, particularly with respect to macro-economic stabilization through economic and financial reforms. In all but a few countries, however, structural adjustments and complementary measures have had no or only little impact on the living conditions of the poor population. As a result of extended discussions and consultations within the framework of PRSP, the concerned countries have now further intensified their poverty reduction efforts, mainly by reinforcing democratization and decentralization, by allocating more resources to poverty alleviation, by promoting physical and social infrastructure development even more, and by strengthening the monitoring of resource allocation by civil society.

Despite first promising indications of PRSP effectiveness, there are a lot of challenges still ahead: among others, to fine-tune macro-economic policies so that they are indeed favourable for the success and sustainability of poverty-oriented policies and measures, to build and further strengthen capacities of governmental and civil society institutions for the effective implementation and monitoring of PRSP, and to ensure the mitigation of external political, economic and environmental shocks. The Ministers urge the bilateral and multilateral donor community to continue their assistance, to reduce and simplify administrative procedures, and to work towards trade liberalization and cuts of subsidies for their domestic production.
1.1 Poverty alleviation activities and achievements prior to PRSP

Uganda is a prominent example of countries that had initiated comprehensive poverty reduction measures a couple of years before PRSP was launched. Realizing that large parts of the population remained intolerably poor despite largely stable macro-economic framework conditions – an average annual growth rate of over 5% and a stable inflation rate below 5% –, the Ugandan Government set up a poverty alleviation programme that rested, apart from sustained macro-economic stability, on the following pillars:

- Good governance and security, mainly through democratization, observance of human rights, public service reform, and improved management of public finances;
- increased ability of the poor to raise their incomes, particularly through agricultural modernization; and
- improved quality of life of the poor, mainly through improvements in primary education and health, provision of water, and measures against HIV / AIDS.

The mechanism for implementing the Ugandan poverty alleviation programme involved several instruments: a sector programme approach for better coordination of interventions; a medium-term expenditure framework to ensure that resources go into key areas for poverty reduction; a poverty action fund established with own resources, HIPC resources and donor contributions to address rural poverty in a more focused way; and annual plans for effective budget allocation.

Other countries had also launched significant attempts to fight poverty more effectively and in a more holistic manner prior to PRSP. Bolivia, for instance, had complemented macro-economic stabilization measures by the adoption of a social market economy model. Mongolia had implemented the transition to a market economy with relative success, liberalizing prices, privatizing state-owned enterprises, and establishing a legal environment for open trade and economic policy. The Vietnamese Government, adopting a more comprehensive definition of poverty, had given high priority to socio-
economic development towards integral human development, launching not only a process of economic renovation, public administration reforms and a series of national poverty alleviation programmes but also enacting the so-called ‘Grassroots Democracy Decree’ to strengthen people’s participation in all poverty reduction efforts. These intense endeavours resulted in significant positive developments, for example:

- In the human development index, Bolivia and Vietnam moved from the same position (122 at different points of time in the early 90s) to position 104 and 108, respectively.

- Apart from Yemen, all countries represented achieved a more or less stable average annual growth rate between 3.5 \% (Mongolia) and 7.5 \% (Vietnam) by the turn of the millennium.

- Mongolia and Yemen managed to drastically reduce their overall budget deficits to 5 \% and 2 \%, respectively.

- In most countries, significant improvements in basic infrastructure and social service delivery – primary education, primary health – could be observed; in Uganda, the prevalence of AIDS decreased from over 30 \% in the early 90s to below 10 \% by the end of the decade.

A look at the impact structural reforms and other ‘pre-PRSP’ policies had on the income and the living standards of the poor gives a mixed, partly alarming picture: In Uganda, where macro-economic stabilization policies were accompanied by a whole package of national policies and measures addressing poverty more directly, the percentage of absolutely poor reduced from around 55 \% in 1992/93 to 35 \% in 1999/2000. In Bolivia, in contrast, the poverty reduction efforts of the Government reached only urban but not rural areas, where nine out of ten were (and are) still poor. In Vietnam, where average figures have shown a decline in poverty, a wide range of the population is just slightly above the poverty line, and the gap between rich and poor as well as between regions tends to increase.

Yemen, despite some success in improving the overall economic and financial situation, has experienced an increase in poverty. In Mongolia, partly as a result of drastic socio-economic changes in the course of
transition, partly aggravated by a severe drought that hit hard most of the herders and led to rural exodus, poverty has become evident and more than one third of the population is below the poverty line. In Honduras, hurricane "Mitch" devastated large parts of the country in 1998, which shattered most of the prior achievements in reducing poverty.

1.2 The PRSP process

In the course of PRSP formulation, all Governments represented at the conference have streamlined their poverty alleviation policies, sharpening the orientation of national macro-economic and social policies towards broad-based sustainable poverty reduction.

1.2.1 PRS objectives

All PRSPs presented by the attending Ministers have three main objectives in common: to sustain a stable macro-economic framework, to deepen decentralization, and to improve the physical and social infrastructure, particularly in rural areas where the vast majority of the poor live.

Like most other governments of PRSP countries, the Government of Mongolia has set clear macro-economic stabilization targets: Medium-term expenditure growth of 4-6% per annum, medium-term inflation rate of 5-6% per annum, exchange rate fluctuations within 2% per annum, overall budget deficit of 6-7% of GDP. First assessments suggest that these targets are achieved. At the same time, the Government attempts to narrow urban-rural gaps and accelerate the decentralization process in the country by implementing the so-called ‘Regional Development Concept of Mongolia’. In the field of social service delivery, the Mongolian PRSP aims at better access to and quality of education, health and other basic services for the sustainability of human development.

According to the Vietnamese Minister, her Government set the objective to further maintain a growth rate of 7% per annum and to keep the direction towards pro-poor economic growth, with agricultural and rural development remaining an area of high priority. They intend to adjust the structure of pub-
lic expenditures, increasing the ration at commune and district levels but reduce it at provincial and central levels.

Similarly, the Bolivian Government decided that for decentralization to benefit the poor, the devolution of power has to be accompanied by a poverty-oriented devolution of funds to lower administrative levels. For the Honduran Government, the main aspect of the planned political and social transformation is to decrease paternalism in favour of building up a new empowered citizenry.

Other objectives formulated in PRSPs reflect specific problems and potentials of the countries and particular aspirations of their Governments and other stakeholders. For example, both the Mongolian and the Vietnamese PRSP emphasize the importance of creating job opportunities and developing social safety nets for more effective support to disadvantaged and vulnerable groups. The Ugandan PRSP gives special importance to a strengthened role of parliament, because, as the Minister put it, “the parliament is the voice of the people, parliamentarians are the watch-dogs of the people”.

1.2.2 PRS implementation measures and instruments

Apart from setting up national committees and funds for the implementation of PRSPs, which is also a prerequisite of the IMF for its support to the process, the concerned governments have initiated a number of specific measures to achieve sustainable poverty alleviation, for instance:

- The Bolivian Government uses poverty indicators to distribute the funds – which come from both debt relief and national budgets – as just as possible among the municipalities. At the end of each month, the treasury transfers the agreed amounts of money to the accounts of over 300 municipalities, who are authorized to decide on their use.

- In Uganda, the Government continues to employ instruments such as the Medium Term Expenditure Framework (MTEF) and annual plans that have proven successful in the past.
• The Mongolian Government has introduced direct financial measures to reduce poverty, such as budget provisions for tuition and dormitory payments to poor students from low-income, large families. It has also implemented policies for increased employment creation through public works and “small and medium-size enterprise” (SME) promotion.

To increase the probability of effective implementation of poverty reduction measures, most governments have put monitoring systems in place. The Ugandan Government, for instance, has introduced PRSP reviews every two years to ensure that resources go where they are meant to and that expenditures are actually having an impact. They have also made an effort to sharpen monitoring indicators so that they are of more relevance to poverty. In addition, the Government has taken first steps to increase the capacity of civil society, including parliament, for monitoring resource utilization and resulting benefits.

The Government of Mongolia strengthens the newly established Poverty Research Unit in order to avoid information errors that could lead to wrong or only second-best policy decisions. In the Bolivian national dialogue on PRSP it has been decided to put a mechanism in place that would allow both Government and civil society to control the use of funds and to check whether municipalities have taken their respective decisions in a participatory way.

1.2.3 Participation in PRSP formulation, implementation and monitoring

The attending Ministers distinguished three areas in which participation of civil society and other stakeholders in PRSP takes (or should take) place: the process of formulating PRSPs; the decisions on and implementation of poverty reduction measures; and the monitoring of PRS implementation.

Regarding PRSP formulation, all Ministers reported that their Governments involved different groups of civil society – gender groups, labour unions, rural groups, private sector, etc. – as well as representatives of donor agencies as intensively as possible in a dialogue on poverty-related
problems, priorities and strategies. The Ugandan Minister stated that not only the political elite, but also the communities actively participated in setting up a mechanism for fighting poverty. The Yemeni Minister reported that “the preparation process of the full PRSP enlarged and widened the participation of all concerned parties in the Yemeni society, of international organizations and donor countries”, and that a series of “seminars, workshops and conferences were conducted in order to discuss the strategy and to listen to the views and comments of the participants”.

As far as the involvement of civil society and other stakeholders in decision-making and the implementation of these decisions is concerned, the Ministers reported varying degrees of participation:

- In Bolivia, people in the communities decide in a participatory process on how to spend the money from poverty-related budget allocations.

- According to the Vietnamese Minister, her Government has committed itself to strive for a broad participation of Government agencies, and civil society organizations, with consultations at grass roots level, using participatory methodologies. The Government of Vietnam pays special attention to “people’s participation as reflected in the Grassroots Democracy Decree, applying the principle ‘people are informed, discuss, supervise’, increasing the sense of responsibility of authorities at all levels as well as improving the effectiveness and efficiency of poverty alleviation efforts”.

- In other countries like Mongolia, Yemen and Honduras, where the development of mechanisms for decentralized and participatory implementation is not yet completed, participation is still a declared commitment of the Governments and has not yet been institutionalized.

Accordingly, in all but a few countries the active participation of civil society in the monitoring and evaluation of PRSP implementation is still in its infancy. However, most countries have taken first steps to strengthen the required monitoring capacities. The Ugandan Minister reports that his Government relies on civil society organizations which help them in monitoring and reporting.
1.3 Challenges ahead

Countries like Mongolia and Yemen, which are still in preparation of full PRSPs, face the challenge of completing this process successfully, of ensuring the participation of civil society and other stakeholders, and of formulating and passing the required laws. The Mongolian Minister named, among other factors, lack of national experience in poverty reduction strategy development, data/information gaps, and lack of efficient mechanisms for the promotion of participation as major obstacles to strategic policy development.

Other countries see a major challenge in harmonizing macro-economic policies with poverty alleviation strategies:

- The Vietnamese Minister emphasizes the need for her Government to “take the initiative in international integration, especially in trade, with various policies and approaches to protect the poor”.

- The new Honduran Government, which has inherited the PRSP from the former, faces the problem of formulating a macro-economic policy, a gender approach and a strategy for sustainable development which complement each other and coincide with the PRSP.

It is a particular challenge for governments to develop strategies for minimizing the vulnerability of their economies – and their countries at large – to external shocks, be they natural (like, recently, the severe drought in Mongolia and the devastating hurricane Mitch in Honduras), be they political (like the Gulf War and its aftermath in terms of hundreds of thousands of Yemenis returning from neighbouring oil producing countries), be they economic (like the sharp drop in prices of export commodities that are essential for the Ugandan economy).

The need for capacity development, i.e. enabling civil society to manage important monitoring tasks as well as enabling local authorities to absorb resources, is a major concern shared by all countries represented.
1.4 Recommendations to the international donor community

In order to successfully master the manifold challenges in the fight against poverty, the Ministers requested the international donor community to sustain, if not increase, their support to developing countries, including continued provision of concessional resources. For his country, but probably also on behalf of his colleagues, the Mongolian Minister named a few key areas for future bilateral and multilateral co-operation:

- Formulation and implementation of pro-poor growth policies;
- improvement of public expenditure management;
- enhancement of participation by civil society;
- improvement of monitoring and supervision of PRS implementation; and
- strengthening of national capacities in areas of strategy development and implementation.

According to the Ministers, successful co-operation in terms of effectiveness, efficiency and true partnership also requires attitudinal and administrative changes on the side of the donor community:

- First, donor agencies should take national strategies, expenditure priorities, programmes and approaches as a starting point for their assistance. Once they have agreed on a national strategy, the partners should agree on joint monitoring mechanisms, and resources can be allocated.

- Second, it was requested that money from development co-operation went quicker and easier, as in the HIPC process. This will not only require streamlining of bureaucratic procedures but also an atmosphere of mutual trust.

- Third, the donors should better coordinate their support to developing countries, and especially their poverty alleviation efforts. The Bolivian Minister formulated the core problem: "Can you imagine how much time and resources we would have to spend if we had to negotiate with more
than 20 countries? 1% of the GDP, USD 100 million every year, spent on different projects, in over 300 municipalities, maybe these negotiations will take 20 years."

The Ministers urged the industrialized countries to go through with trade liberalization and cuts of subsidies for domestic production. Otherwise, investments in health, education, roads or irrigation, which in the end are investments in people's capacity to produce new and better products, will hardly lead to significant poverty reduction.

The Ministers expressed their hope that developing countries will further exchange their experiences in order to learn from each other about best practices in poverty alleviation. They take this conference as an important contribution to facilitate processes of mutual learning.
2 Assessment of the Poverty Reduction Strategy Process by Representatives of Civil Society Organizations

Civil society organizations (CSOs), represented by Mr. Warren Nyamugasira (NGO Forum, Uganda), Ms. Barbara Unmüßig (Heinrich-Böll-Foundation, Germany), Mr. Hector Cordova (Mecanismo de Control Social, Bolivia), Ms. Winnie Byanyima (Member of Parliament, Uganda), and Mr. Seth Vordzorgbe (DevCourt Ltd., Ghana) expressly welcomed the PRSP initiative, as this process gave them the opportunity to bring into the field of development co-operation / poverty reduction issues and concerns which they consider critical but which were marginalized in the past. They acknowledged in particular (for the original statements see Annex 2),

- that poverty reduction has become an important subject of national development strategies and, at least in some countries, found its way into parliamentary debate,

- that PRSP processes, at least to some extent, have led to a shift of power from Governments to CSOs, especially in the field of monitoring the use of resources, and

- that donor agencies have moved some steps forward towards an improved relationship with their partners in developing countries, for example in the fields of conditionality and resource programming.

However, regarding the elaboration of PRSPs, CSOs miss a thorough learning from past experiences with poverty reduction strategies and structural reforms. Many countries within the PRS process have, for instance, more than 20 years of experience with structural adjustment programmes, and some of them, like Uganda, had already started national poverty reduction strategies before the PRS process started. However, knowledge about the results and impacts of these endeavours has not been sufficiently generated, consolidated and integrated into PRSPs. Similarly, prior
international efforts such as the Rio process and Agenda 21 have had little impact on the design of national PRSPs.

Apart from this general criticism, CSOs see a number of specific problems and undesirable trends to be faced in order to increase the effectiveness and sustainability of poverty reduction strategies and their implementation. These are related to the following issues, which are partly inter-linked: limited participation of CSOs in the PRSP process; limited ownership of this process by developing countries; insufficient consideration of external factors; and capacity constraints of CSOs in different areas and at all levels.

2.1 Limited participation of CSOs in the PRSP process

Reviewing their role in the process of elaborating PRSPs, the CSO representatives stated that they have had hardly any impact on the final formulation of national poverty alleviation strategies. In their view, there are several good reasons why the active involvement of civil society, in particular of indigenous organizations, in the poverty analysis, political prioritization as well as strategy formulation and implementation is crucial for the lasting success of PRSP:

- First, if the voice of CSOs is not taken notice of, poverty reduction will less likely be at the centre of national strategies. In the opinion of the CSO representatives, this centre is still firmly held by macro-economic environment concerns: inflation and growth rates, privatization and economic liberalization, monetary policies. As a consequence, social and national objectives serve macro-economic policies and not vice versa.

- Second, if issues of the poor supported by civil society do not make it into the strategy part of the papers, poverty dimensions other than income – such as inequality, lack of social integration, powerlessness, environmental degradation – are more likely to be left out, despite their relevance for sustainable poverty reduction.
• Last but not least, weak participation of civil society – women’s organizations, labour unions, farmers’ organizations, parliaments, NGOs, private sector associations, etc. – in decision-making increases the probability that the wrong priorities for national development policies and interventions are set.

The CSO representatives admitted that in the PRSP process national governments have given up power and responsibilities in favour of civil society; however, most CSOs are still lacking sufficient lobbying power to exert political influence, not only because of capacity constraints but also because of a low level of political development in many of the countries concerned. As they do not – or rather cannot – fully participate in the formulation of public policies, many concerns of the poor do not filter through to the desirable extent. This is also true for gender issues – different roles of men and women in society and economy, a different perception of poverty impacts by men and women, etc. –, which are insufficiently reflected in most PRSPs.

2.2 Limited ownership of the PRSP process by developing countries

Inadequate participation of civil society in in-country decision-making processes, however, is not the major reason for the unsatisfactory representation of issues and concerns of the poor in PRSPs. In the opinion of the CSO representatives, it is mainly the domination of PRSP processes by the Bretton Woods Institutions and bilateral donors, governmental as well as non-governmental, which prevents the elaboration of poverty reduction strategies that are adjusted to the specific national contexts and commonly shared by the countries’ stakeholders.

One strong indication of limited ownership of the processes is the conspicuous similarity of the PRSPs developed so far: An analysis of five full PRSPs, undertaken by the German NGO WEED, has not only revealed similar overall structures of the papers due to the guidelines provided by the
Bretton Woods Institutions, but also similar poverty analyses and similar policy options chosen.

The CSO representatives agreed with the finding of the Washington Review that PRSP processes have not—or at least not substantially—involving parliaments. Moreover, they criticized donors for the insufficient involvement of indigenous NGOs in the discussions on national poverty reduction strategies. They quoted the example of the Ugandan PRSP where international NGOs, instead of facilitating local NGOs to engage in a policy dialogue with both the Government and lending institutions, talked to bilateral donors ‘on their behalf’.

The CSO representatives have observed that the dominance of BWI has led to self-censorship of the representatives of their host countries, according to the principle ‘I know what Washington wants, so I give it to them’. In order to increase the ownership of the PRSP processes by the concerned countries, they recommended to move the process of approving the PRSP in-country, so that indigenous stakeholders, involving bilateral and multilateral donors where necessary and adequate, decide what is good for their domestic situation and look for support for their poverty reduction strategy. In this context, the CSO representatives also strongly recommended to the Bretton Woods Institutions to help generate alternative options for national economic policies and growth strategies from which countries can choose according to their domestic situation and priorities, instead of indiscriminately prescribing the creation of neo-liberal economic framework conditions such as trade liberalization, privatization, financial market reforms with their questionable effects on the socio-economic situation of the poor.

2.3 Insufficient consideration of external factors

Looking at the policy analyses and the recommendations of the PRSPs developed so far, the CSO representatives stated that external factors such as the macro-economic context or environmental conditions have apparently been outside the debate:
Most PRSPs recommend promoting export growth, ignoring the impact of a strong dependency on world market prices on the poverty situation; even countries that explicitly want to achieve economic growth that is less vulnerable to external shocks, as for instance Burkina Faso, plan for an increase in the production for highly unstable export markets; moreover, several of the PRSPs analyzed by WEED focus on the growth of the same export sectors – cotton, fish, gold, coffee, fruits and flowers –, but inter-regional assessments of the impact of such measures are largely missing.

Environmental factors such as changing climatic conditions leading to increased flood or drought probability have been insufficiently incorporated in the analysis part of the PRSPs; hence, aspects of risk management and disaster preparedness are largely missing in the policy recommendations.

The CSO representatives urged all parties involved to take a more holistic view of poverty reduction, acknowledging the fact that there are external factors and conditions that could easily ruin the achievements of PRSP implementation.

### 2.4 Capacity constraints of CSOs

The CSO representatives viewed capacity constraints of civil society organizations a major obstacle to their increased involvement in PRSP elaboration and implementation: First of all, they often face serious financial limitations and uncertainties, making not only day-to-day operations but also the setting of priorities difficult. As long as CSOs are uncertain about their future resources, they can hardly take part in decisions on poverty reduction measures that might require their active role in the implementation and the follow-up.

Many CSOs, particularly local ones, also have a low level of knowledge about international co-operation and its conditions, government structures for policy-making, macro-economic structures and policies. This often redu-
ces their ability to engage in a policy dialogue with the Government and lending institutions. Similarly, most parliaments lack capacities to engage in their own independent policy analysis, which weakens their constitutional role of being a check on the government in terms of policy formulation and implementation.

There is also a lack of methodological know-how, e.g. for the development of indicators that interpret important changes in the lives of poor people in a meaningful way. This makes it difficult for CSOs not only to engage in a dialogue with governments on poverty indicators, but also to fulfil their task of properly monitoring the implementation, outcomes and impacts of PRSP.

In the view of the CSO representatives, there is a need to further build up, strengthen and organize civil society in developing countries, so that it can actively participate in decision-making and the formulation of public policies, take up a social control function, and become a truly enabled, valuable and essential stakeholder in the set-up and implementation of poverty reduction strategies.
3 Assessment of PRSP by Representatives of Multilateral Donor Agencies

The discussion was organized as a dialogue between the audience and the panel. The participants handed in their questions in writing. The moderator (Mr. Christoph Beier, GTZ) grouped the questions and directed them to the different members of the panel: Ms. Raundi Halvorson-Quevedo, OECD; Mr. Mohammed Ben-Senia, IFAD; Mr. Parmesh Shah, World Bank; Mr. Karsten Hinrichs, BMZ.

After this first round, additional questions and comments from the audience were invited and discussed with the panelists. The following pages summarize the discussion. It is, however, recommended to study the complete transcript of this highly interesting session (cf., Annex 3).

3.1 The role of PRSP in the shift of development strategies and paradigms

The fact that development strategies and paradigms initiated by the World Bank and other agencies are mushrooming and shifting every few years led to the questions: How should the developing countries deal with this confusing situation? Will PRSP last for more than three to five years?

The panel conceded that their partner countries are confronted with a cluttered policy environment and a multitude of frameworks like PRSP and NSSD, and that this makes it extremely difficult for them to interact with the international community. Taking a more positive perspective, Mr. Shah interpreted the underlying process as an organic "paradigm development" resulting from learning processes. He sees the main challenge in integrating the increasing indigenization of policy-making into the form of national or regional initiatives (like NEPAD in Africa), while keeping the guiding principles of PRSP in mind. In order not to stifle this welcome indigenization, PRSP has to be applied flexibly. There is, however, a broad-based support within the Bank for continuing this approach for at least the next ten years. All other panelists indicated in one way or other that their agencies equally rate PRSP as the guiding approach for the foreseeable future.
3.2 Donor support to PRSP implementation and donor coordination

All donor agencies represented on the panel expressed that they wholeheartedly support PRSP. Mr. Hinrichs stated: “The Minister has decided that all our bilateral programmes must be aligned with the PRSPs. And there is nothing outside PRSP. [...] Everything which is outside the PRSP should not be counted on the ODA account at the DAC”. Ms. H.-Quevedo: “We will be following up in the DAC [...] how our agencies are in fact aligning behind this new paradigm”. Mr. Ben-Senia: “PRSP is the framework for defining our support”. Mr. Shah: “We are aligning all our country assistance strategy frameworks to PRSP”.

In spite of these strong statements it was observed that a lot of donors are still sticking to their own assistance strategy frameworks. Apart from a few exceptions, donor agencies still find it difficult to coordinate with others in funding PRSP. To improve in-country coordination DAC promotes more joined missions, more collaborative studies, more sharing of information among all development partners – bilateral, multilateral, civil society, government. A DAC task force on donor practices is working on efforts to harmonize, rationalize and streamline donor procedures, processes and frameworks. It has a web-site (www.oecd.org/dac/donorpractices) and is producing ‘good practice reference papers’.

3.3 Coherence and consistency

The list of questions, comments and complaints with regard to coherence and consistency of donor policies was long. WTO regulations that affect developing countries are one issue. Agricultural subsidies in the EU and USA hurting small farmers in poor countries are another. “Free trade is good, is this a universal policy? Or is it a policy that applies only to the poor countries?” asked one participant. The Ambassador from Bolivia added that trade is much more important than aid, and there was a general feeling that the lack of coherence and consistency between trade and development policies of the donor countries is one of the main causes of poverty.
Ms. H.-Quevedo informed the audience that OECD has a strong interest in these issues and acts as a forum where many different policy communities meet and decide common policies. Summing up her statement: "It is an uphill battle but we are making progress".

Another question was: Does it make sense that bilateral donors cancel debts while the World Bank immediately gives new loans to the same countries? Mr. Hinrichs informed the plenary of President Bush’s statement on this issue: he wants IDA to give 50% of the financial aid as grants, because he argues that debt sustainability will be a problem for many of these countries and, going down to the level of sectors, that there are some sectors which do not generate a real income on which the loans can be served. So this issue will remain on the agenda of the bilateral and multilateral donors.

From the perspective of the World Bank the lack of focus on growth and the missing linkage with the macro-economic framework is emerging as another inconsistency in PRSPs. This is closely linked to the lack of local private sector involvement in the whole process, which in the view of Mr. Shah has become too centric only on the organized civil society sections in the capitals. A second cause is the lack of analytical frameworks which combine macro-economic growth and equity, and which would permit a consistent integration of the IMF Poverty Reduction and Growth Facility in the PRSPs. Summing up he stated: "I think that the nature of the process will have to change, the analytical frameworks will have to change significantly, so that the growth facility part becomes integral in the discussion".

Is it not contradictory to insist, from the donor side, on cost recovery and cost sharing in education and health while talking about poverty alleviation? This question was linked to the more general question: In how far do we accept alternative/holistic policy approaches to the problems we are dealing with in the various countries represented here? For the DAC countries Ms. H.-Quevedo observed: "I could not say that every single bilateral agrees with this particular position on cost recovery for basic health and basic education. In fact, there is a diversity of experience in the
industrialized countries about how to develop". Involving the bilaterals in a
dialogue at country level on the options for macro-economic policies would
in her view help bring in valuable experience, and at the same time avoid
that partner countries are compelled to accept "blueprint" type strategies.

3.4 The tension between country ownership and
donor advice

Donors express their deep conviction that country ownership is necessary
and are at the same time constantly violating this principle. Instead of
programme, basket and budget financing, some donors including Germany
still use a project-by-project approach because, according to Mr. Hinrichs,
"as bilateral donors we are accountable to our parliaments, and our
parliaments want to see results". "We have legislative requirements, we
have administrative needs, we have regulatory standards that need to be
upheld", added Ms. H.-Quevedo.

The working group on poverty assessment, priority setting and monitoring
had recommended that decision-making processes related to the
assessment of PRSPs should be more collaborative and involve devolution
to a multi-stakeholder institutional mechanism within the PRSP countries.
Mr. Shah conceded that the World Bank will have to change from a financial
institution to a development institution which does not use only financial
mechanisms of accountability, but more developmental mechanisms which
are in-country. To achieve this, he added, there is still a long way to go.

The Bank's insistence on a narrow set of neo-liberal macro-economic prin-
ciples, regardless of the priorities which emerge from in-country consultation
processes, was vividly described by members of the audience: "Donors
should either say, 'look, we know what development is all about, we know
what the principles are that you have to follow, you simply follow them', or
they should say 'you people in the developing countries know what
development is all about, make sure that these development policies come
from a serious consultation among your public, and then follow them and we
will help you! - You have to take one or the other". The same speaker
added: "One of the things PRSP is creating is cynicism. If people do not believe that this is something that is going to be followed by donors, it is just another farce, it is just another conditionality, and you will not have ownership, you will not have implementation, in fact you will have much more powerlessness among the public."

Mr. Ben-Senia identified the dependency on flows of foreign capital and ODA as one of the major development problems: "Ownership cannot be achieved in a real sense unless there is a minimum of independence". According to him, lowering the dependency on ODA has to be a basic development objective: "For you to have ownership of what you do in your own country, you have to rely less on outside resources". Summarizing the discussion on ownership, Mr. Beier said: "We have to change a lot on the side of the donors, and we have to reduce donor domination in the negotiation process, but we have to have a negotiation process, and we have of course to strengthen the voice of civil society in this negotiation process."

3.5 Political will

One working group had stated that the political will to alleviate poverty is a precondition for achieving anything under the PRS approach. Mr. Shah observed that in the analysis for adjustment lending, "we do not make a good analysis of the internal political economy. There is a lot of analysis done which is under the table and never gets into the documents". Mr. Hinrichs acknowledged that in a number of cases "we were convinced that the political will for a certain policy is there, and three years later we had to state that we were wrong".

It may be an indicator for the seriousness and political will of donors and partner societies if certain sensitive issues are coming up in the strategies, like for example access to resources for poor and marginalized people, access to land, legal tenure rights, access to credit, and corruption. All these issues usually emerge in the consultations that take place at grass roots level, but tend to get lost in the subsequent stages. In the end, the strategies focus on the same old solutions in terms of social service
delivery, health and education and, according to Mr. Shah, neglect the
growth agenda, the empowerment agenda, and the opportunity agenda.
One of the reasons might be that governments having to face elections shy
away from sensitive issues. The Bank, being traditionally an infrastructure
and service delivery institution and predominantly financing for that, has
also tended to neglect other options.

As a way forward Mr. Ben-Senia suggested that instead of asking govern-
ments to position themselves with respect to particular issues, they should
program for a process of negotiations to address such issues rather than
give a solution like: "We are going to take the land from the rich and give it
to the poor now or next year." There is a process dimension to the political
decision-making within PRSP which has not been taken into account
sufficiently in designing the field of work on the PRSP.

3.6 What is to be taken home from the Conference?

The discussion closed with statements of the panelists on what they are
going to do different after the conference, based on what they had exper-
rienced and learned at the conference.

Ms. H.-Quevedo will propose to her organization a study, assessment or
review in one or two PRSP countries on best practices of the bilateral
community in supporting poverty reduction by working in partnership and
promoting ownership. Mr. Shah will push for higher internal resources to be
devoted to PR learning mechanisms between countries, and capacity
building mechanisms. Mr. Ben-Senia has got the lasting impression that
IFAD cannot afford not to be in the PRSP process, and will do advocacy
work within IFAD. Mr. Hinrichs confessed that – looking at the pin boards
displaying the working group results – he is frightened by the complexity of
the process: "We realize in development co-operation that complexity is
something which is intellectually necessary, but which has to be brought
down to more simple solutions. What I will try to do is to find out with others
where the areas are where we can reduce complexity".
4 Main Results of the Washington Review  
(Speech by John Page, World Bank)

Let me begin by thanking the organizers for giving me this opportunity to share with you some of the conclusions of a review of the PRSP approach undertaken by the staff of the World Bank and the IMF during the second half of 2001 and the beginning of 2002.

4.1 The background

To give us some context for the discussion, it may be useful to cast our minds back about two and a half years to the summer of 1999. This was a time when – as Her Excellency, the German Minister, said yesterday – the international community was taking the important step of moving from the first to the second (enhanced) HIPC initiative. This was also the time when our friends in the IMF were working to establish a new concessional funding window, the Poverty Reduction and Growth Facility, and when the supporters of IDA, the concessional arm of the World Bank, were seeking international consensus on how to maximize the effectiveness of Bank concessional lending. And, as the Minister frankly noted, there was an additional, political, rationale for establishing what became the PRSP approach – finding a way clearly to link the public perception of concessional lending and debt relief on the one hand with poverty reduction in the world’s poorest countries on the other, and thus to suggest to taxpayers in the advanced economies that there was more to the development business than the rather abstract notion of raising per capita incomes. But I think that two other important lessons of experience also helped to shape both the nature of the PRSP approach and some of its early results as discussed in the Review:

- The first emerged from the experience of the adjustment decades of the 1980s and the 1990s. The literature on development effectiveness taught us at least one important lesson: processes of economic change that are not owned by the societies that try to undertake them simply are not sustained, and changes are not implemented.
• The second was encapsulated in the Bank’s World Development Report 2000/2001. That report, drawing on recent development thinking and experience, offered a much broader and more comprehensive definition of poverty, one that included not only low incomes and lack of economic opportunity but also lack of voice, powerlessness, and a high degree of vulnerability.

Thus the PRSP approach was designed not only to address donors’ institutional and political concerns but also to better support developing countries themselves, based on a deeper understanding of how to improve development effectiveness and of the multidimensional nature of poverty.

4.2 The review process

Against this background, the PRSP Review tried to establish how far the approach had succeeded, in only its first two years, in responding to the concerns and insights that gave it birth, and to make at least a preliminary judgement about which elements of the approach are working well, which are working less well, and what can be done to improve them. The Review was conducted between the summer of 2001 and the early months of 2002.

Let me say at once that the Review was undertaken by Bank and IMF staff, not by some external evaluation group – but let me also emphasize that we were determined from the start to implement the Review in an inclusive, participatory and transparent fashion, seeking and utilizing the widest possible range of views and opinions of PRSP stakeholders. Most importantly we sought the views of stakeholders in PRSP countries themselves – government officials, members of civil society, and other interested parties – through a programme, involving hundreds of participants, of regional consultations in Africa, Europe and Central Asia, East Asia and Latin America. Summaries of the consultations are posted on the Bank and IMF websites. We also sought and received a large number of contributions from countries’ development partners – bilateral agencies, multilateral institutions, civil society organizations. Their often extensive views were posted on the World Bank and IMF web sites, and were reviewed and
summarized by the IMF’s independent evaluation office into a 72-item synopsis provided to the Boards of the Bank and the Fund, the Development Committee, and the International Monetary and Financial Committee of the IMF.

Finally, as many of you know, the Bank and the IMF hosted a major conference in Washington DC in January 2002, which brought together representatives of all these various stakeholder groups to discuss the main issues that had emerged from the consultation process. The results of the Review are now available in three forms: a short paper covering main findings, which was discussed by the Development Committee in April 2002; a longer paper, which provides additional evidentiary material for the findings of the short paper; and a small booklet for practitioners, which offers a quick guide for Bank and Fund staff, and other interested parties, to the “good practices” for countries and development partners (including the Bank and the IMF) emerging from the Review. All three documents are also available on our web sites.

Let me now quickly summarize some of the most important findings and lessons emerging from the Review, keeping in mind that it is still far too early, after only two years, to expect dramatic results for poor people – or even much in the way of early implementation experience. That having been said, however, the Review was able to identify both some important early achievements of the PRSP approach, and some issues for the future.

4.3 Early achievements

Let me start with what we think is working: Here I think the most fundamental and significant outcome of the last two and a half years has been a shift in the nature of the relationship and the balance of power between the Bretton Woods twins and the low income countries that we seek to serve. As you know, the concept of country ownership is at the heart of the PRSP approach, and is based on the understanding I mentioned earlier – that, to be effective, individual country strategies must be country-led and reflect each country’s unique starting point, circumstances and needs. I believe
that there is a growing sense among many of our country counterparts of the reality of this shift, which is fundamentally changing the interaction between Bank and Fund staff and their counterparts in Government.

A second important development fostered by the PRSP approach – which I believe underpins the first – has been the more inclusive way in which strategy is starting to be formulated in PRSP countries. In most countries this development has taken the form of an opening up of dialogue within the executive branch of Government on the nature of the poverty reduction and economic reform process, and a rebalancing of the relative contributions of sectoral ministries and the core economics ministries. Is it working perfectly in every country? No, but I would argue that the process of PRSP preparation has broken open the “charmed circle” of the finance minister, the planning minister and the central bank governor as the only real strategic decision-makers on economic policy and interlocutors with the Bank and Fund. This is a very important change, and reflects the participatory processes within PRSP countries built into the approach. In some cases, this opening up has extended further to non-governmental stakeholders and to legislatures – a topic to which I shall return – further widening the formerly closed circle and making the policy development process more inclusive than in the past. That, I think, is a powerful strength of the PRSP approach, and distinguishes it fundamentally from the former Policy Framework Paper regime. And greater inclusiveness in strategy making has in turn created an environment in which it is possible for strategies to cover initiatives that might not otherwise have been considered.

The third key achievement of the approach is that it has put poverty front and centre in the national debate and dialogue around broader economic issues in PRSP countries. There was some confusion in the beginning of the process as to whether the PRSP was only concerned with redistribution of the resources from increased debt relief, and perhaps increased Official Development Aid (ODA), or whether it was really about a broad and comprehensive strategy for shared growth. I believe that the experience of the best PRSP processes – those in Bolivia, those in Uganda, those in Tanzania – shows that they go far beyond arguing about redistribution of
the public budget to embrace a much wider vision, as the Vietnamese Minister emphasized yesterday, of inclusive growth, of creating good jobs, of taking people out of poverty in a sustained way. And this wider vision stems from putting poverty – and the more comprehensive understanding of how to address it that I mentioned earlier – at the centre of the economic policy debate, in turn making the context and features of that debate itself very different from what they had previously been.

Finally, I think it would be fair to say that there is a growing acceptance in the donor community of the need for better donor programme alignment and coordination, based on some form of recipient country national strategy – perhaps called a PRSP. Let me stress, however, that the title matters less than the concept, that of a strategy that is comprehensive, poverty-focused and partnership-oriented. The job is far from finished; but I would argue that one of the achievements of the PRSP approach has been to foster an organizing framework in which governments develop national programmes on a participatory basis, and to which donors can be expected to respond with assistance that is better aligned with country priority needs, incorporates more effective deployment of donor resources, and features better harmonization of donor procedures. And I believe that the Monterrey consensus has provided powerful additional impetus to this idea.

4.4 Issues for the future

Let me now turn to some important areas where the Review identified potential problems and issues for the future.

One such issue raised in the discussions and consultations leading up to the Review is what has been called the need to "institutionalize" countries' participatory processes. The suggestion is that the participation arrangements defined in Interim PRSPs and developed in the process of completing countries' first full PRSPs might be one-off exercises that might not be sustained once the PRSP had been completed. The question was whether consultation with stakeholders would continue or whether it might wither on
the vine, with matters reverting to "business as usual". In this context, most countries have emphasized two specific needs:

- First, the need to sustain participatory processes by extending them into M&E of the implementation stage of the PRSP, using civil society as part of the effort to test what is actually happening during implementation, whether it is working, and what might need to be changed.

- Second, the need to substantially raise the profile and increase the participation of parliaments. There are very few cases where parliaments have been formally engaged in discussions of PRSPs. Indeed, the only such discussion that I know of was in Tanzania, and I understand that it was extremely brief. This is an area that all of us involved in the approach need to work on. The lack of parliamentary involvement to date may partly reflect the fact that PRSPs are not yet substantively integrated with the decision-making processes that typically involve parliamentary debate, such as the national budget and other submissions of the executive that require legislative approval. If PRSPs become better aligned with these other processes, this should provide an entry point for parliaments that has not existed up to this point. But whatever the mechanism, expanding the role of parliaments in the process will be of great importance for the long-term legitimacy of the PRSP approach as a whole.

Another issue emerging from the Review is the question of how far the PRSP approach has really fostered a new approach to poverty reduction. It has been suggested that ownership and participation have increased, but that fundamentals have not changed – that a programme similar to that advocated in PRSPs might equally have emerged from intensive discussions between country technocrats and their Bank and IMF counterparts. Have PRSPs made any difference to the content of poverty reduction strategies? Here, as I noted earlier, I would argue that the PRSP process is indeed expanding the potential for the content of strategies to change in valuable ways. But I think we must recognize that the extent to which strategy content can have a substantial and lasting impact on poverty will also depend on dealing with current systemic deficits with respect to concepts / understanding and process – deficits that have been thrown into
bold relief by the PRSP process itself, but that are not always within the control of countries preparing PRSPs.

- First, it has become increasingly clear that the development community as a whole faces a number of gaps in its understanding of how to address poverty most effectively. Let me give you some quick examples. One of the fashionable terms used in discussions of poverty reduction is “pro-poor growth”. Let me confess that I at least no longer feel confident, despite 25 years of teaching development economics, that I could give you a clear and concise definition of what pro-poor growth is. What are its key elements in each country, how should it be implemented, how should it be monitored? Careful and systematic thinking is needed about what we mean by this attractive-sounding concept. We also need to think practically about the policy levers and public actions needed to promote it, including initiatives that might initially seem very far from poverty reduction—such as investment in infrastructure to help build and sustain a growth process that creates, in the words of my friend Juan Somavia of the ILO, “decent work” for a nation’s population. Here is a real conceptual gap. Another gap in our understanding is the lack of systematic analysis of the poverty and social impact of the kinds of policy reforms that have been traditionally advocated as growth-oriented, such as trade opening, privatization or market liberalization. All of these can—and have been—addressed in PRSPs, but very few have been analyzed at the depth that would allow for a more informed public debate over the desirability of the specific reform or policy alternatives.

- Second, with respect to process, thus far PRSPs have not typically been set in the context of a medium-term expenditure framework and public expenditure programme. This is a weakness because an effective poverty reduction strategy depends critically on making specific changes in public expenditure patterns directed at improving the prospects of the poor, either directly through education, health and social protection, or indirectly through creating the capacity for higher on-farm productivity, better access to markets, and other forms of interaction with the market economy. There is a serious need for more work in these areas and for better aligning PRSPs with governments’ medium term expenditure plans.
The Review also highlighted problems with respect to the setting of priorities. Sometimes PRSPs can look like lengthy wish lists of desirable things to do. That is not surprising; any document subject to public debate and public scrutiny ends up with a long list of things that government, civil society, other interest groups, or international organizations would like to have done. But everything cannot be done at once. So the need to prioritize becomes critical. And effective priority-setting will be determined by the conceptual and process improvements to which I have just referred – a better understanding of what pro-poor growth means in a specific country context; careful analysis of the poverty and social impact of different identified priorities, and assessing PRSP priorities against the realities of the public expenditure envelope.

Finally, I noted earlier that donors were coming to accept that PRSPs might become an organizing framework for their assistance programmes. But for the future it will be important for donors to do more in a concrete way to match their level of commitment to that already shown by PRSP countries. Despite the difficulty – and in many cases novelty – of what countries have been asked to do, it has been gratifying to see how most governments have pragmatically accepted the PRSP approach as something with which they can work and which they believe they can put to good use and improve. But there is quite clearly a counterpart expectation on their side, which is that the donor community now genuinely begin to “walk the talk” of harmonizing donor procedures, aligning donor undertakings around a country’s poverty reduction strategy, and moving toward a more coherent approach to development assistance. These ideas are gaining strength as a matter of principle; what is now needed is demonstrable progress in putting them into practice. And it is important to emphasize that putting these ideas into practice will require more than another series of intergovernmental conferences; even if donors agree at the ministerial level, steps need to be taken to ensure that, for example, better aid coordination actually happens at the only level where it really counts – the working level in poor countries.
4.5 Conclusion

The PRSP approach has come a long way since the first Interim PRSP, for Bolivia, was completed in January 2000. I have noted some of its achievements, drawn from the findings of the review of the first two years of experience with the approach. But I have also indicated some issues emerging from the review about which all of us who hope for its success need to think further. In addition to working on these broad issues, let me conclude by setting out some practical priorities for the three main groups of actors involved in the process – the Bank and the IMF; PRSP countries; and the donor community.

First, a top priority for the Bank and the Fund is for us to show that we have aligned our own behaviours, our own analytical and advisory work, and our own operations to the PRSP approach. If we do not lead, we cannot ask others to follow. We are doing this in a number of ways, for example by undertaking analytical work on pro-poor growth and poverty and social impact analysis, by offering countries technical support and advice when sought on aspects of PRSP preparation, and by basing the Bank’s country assistance strategies on countries’ own priorities set forth in PRSPs. And I can assure you that I and my colleagues will be carefully monitoring how well these Bank strategies are aligned with countries’ PRSPs – becoming, in effect, the Bank’s business plans to implement aspects of countries’ home-grown strategic objectives.

But in this context, I should mention a dilemma that has bedevilled those of us in the business of trying to mainstream PRSPs. This is the tension between national ownership and the need to provide a certain amount of direction to both Bank and Fund staff and the countries that they seek to serve on what should be in a good PRSP. When we did the review we heard many contributions from many parties about what should desirably be in a PRSP – for example, mainstreaming of gender, mainstreaming of the environment, a discussion of trade policy issues, a discussion of the role of the private sector. But we also understood that if we made these and other desiderata explicit requirements of every PRSP, we would be fundamentally
violating the principle of country ownership. So the Review includes a series of suggestions for good practices, for things that countries and the staffs of the Bank and Fund could do to enhance the process, might wish to do, but are not required to do. And one of the things that we shall need to determine as the process evolves is how well in practice this effort to resolve the tension between being directive and recognizing country ownership has worked.

For countries, I think the priority has to be a tremendous capacity building effort, and one not confined to governmental agencies but also among civil society organizations broadly defined, so that they can participate effectively in PRSP preparation, implementation and follow-up. And the capacity building that I have in mind needs to go far beyond traditional technical assistance; rather, it needs to focus on creating sustainable domestic capacity in countries, in order to foster an informed debate on policy choices, an effective programme of action, and a comprehensive monitoring and evaluation effort to see whether policies and actions actually better the lives of poor people.

For development partners, the message is simple, but not easy. It is the one to which I have already referred – to walk the talk on donor alignment and donor assistance.

To end on a personal note, the past two and a half years have been an extraordinary period for a grizzled bureaucrat and veteran of the World Bank's changing approaches and flavours of the month in development policy. I was probably as cynical as anyone when I began, wondering whether the PRSP approach would be both useful and sustained over time. I am now fully convinced that the approach is useful. I am still not fully convinced that it will be sustained; because sustainability will depend not just on countries and not just on the Bank and the Fund, but also on the donor community at large and on civil society groups, many of whom are thoughtful critics of the Bretton Woods twins. Sustaining the approach, and making sure that it actually delivers for poor people, will take a combined effort on behalf of everyone who believes in the importance of building and
supporting nationally owned strategies for poverty reduction, based on a
development partnership between a donor community that has substantial
resources but not always a well defined mission and a group of countries
that have enormous needs and face enormous challenges. Virtually every
country in the world, rich and poor alike, has pledged itself to the Millennium
Development Goals, which address a range of income and non-income
dimensions of the attack on world poverty. If we work together, including on
the PRSP approach, then we can move forward together towards meeting
these goals.

**WORLD BANK / IMF REVIEW OF THE PRSP-APPROACH: MAIN FINDINGS**

The World Bank and the IMF have undertaken a first comprehensive and participa-
tory PRSP review process at the beginning of 2002, the result of which is a positive
assessment of experience so far with these new strategies. Some *key achieve-
ments* of the approach up to date relate to the stronger sense of ownership among
most governments about their poverty reducing strategy, the more open in-country
dialogue, the more prominent place for poverty reduction in policy debates and the
widespread acceptance by the donor community of the principles of the PRSP-
approach.

The review focuses on the *lessons learned* and on the *challenges* that still remain
ahead of the countries involved. Among its recommendations it is pointed out that:

1. The **PRSP participatory process** should include key institutions (parliaments
   and sectoral ministries) and stakeholders (such as civil society and donors). Some
   key aspects for participation need to be sustained, like making information
   available and understandable to local civil society and opening decision-making
   and policy-making process. The main challenge for most countries will consist in
   moving away from ad-hoc consultations to more institutionalized forms of dia-
   logue. The participation principles are valid also for donors, which also need to
   support the capacity-building of civil society to engage substantively in the process.

2. The preparation of the PRSP has been a first useful step towards improving
   **poverty diagnostics**, clarifying **priorities, targets and indicators**, and increased
   attention to **monitoring and evaluation**. However, much remains to be done in
   this area in order to improve the availability of quantitative and qualitative data, to
   overcome capacity constraints for poverty and social impact analysis of
   programmes and policies, develop the institutions for M&E and the intermediate
   indicators for tracking the implementation of public programmes, as well as set up
   realistic targets for growth and poverty reduction outcomes.
(3) **Public Expenditure Management** Systems need to be strengthened and plans for the development of Medium Term Expenditure Frameworks, that can integrate the public expenditure programme for poverty reduction, need to be set up.

(4) **Improving donor alignment and harmonization** is another challenge for the future. It is acknowledged that the PRSP-countries themselves have to take the initiative on this issue, but donors also need to contribute to this. This means not only aligning donor "business-plans" with the PRSP, but also reducing heavy reporting procedures, exploring the increased use of programmatic lending and improving the predictability and timing of aid flows.

(5) **Future monitoring**, both in-country and through the international community is important. Annual progress reports should focus on the most important aspects and be connected to annual budget preparation, while the revision of the full PRSP could be aligned with existing cycles for country development plans.

There is still a great need of **building knowledge and capacity for the PRSP**. This should be achieved through increasing learning opportunities and dissemination of good practices, including through regional learning events and "communities of practice" in key areas, enhancing international research and analysis efforts in support of key aspects of the PRSP and augmenting technical assistance in support of PRSP preparation, implementation and monitoring.
5 Analysis of Key Implementation Issues

This chapter documents the results of the five working groups, who dealt with the following issues relevant to PRSPs: (1) poverty analysis, monitoring, and the prioritization of government action; (2) participation; (3) pro-poor growth; (4) gender equality; (5) sustainability. The results of the discussion on HIV/AIDS, an issue the working group on gender equality dealt with, are documented separately.

5.1 Poverty analysis, monitoring, and the prioritization of government action

5.1.1 Relevance of the issue and main challenges

The PRS Papers rest on three pillars – these are: (a) poverty analysis, which entails generating a comprehensive understanding of poverty and its determinants; (b) the identification and elaboration of a poverty strategy through the prioritization and selection of public actions with the highest poverty impact; and (c) a monitoring system that sets targets and monitors outcome indicators. When these pillars are not properly dovetailed or do not build upon each other, the overall PRSP is likely to suffer both in terms of its process and content. Pointing out that, to date, there is a general feeling in the discussions about Poverty Reduction Strategies that policy formulation can take a linear perspective where it moves from poverty analysis, to prioritization, implementation and monitoring, it was emphasized that the "political" interplay amongst all actors is as significant to the success of the PRS process as its technical/methodological dimensions. Due to their interrelations all three PRS pillars were addressed by the Working Group on "Poverty Analysis, Prioritization and Monitoring", even though the main focus was on PRS Monitoring.

Poverty Analysis: Today there is a widespread consensus about the multi-dimensional and multi-faceted nature of poverty. Understanding the various dimensions and causes of poverty and livelihood conditions of the poor in a given country or region is usually the first step in developing a PRS. To
meet this demand poverty assessments, which are diagnostic processes that aim at the identification of the extent, causes and trends of poverty are carried out. Correlations are sought between different degrees of poverty, and a variety of household characteristics such as location (e.g. rural-urban), household size, gender, employment, education, access to land and basic services etc. It is often difficult to identify whether these characteristics are simply correlates of poverty or whether they are actually causes. There is still much to be learned in terms of the cause-effect relationships connected to poverty and about how successful interventions can be planned in particular country cases.

The results of the poverty analysis are summarized in ‘poverty profiles’ which provide information on the extent, depth and severity of poverty in a given country. While essential progress towards better poverty data and diagnostics has been achieved in most PRSP countries, a number of weaknesses still have to be overcome, for instance, there is a need to:

- establish groupings of “the poor” and to be clear in terms of the actual policies and interventions which would assist these different groups;
- link specific socio-economic groups to the growth and development process;
- improve on the ex ante and ex post Poverty and Social Impact Assessment (PSIA) of policy interventions and programmes to assess the impact of interventions on different categories of people;
- improve the quality of the data;
- go beyond income and consumption measures as proxy indicators of well-being.

Prioritization: In the aforementioned linear approach to policy making it is suggested that the results of the poverty analysis should feed into the process of choosing priorities for the allocation of expenditures and implementation. The evidence suggests, however, that this has not been the case. In many (I)-PRSPs priorities are expressed only in broad and evasive terms. The lack of prioritization has led to PRSPs containing
extensive wish-lists of goals and actions to be taken without assessing what is possible by costing each element, estimating its impact on poverty and then making explicit trade-offs. Evidently, prioritization is a complex issue that involves more than just ‘good information’; it also depends on the particular version (definition) of poverty that is used and on whose voice is heard; ultimately there is a strong political element in negotiating inter- and intra-sectoral priorities.

Ideally, PRSP priority setting should be combined with targeting specific categories of poor households. This process requires poverty assessments that are much more disaggregated – grouping “the poor” into policy relevant categories of households. There is still much to be learned about how different countries have dealt with priority setting, costing different options and setting targets – both in political as well as methodological terms.

**PRS-Monitoring**: Once the prioritized interventions have been agreed upon, monitoring their implementation and impact is the vital next phase in the PRS process. The potential purposes of PRS monitoring systems can be summarized as follows:

- Track progress in achieving poverty reduction goals;
- validate the policy and programme choices made, justifying government action to the public;
- reveal reasons for success or failure of interventions, allowing effective management and improvements to be made if interventions do not have the desired effect;
- develop greater accountability in the use of resources, generating transparency;
- generate information for annual progress reports and PRS evaluation on a 3-yearly basis;
- provide opportunities for greater involvement of civil society in the process, mobilizing public support for the targets.
Despite these potential benefits, monitoring arrangements have generally been the last thing considered in the PRS process. Although PRS monitoring is still in its infancy, a number of areas were identified that require attention to improve the monitoring systems for PRSs:

- One major problem is the tendency to focus on long-term targets for poverty reduction (such as the Millennium Development Goals) whereas intermediate (input and output) indicators have been neglected. There is a need to move away from the common over-reliance on Poverty Monitoring (loosely associated with monitoring changes related to the MDGs) to closer implementation monitoring and performance- or results-based monitoring of the PRS.

- Indicators typically tend to monitor poverty at the national level. However, due to the regional disparities and inequities more attention should be paid to developing indicators at local levels, and to capture impacts on specific segments of the population. Further, the PRSP review made it apparent that coverage of gender issues was particularly weak in PRS monitoring.

- Since there are difficulties attached to the timeliness of information generated from existing surveys, such as Welfare Monitoring Surveys or Integrated Household Surveys, there is a need to introduce quick monitoring tools (e.g. Core Welfare Indicators Questionnaire, Report Cards, Participatory Poverty Analysis for monitoring purposes, Qualitative Impact Monitoring etc.). The results from different kinds of data collection exercises can then be cross-checked.

- The question of who should be involved in monitoring has not always been clear: Responsibility for monitoring is still centralized around government, particularly around the Ministry of Finance. Apart from existing administrative and management information systems, there may be a greater role for civil society in setting indicators, generating information and providing feedback on the impact of policies and programme interventions. While monitoring might offer an opportunity to institutionalize participation, the capacity of CSOs to take this up
remains to be assessed. To date, experiences with participatory approaches to PRS monitoring are still scarce.

- A number of donor reviews emphasize that there is a need for paying more attention to budget monitoring. A number of issues that are particularly important in this context, include improving the quality of expenditure tracking, developing medium term perspectives to budget making, such as MTEFs, complying with minimum standards of public management, and promoting NGO involvement.

- Once the data is generated, and analyzed, it is important that the information is disseminated widely through mechanisms tailored to different groups in civil society (including the media). In a number of countries the information generated to date has been to meet the demands of the international community; there is a need to increase the local demand and to foster use for policy improvement.

The previous analysis revealed a number of key topics, that formed the basis of the work carried out by the Working Group on ‘Poverty Analysis, Prioritization and Monitoring’ during the conference on “Sustainable Development and PRSP”. Since a number of countries are currently progressing from the formulation of their PRSP to its implementation and monitoring, particular attention was paid to the subject of PRS monitoring. The objectives of the working group were to identify critical issues and problems that those responsible for poverty analysis, prioritization and monitoring have faced to date, and to exchange experiences and critically assess how these issues have been addressed by different countries and stakeholders. The working group discussed if the examples given are transferable to other countries and derived recommendations for future cooperation. During these discussions an attempt was made to reflect upon the relevance of the cross-cutting issues, gender and HIV / AIDS, to the addressed topics, as well as to address the political dimensions of technical / methodological questions. Among the participants in the working group were representatives from governments and CSOs of the following PRSP countries: Albania, Bolivia, Honduras, Kyrgyzstan, Mauritania, Mozambique, Uganda, Vietnam, Yemen.
Based on the participants' and the facilitators' assessment of the most important issues or questions that need to be addressed in respect to poverty assessment, prioritization and PRS-monitoring, group work was organized along the following four thematic sub-sessions:

(1) *The Use of Poverty Assessments in the Setting Policy Priorities*: For the practical implementation of the PRS there has to be a link between the poverty assessment and the prioritization. This session was used to share the experiences of how different countries have prioritized their areas of intervention. Questions addressed in the discussion were: What makes it so difficult for PRS stakeholders to prioritize? What are your suggestions on how to improve this aspect? What is the role of civil society in poverty analysis and prioritization? What are the political aspects and how can they be handled?

(2) *Developing more Appropriate Indicators*: Three issues in particular were addressed in this sub-session: The first concerns the identification of good intermediate indicators and the need to use these as a link between policy interventions and the target. The second concerns the need to disaggregate targets and indicators according to regions and different socio-economic groups. And the third concerns the role for civil society in the selection of indicators. In a "Talk Show" discussion involving different country representatives the following questions were addressed: How did the countries develop intermediate indicators? How did they address the issue that their targets were considered 'over-ambitious' in the PRSP review? How were indicators disaggregated to consider regional dimensions of poverty, and the existence of different social / ethnic groupings of poor households?

(3) *Making the Monitoring System more Participatory and Utilizing the Results*: This section dealt with two topics: The first is how better to involve civil society by improving independent citizen monitoring and strengthening the government and civil society coalition, particularly in bringing M&E out of the exclusive circle of the Ministries of Finance and some key sector ministries. The second looked at how the monitoring results can be made accessible as inputs into the public debate. This
also includes elements of demystifying issues, such as the budget. How can information be provided in a manner that can be used by the diverse array of stakeholders?

(4) **Strengthening Capacity for PRS Monitoring and Evaluation:** Monitoring of the PRS involves the participation of a number of agencies inside and outside government, to this end the capacity of various actors on both the supply side (data providers) and the demand side (data users) needs to be developed so that they can engage in policy dialogue. This section looked at how local and regional institutions (Government, NGOs, universities, research institutions etc.) may improve their capacity in this area, and what should be the supporting role of donors.

In analyzing the country experiences, the participants were requested to consider in each of these sub-session the two cross-cutting topics – gender and HIV / AIDS – that need to be mainstreamed into the agenda of development policies (see sections 5.4 and 5.6). The importance of gender equality in reducing poverty notwithstanding, PRSP reviews have shown that gender aspects were underrepresented so far – particularly in PRS monitoring. Questions that arise related to the subjects of poverty assessment, prioritization and monitoring are, for instance: To what extent does the concept of poverty underlying PRSPs in the concerned countries take into consideration gender- and HIV / AIDS-specific aspects of poverty? Are the relationships between gender, poverty and AIDS understood, and what are the implications for priority setting? Are gender-disaggregated data available in the concerned countries? What contribution can a gender-sensitive impact monitoring make to enhance gender orientation of PRSPs?

### 5.1.2 Country experiences, lessons learned and open questions

The following section summarizes the experiences different countries presented in the above mentioned thematic sub-sessions, as well as the lessons and open questions that emerged from the critical analysis of these experiences. Due to the fact that the PRSP approach is still in its infancy, actual experience associated with monitoring systems are still limited.
However, several issues are starting to emerge particularly since the countries are now progressing towards the implementation stage.

**Poverty analysis and prioritization**

In the introductory presentation attention was drawn to the problem that PRS are often not targeted to specific categories of poor households and not tailored to their specific needs. Such policies and programmes are likely to by-pass large sections of the poor and almost certainly do not benefit the extremely poor. It is therefore suggested that priority setting has to be combined with targeting specific categories of poor households – based on poverty assessments which are much more disaggregated. An attempt should be made to place poor households into groups that are more homogenous with regard to the main factors causing their poverty and/or with regard to their main needs for overcoming poverty. In some countries, for instance, female headed households in rural areas are a group with a high incidence of poverty caused by a set of clearly identifiable factors which can be addressed by policy makers like inheritance laws and access to courts in order to claim their rights. In many African countries HIV/AIDS affected households have a considerable share of extremely poor households. Appropriate groupings of poor households can make policy makers aware that there are different types of poverty situations needing different kinds of programmes.

Mr. Anesti KASHTA (Institute of Fiscal Education, Albania) gave a presentation on how civil society was involved in setting the priorities for Albania’s Growth and Poverty Reduction Strategy (GPRS). In the civil society identification process both definitional and qualitative criteria were applied: The definitional criteria were intended to achieve a balance among civil society representatives of different regions, sectors, organizations and in terms of gender; whereas the qualitative criteria referred to participants' representation, articulateness, interest in the process and in policy. To organize civil society participation a three-part structure was implemented consisting of several Civil Society Advisory Groups (CSAGs), Sector Technical Working Groups (STWGs) and a National Civil Society Advisory
Group (NCSAG). Apart from these advisory groups the ‘voices of the poor’
were solicited – simply by “going out and asking them their opinions and
directly soliciting their opinion”. This exercise was a new experience for
many people, because they had never been consulted on anything before –
particularly not under the old socialist regime. On the other hand, this
involvement of civil society in prioritization inevitably created expectations,
which government might not be able to meet.

Mr. M. El Heyba Ould Lemrabott of the Studies and Planning Division in
the Ministry for Human Rights and Poverty Reduction in Mauritania,
presented the experience of target setting and costing in priority areas
within the health sector. A medium term expenditure framework (MTEF)
was used as a medium term planning tool for operationalizing the PRSP
and for putting a cost in front of the objectives. The MTEF formulation
process applied in the health sector involved a review of public expenditure
in the sector over the past years; an evaluation of the existing health sector
plan, and an analysis of the existing statistical data to assess the evolution
of the health situation. Based on this assessment of the health and poverty
situation and the public expenditure review, the necessary programmes and
reforms were prioritized. In the MTEF for 2002 emphasis was placed on
reducing major imbalances, for instance, in the ratio between investment
and operating costs. The Mauritanian example clearly illustrates that priori-
tization must not only be done between but also within sectors, and that
“prioritization is where strategy meets costing (the budget).” Or in other
words: The example portrayed that policy has to meet reality and financial
feasibility, and that prioritization has a highly political dimension.

In the small group discussions that followed the aforementioned presenta-
tions, the participants suggested that the political dimensions of poverty
analysis and prioritization can best be addressed/handled, if different
interest groups are allowed to take part in this process. In this respect it
seems to be important to include the parliament, to establish clear rules for
the dialogue between government and civil society, and to reach a national
consensus on the PRSP prioritization to ensure a longer-term commitment
(which is sustained even after governmental changes).
Indicators, goals and targets

As outlined in an introductory presentation by Chris Pain, the key challenges in the development of PRS-indicators are: to move away from long-term targets for poverty reduction to good intermediate (input and output) indicators to fill the ‘missing middle’, and to disaggregate indicators to take into account regional aspects and different groups of “the poor”. Moreover, there is a need to reduce the over-reliance on indicators referring to monetary poverty, education and health, and to incorporate issues such as governance, natural resource management, security and empowerment. The need to find indicators for poverty-environment linkages was also emphasized by the “sustainability working group” (see section 5.5).

How different countries dealt with these challenges was subsequently addressed in a ‘talk show’ mode plenary discussion:

To develop intermediate indicators Albania and Mauritania have both set annual targets. While Albania has one long-term goal, which is the accession to the EU, they have set a number of milestones to be achieved in specific areas within the first three years, and agreed on an action plan with targets to be achieved each year. Mauritania acknowledged that while there is certainly a need to set annual goals and targets within the PRS framework to allow for monitoring, it is also necessary to have ambitious goals in order to mobilize energy and achieve buy-in from the society in the country. To provide information for the public debate Mauritania is planning to build up an integrated information system.

Uganda is a prominent case where the civil society played a role in the development of indicators. The Uganda Debt Network (UDN) realized that the national indicators chosen by the Ministry of Finance were not always understood and considered relevant at the community level. The UDN has been active in establishing Poverty Monitoring Committees (PMCs) composed of grassroots community representatives in 12 districts. The PMCs were formed to promote and facilitate participation of poor and marginalized people in monitoring the Ugandan Poverty Alleviation Fund. The UDN helped the PMCs to identify indicators relevant to them. The results of this approach are being taken forward to the Ministry of Finance.
Examples of how targets and indicators may be disaggregated in terms of socio-economic groups and regions were provided by Vietnam, the Kyrgyz Republic and Bolivia: Vietnam has placed a lot of attention on the regional dimensions of poverty and has attempted to incorporate this within their indicators since 1998. It remains one of the goals of the (I)PRSP to “promote balanced and sustainable economic growth among different regions.” The Kyrgyz Republic has identified a specific problem, the difficulty of replenishing the social fund for the provision of pensions due to the predominance of the informal sector, and linked some of its indicators of progress in achieving the goals of poverty reduction to this. These include a reduction of unemployment, and greater equality in the provision of pensions to those dependent on the system.

In the case of Bolivia different sets of indicators were defined for each level of the impact chain: 40 process (short term) indicators, 7 outcome and 5 longer-term impact indicators – the latter being monitored at the national level. Indicators at the municipal level were selected based on a consultative process and are managed by the respective mayor who has responsibility for their implementation. Specific indicators were developed for ethnic groups which were particularly related to the issue of land rights.

The major lessons from these discussions were that there is a need to set annual goals and targets within the framework of an agreed national vision to allow for monitoring. The monitoring system should be institutionalized to ensure that it entails more than just carrying out surveys. The responsibility for selecting goals and targets needs to include those operating at decentralized levels where regional features and needs are clearer. In countries with specific identified groups in poverty, it is appropriate and necessary to have targets and indicators directly linked to these sections of the population.

**Participatory monitoring and information dissemination**

In his presentation Reiner FORSTER (Social Development Department, World Bank) described Participatory Monitoring and Evaluation (PME) as a process through which stakeholders at various levels engage in monitoring or evaluating a particular project, programme or policy; share control over
the content, the process and the results of the M&E activity; and engage in taking or identifying corrective actions. The various purposes of stakeholder participation in PRS-monitoring are, for instance, to move monitoring out of the exclusive circle of the Ministry of Finance and some sector ministries; to bring PRS and its implementation into the public domain / debate; to increase accountability and transparency of public actions; to amplify the voice and agency of citizens and the usually unheard; and to serve as a building block to institutionalize participation. Since there are various contents to be monitored (different levels of the impact chain, sectors, system levels etc.), various qualitative and quantitative methodologies that may be used and different institutional set-ups (government led consultations, independent citizen monitoring), there is a multitude of possible applications for participatory monitoring arrangements.

In most countries the responsibility for PRS monitoring is still centralized around government, particularly the Ministry of Finance or the sectoral ministries. However, there is a growing evidence from a number of countries (including Uganda, Malawi and Kenya) on how to use an approach to involve beneficiary groups in the evaluation of national level poverty alleviation programmes and to monitor the level of awareness in poor communities of policy and programmes.

Ms. Margaret Kakande (Poverty Monitoring Analysis Unit in the Ministry of Finance, Planning and Economic Development, Uganda) and Ms. Allen Ruhangataemwa (Uganda Debt Network) presented how both government and CSO co-operate and fulfil different roles in PRS-monitoring in Uganda. Margaret Kakande argues that since poverty is a multidimensional phenomenon it requires many indicators. Moreover, monitoring needs to be done at three levels (inputs, outputs and outcomes), and therefore, poverty monitoring constitutes an enormous task which cannot be entirely left with one single system. Effective poverty monitoring must incorporate information from an independent CSO system to validate the results produced by the government system. In Uganda a Poverty Monitoring and Evaluation Strategy was developed in which both government institutions and CSOs have been assigned roles. As outlined in the table below there is a role for both
government and CSOs at all three levels i.e. in input, output as well as outcome monitoring. The Ugandan Government has even assisted some CSOs to raise funds for strengthening their monitoring systems. An important concern that has remained is how concepts and definitions for data collection can be standardized.

**The Roles of Government and CSO in PRS Monitoring in Uganda**

*(from M. Kakande)*

<table>
<thead>
<tr>
<th></th>
<th>Government</th>
<th>CSO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Input Monitoring</strong></td>
<td>Monitoring public expenditure through the Budget Directorate, Ministry of Finance, Planning and Economic Development</td>
<td>Setting up poverty monitoring committees (PMCs) in districts that track public expenditures under the Poverty Action Fund:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Are funds received at the point of service delivery as disbursed from the centre?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Are funds used for the purpose for which they were meant?</td>
</tr>
<tr>
<td><strong>Output-Monitoring</strong></td>
<td>Implementation and monitoring of PRSP interventions through local governments, supervised by central sectors ministries</td>
<td>Monitoring the quality of outputs</td>
</tr>
<tr>
<td><strong>Outcome Monitoring</strong></td>
<td>• Traditional consumption expenditure indicators (later: info on sources of income; quality of housing)</td>
<td>• Helping governments identify the relevant indicators for monitoring outcomes</td>
</tr>
<tr>
<td></td>
<td>• Community consultations carried out under Uganda’s PPA project</td>
<td>• Providing information on changes in well-being of different socio-economic groups.</td>
</tr>
<tr>
<td></td>
<td>• Second PPA: Poverty dynamics among specific socio-economic groups reviewed as case studies</td>
<td>• Assessment of beneficiary satisfaction with the health service delivery (health card system to assess performance of health system)</td>
</tr>
</tbody>
</table>
Further details about the work conducted by the Uganda Debt Network (UDN) in PRS-Monitoring were given by Ms. Allen Ruhangataemwa. In May 2000, UDN started establishing Poverty Monitoring Committees (PMCs) in 12 districts to monitor the Poverty Action Fund and to ensure proper service delivery at the grassroots. The number of PMCs increased in 2001 due to peoples’ excitement and interest in monitoring public resources. This entails local communities measuring the performance of government agencies by obtaining information about its outputs over a certain period of time and comparing this with the publicly declared outputs of those agencies, e.g. by determining how much of the funding budgeted for schools and clinics actually reached them. UDN is providing training to grassroots people in poverty and public expenditure monitoring, in grassroots advocacy and lobbying. Some monitoring committees are now even actively involved in Uganda’s anti-corruption campaign. Ms. Ruhangataemwa stressed that the actual level of civil society involvement in PRS monitoring is the result of a longer negotiation and lobbying process in which CSOs became strong and heard by the government – last but not least by showing that they had the capacity to produce valid monitoring results.

The question arises to what extent these experiences might be transferable to other countries. A number of critical preconditions that facilitate stakeholder (CSO) involvement in monitoring were identified from the example of Uganda: There must be the strong political will to assign CSOs a role in monitoring; funds must be available to facilitate this involvement; a high level of decentralization seems to be advantageous; and last but not least, CSOs must have the capacity to carry out this work. In Ethiopia civil society does not see government as being as open to their involvement as in Uganda, even though they have started to open up more. As a result CSOs have commenced with their own monitoring system, parallel to that of the government. While such a system will produce independent information and enhance a public debate on poverty issues, it may prove to be difficult to integrate these two systems later on. An additional constraint is that at the moment government does not provide information on budgetary matters. In Albania and Yemen the political willingness is claimed to be there, but a lack of capacity on the civil society side seems to be a major obstacle to participating in monitoring. Government officials said that, to date, they have
seen little substantial contributions of the NGOs in the debate. In Mauritania the same groups involved in the formulation of the PRSP are now starting to get involved in monitoring to ensure continuity. The next issue to be addressed is the creation of an information system which should receive data inputs from different stakeholders and will be open to various users. The example of Bolivia’s ‘Social Control Mechanism’ also fits into this category. Representatives from Honduras explained that government cannot impose participation in monitoring. Similar to other countries, an external stimulus, in this case hurricane ‘Mitch’ and the subsequent emergency response, prompted the government to open up the dialogue with CSOs. Now, however, the problem is that it is the same people participating in all groups and there is a need to expand participation beyond its actual level.

Some lessons from the discussion on participatory monitoring in PRS processes were that exercises in PME may not be perfect from the start, but have a great potential to grow over time into more participatory systems if a few of the above mentioned preconditions are met. Every group – CSOs and government – has a comparative advantage and these can be used in a complementary way in monitoring. There is no doubt that PME requires considerable resources. And ultimately monitoring is not an end in itself. Monitoring systems need to be assessed in terms of what happens to the results and whether they are used for prompting action. Different user groups will require different types of information and different types of reports.

At the end of this sub-session a brief presentation was given by Kirsten Probst (University of Hohenheim / Consultant) to stimulate the discussion on how a more gender-sensitive approach might be taken in PRS-monitoring. An example was presented of how gender aspects were considered in GTZ’s Qualitative Impact Monitoring approach (QIM), which was applied in Malawi to elicit poor men’s and women’s perception about the impact of policies and programmes. The experiences show that to date attempts of engendering impact monitoring have been scarce. They have mainly focused on building the gender analysis capacity of the personnel involved and on improving data collection methods (collecting gender disaggregated data). Little attention has been paid to the ‘political dimensions’ of engen-
dering monitoring, i.e. to questions of who defines the monitoring set-up, who are the primary users of the results and decision-makers, etc.

**Capacity building**

As outlined above PRS-monitoring cannot be conducted without developing the capacity of the various actors involved. A challenge seems to be not only to build the capacity of individuals but also the institutional capacity and institutionalized procedures and to retain capacity within the country. In assessing the current capacity of NGOs in Yemen, Mr. Jameel Alansy (Charitable Society for Social Welfare, Yemen), assessed that although the number of registered NGOs in Yemen exceeds 3,000, most of these are ineffective, only 10% are working in the field, and even fewer are achieving tangible results. Much training is needed, in order to meet the high expectations the PRSP has in relation to the NGO's role in mobilizing the civil society towards combating poverty. Capacity building would particularly be required in basic management, public relations, fund raising, proposal writing, computer skills, financial management, accountancy, social studies and surveys, and development issues. Mr. Alansy concluded that a 'training and management consulting institute' needs to be established to train NGOs staff and trainers, and to provide management consultation for NGOs.

In Bolivia the 'Social Control Mechanism' is proceeding with building a network of those able to do the monitoring while simultaneously building the capacities of others who can take up the challenge in later years. In Uganda a recent initiative has attempted to train Government and Civil Society representatives together so they can participate in monitoring on an equal footing. Ms. E. Dos Reis (Mozambican Debt Group) raised the point that NGOs and CSOs in Mozambique do not only need to develop capacity in monitoring; at the same time more information needs to be disseminated about the PRSP - because even the most educated have difficulties in understanding what it is, and this is certainly a precondition for monitoring.

The major lessons and issues raised in the discussion were that capacity building for monitoring is required at all levels - government, civil society, district and community level. More attention has to be paid to training for
parliamentarians. The needs for capacity development between government and NGOs are not that dissimilar. Basic management skills are as important as specific technical skills. Since there will always be attrition – particularly in government where people who are trained will always leave to take up better paid positions elsewhere – capacity building will always be needed. Therefore reliable capacity building institutions with a solid, in-country base need to be established. It is important to bear in mind when talking about capacities that the issue of institutional capacity should be addressed, rather than personal capacity (even though the later does also have a role in building a pool of expertise, if people remain within the country). All participants placed a lot of emphasis on the subject of capacity building, which suggests that it needs increased attention in the international debate on PRSP.

5.1.3 Recommendations for future co-operation

Based on the previous discussions the participants of the working group came up with a set of recommendations for each of the thematic areas that were addressed. Suggestions were made for the PRS-countries and the donor community on how priority setting, the development of indicators, participatory monitoring and capacity building could be made more effective. The subsequent prioritization exercise which involved all conference participants during the ‘market place of learning’, revealed that the highest priority was given to recommendations referring to capacity building. Below the recommendations and suggestions are presented in accordance to the priority setting of the participants.

In terms of capacity building it was particularly recommended, that

- reliable capacity building institutes with a strong in-country base need to be established,
- the focus of capacity building should be on: fiscal transparency, gender sensitive and participatory monitoring, civic education,
- parliaments have to be assisted to build capacity for monitoring and analysis – on request,
the choice of consulting services to provide capacity building must be based on reliable know-how if the training is to lead to improved local capacity,

universities should play a significant role in capacity building,

governments and donors must coordinate their efforts to disseminate funds and expertise for capacity building in an organized manner,

capacity building is particularly needed at decentralized levels.

Related to the issues of poverty analysis and prioritization it was recommended, that

the determinants of poverty need to be specified/disaggregated for groups and regions,

the prioritization process needs expanding and should especially involve the parliaments,

political consensus needs to be reached on the PRSP prioritization to ensure long-term commitment,

priority setting has to be combined with targeting specific grouping of poor households,

clear rules should be established for the dialogue between government and civil society.

In terms of Participatory PRS-Monitoring it was recommended, that the countries should

include independent community monitoring as one part of participatory PRS-monitoring and should create mechanisms for CSOs and the parliament to participate in monitoring,

establish transparency and share information among both sides (Government ← → CSOs development partners),

provide adequate resources for participatory monitoring,

make sure that gender disaggregated information does not get lost,
• governments should refrain from controlling CSOs and development partners.

In this context the donor community was expected to show a stronger commitment, and to

• give technical assistance to countries for implementing participatory monitoring,

• help to enhance the quality of NGOs / development partners,

• contribute to resource allocation for participatory monitoring,

• support capacity building for gender analysis.

Related to the development of indicators it was stressed, that

• the issue of indicator disaggregation needs to be addressed from the start,

• management information systems need to be strengthened to follow-up on indicators,

• countries need to develop annual targets.

Based on the recommendations given by the working group, it can be concluded that now – since many countries are progressing from the formulations of their PRSP to its implementation and monitoring – there is a considerable demand for capacity building particularly at decentralized levels. More attention needs to be paid in the international debate on how capacities can be build (particularly in the areas of basic management skills, fiscal transparency, gender sensitive and participatory monitoring) and how training institutes with a strong in-country base can be strengthened.
5.2 Participation

5.2.1 Introduction

The discussion in the working group was very lively and often went beyond the prescribed questions. Therefore, it does not seem appropriate to seek only the answers to the questions which structured the working group, as they were sometimes pushed to the sidelines by completely different questions or answers. The topics of discussion, which arose time and again as the result of initial experiences with the PRSP and which are of interest for the next phase, that of implementation, will be taken up in what follows. Considerable space will be devoted to the short presentations of the representatives of PRSP countries, since it was precisely their presentations which stimulated these questions and reflections. Furthermore, this rich store of knowledge offers numerous ideas both for other PRSP countries and for donors. It is therefore important to record these discussions.

5.2.2 Important questions

A lot of participation for what?

With this question, Warren Nyamugasira, representative of an Ugandan NGO, summarized the approach used in the framework of the PRSPs in Uganda. The Ugandan government no longer needs to be convinced of the advantages that participation of civil society brings with respect to reduction of poverty. Already in the forerunner of the PRSP, the Poverty Eradication Action Plan (PEAP), the participation of civil society in both the preparation process and in the implementation and monitoring paid off. The government saw that sharing the responsibility – and also the power – with civil society, in the limited framework of the PEAP / PRSP, can contribute in an essential way to the success of a poverty-reduction programme. Therefore, the Ugandan civil society – in contrast to the population in many other countries – no longer had to fight for their inclusion in the PEAP / PRSP, but was readily invited.

However, despite these successes, the representatives of the NGOs were less than pleased. This is because, although they were called upon to parti-
cipate in the formulation of a new social policy and could also influence the budget planning, from the outset, they were excluded from the discussion of macro-economic topics. Macro-economic topics, which are essential for poverty reduction, were negotiated between a small circle of World Bank and International Monetary Fund representatives and the Ugandan Finance Ministry – with fatal results, in the opinion of the speaker, for here the continuation of a neo-liberal economic policy was decided, a policy which raises economic growth to the level of dogma. This panel apparently did not take into account the many studies about the negative effects of Structural Adjustment Programmes (SAP), for example, on socially weak groups. With the implementation of these SAPs, the poverty-reduction agreements made between the government and civil society in the PEAP/PRSP are thrown overboard, at least in part. This only added fuel to the fire of the national NGOs, who, from the beginning, had cautioned against a PRSP for Uganda and the “participation circus”. In their opinion, it was a case of fraudulent labelling, for although PRSP was on the outside, SAP was still on the inside.

Discussion and recommendations:

In the subsequent discussion it was agreed that, above all, the dominance of the World Bank and the International Monetary Fund in the PRSP process is the reason for this uncritical adoption of the neo-liberal economic model. This problem can be remedied, for example, through the participation of other UN organizations and bilateral donors in the evaluations of the PRSPs. In this way, their point of view concerning poverty reduction, which in part departs considerably from that of the Bretton Woods Institutions, can also find an entrance into the PRSPs. The participation of the International Labour Organisation was given as an example – an institution which could insist on respect for labour rights, also in the PRSP.

Of course, the inclusion of important institutions – for example, the parliament – of the corresponding country in the evaluation of the PRSPs must not be neglected. On this point, however, the speaker dampened expectations, for, in his opinion, at least Uganda’s parliament is completely uninterested in the PRSP discussion. It would only be in a position to
approve or reject the PRSP, but would not be able to contribute substantially to the discussion. Nevertheless, this is likely a peculiarity of Uganda, for there the rights of the parties were strongly curtailed and they are not allowed to appear at the decentralized level at all. This is perhaps one reason why the Ugandan government is so open to participation, for it has little to fear from the opposition. Nevertheless, this is only a thought that appeared as an aside and was not explored further.

Justice versus participation?

“Justice versus Participation” might serve as the title of the presentation by the Bolivian Minister for Sustainable Development and Planning, Ramiro Cavero. Mr. Cavero described the case of Bolivia, which is often – certainly justifiably – presented as a model. He concentrated especially on the question of funds allocation. In the framework of the PRSP, the government succeeded in anchoring a fixed, ten-year distribution formula, according to which both Heavily-Indebted Poor Countries (HIPC) funds as well as the rest of the budget is apportioned to the 314 district governments. The distribution formula takes account of the percentage of poor persons who live in a district and not what was previously decisive for the distribution of funds: the party membership of the mayor. Therefore, this fixed distribution ran up against bitter opposition, also from within the ruling party, for it implies that also mayors who are not loyal to the government receive financial support from the public coffers – something that is pure foolishness from the point of view of many Bolivian politicians. The districts now can count on a fixed monthly payment (which must be published in the community) and with which they can do as they like. But precisely these discretionary funds cause headaches for the central government, for who now guarantees that these funds are actually invested in poverty reduction and not, as it is more often the case in Latin America, in the expensive renovation of the town hall? And even more importantly: who guarantees that this money actually benefits the poor population of a community and not the majority of prosperous citizens who – in a perhaps completely participatory manner – decide about the use of the funds?
Discussion and recommendations:

Guaranteeing justice in the distribution of funds thus becomes the problem of the communities and is no longer the task of the national level. Has the government thus relieved itself of one of its duties? In Uganda this problem was solved in that at least a part of the communal funds were not provided to the community as a lump sum, but as earmarked grants. However, this contradicts the principle of ownership. This tension between prescriptions, on the one hand, and ownership, on the other hand, runs through the entire PRSP discussion and is not easy to resolve. More on that topic below.

Criticism of the multi- and bilateral donors surfaced several times in the discussion, because up to now they have paid little attention to the difficult negotiating mechanisms for the allocation of funds between the central government and the districts. On the contrary, in the worst case, they may contribute to renewed injustice through the uncoordinated choice of a project site. The representatives of the countries of the South therefore plead for an improved integration of donor activities in the PRSPs. On the other hand, it does appear completely reasonable, instead of indiscriminately distributing funds, to support communities which make the effort, for example, to present a project.

Interestingly enough, the Bolivian Planning Minister also reported that the district governments have refused to take on the responsibility for hiring and paying teachers, although the government was willing to delegate not only the responsibility, but also the budget. In the first instance it is not clear why the districts reject the decentralization efforts of the government. However, if one is familiar with the well-organized Bolivian teachers' union, which often – certainly justifiably – strikes for months on end in order to demand higher salaries, one realizes that the districts want to distance themselves from this problem. It also shows that the districts clearly understand that it is not in their interest to accept every decentralization offer. If the PRSP of a country succeeds in contributing to such discussions and in providing a framework for the resulting negotiations, in order to promote the search for sound policies which may contribute to poverty reduction, then it has already accomplished a lot.
Who understands the most about poverty policies?

This question was the thread that ran through all the discussions in the workshop. On the one hand, the representatives of the NGOs and also some of the donor representatives were of the opinion that poverty reduction can only be successful if the participation of poor people extends to the discussions about macro-economic topics and is not limited to micro policies. In their opinion, those personally affected understand far more about economic policy interrelationships than is generally assumed and sometimes also more than representatives of the Bretton Woods Institution in Washington. This was energetically contradicted by representatives of the governments. They are convinced that budgetary, exchange-rate, fiscal policy, etc. are such complicated topics that the poor population would be overloaded if it were drawn in these discussions. Neither did they accept as valid a representation of the poor population through advocates from the ranks of the NGOs; they question their legitimacy and assume that NGOs are special interests per se. In addition, the government representatives see the risk that in opening up macro-economic topics to discussion, demands might arise and decisions could be made that the government can neither assume responsibility for nor push through with the World Bank. Therefore, they prefer to limit the discussion from the outset.

Discussion and recommendations:

In fact, opening up the discussion only makes sense, if there is also the political will to accept the results of the debate. Here, the Bolivian government has made a step in the right direction, even if it is controversial inside the country. To be sure, macro-economic topics were excluded from the discussion, but, on the other hand, the government announced its willingness to unconditionally accept and implement the decisions made in the areas opened up to general discussion. It has thus proven itself to be a dependable partner of civil society, one that takes participation seriously.

The ongoing question which resulted from this discussion is: How can the often weak representation of civil society be strengthened and the lacking legitimacy of its representatives be overcome, so that in the future it will be
able to competently and forcefully take part in all areas of policy? There was agreement that, ideally, already before the beginning of the PRSP process, clear and binding agreements should be made both on the roles of various institutions and also on the topics to be debated. The prerequisite for this is the understanding by all participants that the poor population has the right on principle to a policy that places poverty reduction at the centre. On the basis of this consensus, the roles of both civil society and the parliament, as well as of the government and the donors in the framework of the PRSP should be clarified. In this connection, several representatives from Africa urgently recommended to the other countries that they arrive at internal agreements between the government and civil society before they enter negotiations with the donors, so that together they have a stronger position. The mechanisms by which the civil society can be included must be clearly defined. The same applies to the topics to be debated and the handling of the results. If it is not possible to arrive at binding agreements, the participation of the population may imply more risks than benefits: on the one hand, expectations are being raised, which possibly cannot be met; furthermore, a perhaps carefully and slowly built-up relationship of trust between the government and civil society may be endangered.

A right to participation?

"People know, people discuss, people supervise." This is the motto behind the Vietnamese Grassroots Democracy Decree. Ngo Huy LIEM, a GTZ staff member from Vietnam, presented the Decree, passed in 1998, which strengthens the rights of the population with respect to political decisions at the municipal level. In the wake of the democratization in Vietnam, the people are now to be accorded a greater say in the distribution of funds, also of HIPC funds. Furthermore, the population is now called upon to take on the role of supervising the use of funds. Similar laws were passed in Bolivia and Mauritania. In Vietnam, however, there are still strong deficiencies in the implementation. Although theoretically all HIPC funds should be transferred to the municipalities, to date there are few functioning administrative structures that would permit such decentralized funds management.
Discussion and recommendations:

In many countries, institutional political reforms to transfer decision-making power to lower administrative levels were initiated already in the pre-PRSP era. Above all now in the upcoming implementation phase it is becoming clear how essential these reforms are for the PRSP, i.e. for a sustainable reduction of poverty. Participation is not credible, if legally binding framework conditions are not created for the participation of the population. Democratic processes and institutions must be strengthened, so that civil society participation can find its permanent place. The PRSP can take up these efforts and strengthen them. It is important that participation is not limited to the local level, but building on this, also extends to the other political decision-making levels.

Several countries (e.g. Honduras, Mauritania) are considering or have already succeeded in not only formulating the right to participation, but also raising the entire PRSP to the status of law. Behind this lies the painful experience that new governments do not like to be associated with the initiatives of their predecessors, but prefer to start something new. In Honduras the government which was elected only a few months ago has taken over the PRSP from the previous government: “We have inherited a great promise,” said the Vice Minister of the Presidency, Rocio Tabora. The government wishes to make the PRSP the foundation of their own government activity. A novelty in Honduran history, and likely not only there.

What does the Imam have to do with the PRSP?

Sabria M. AL-THAWR, Professor of the University of Sanaa (Yemen), repeatedly emphasized in her presentation that the ideas and opinions of the poor segments of the population often are not represented in the PRSPs. To be sure, the NGOs continually question the “voices of the poor,” but the results do not flow into policy decisions. She therefore pleaded for new, more creative ways to make effective lobby work possible. In her opinion, it might be possible, for example, to more closely integrate representatives of religious communities into the PRSP, as they are often more highly respected by the population than representatives of government agencies or
NGOs. Similarly, a speaker from Mauritania complained that previously functioning culture-specific ways of reducing poverty are being pushed further and further into the background. Traditional leaders often can no longer effectively exercise this function, because they are excluded from official government information and are not incorporated into government decisions. In other countries, in contrast, emphasized the representative of Mali, the informal – the traditional – village structures are frequently more effective and influential in reducing poverty than the formal structures prescribed by the central government. The form of participation is thus also dependent on the different cultures and on the history of a country. This should be taken more strongly into account, both by the governments with respect to the implementation and by the donors in the evaluation of the PRSPs. Blueprints cannot lead to success.

Discussion and recommendations:

In the discussion, there was very quickly agreement that communication and information are the key concepts for the successful institutionalization of participation. Various proposals have been developed to ensure that the population is better informed. For example, it might be useful to prepare a popular edition of the PRSP, to be translated into the different languages of the country. In cases where a simple translation would not be sufficient because of the cultural differences, the concept behind the PRSP should also be “translated”. Another suggestion came from Vietnam. Thanks to a poverty map of the country, among other things, it was possible to initiate a dialogue with the population about poverty and poverty reduction. Nevertheless, it was also pointed out that all of this is not free: communication costs money, a fact that has to date seldom and never with the necessary emphasis been acknowledged in the PRSPs.

This leads us to a further important topic, not only for this working group, but for the entire conference: capacity building. The same applies here: although there are repeated – and naturally justified – calls for more knowledge and education in order to facilitate the assumption of development responsibility, the budget of the PRSPs in no way reflects this. At least 20 %
of the forgiven debts should be invested in capacity building – this figure was floated as the basis of the discussion. The need for capacity building is seen in nearly all areas that affect the PRSP – monitoring, poverty analysis, conflict management, and participation, just to name a few. However, also the implementation of poverty strategies requires funds for additional on-the-job training of organizations and institutions and for the development of models of co-operation between governmental and non-government sectors. Training is required, in the opinion of the participants, for governments, civil society, parliaments, and donors.

**Regional PRSPs – what are their strengths?**

**Mauritania** is one of the first countries which is attempting to formulate regional PRSPs. Mohamed El Heyba **Ould Lemrabot**, Planning Director of the Mauritanian Commission for Human Rights and Poverty Reduction, and Sidi Ould Med **Lemine Khalifou**, NGO representative, reported on the ideas which lie behind the regional PRSPs. The context is the following: although the PRSP was formulated with the participation of the civil society, it did not succeed in becoming well known outside of the capital. There is the risk that also the funds made available in the framework of the PRSP will not necessarily reach the poor. One fears that the PRSP will become irrelevant, since it is so little known and thus cannot be enforced. The government has recognized this problem and hopes to now remedy it through the preparation of 13 regional PRS programmes. These attempt, on the one hand, to more closely involve the municipal administrations and, on the other hand, through their proximity to the poor population, to more effectively reach the poor and integrate them. These efforts to decentralize should lead to an institutionalization of participation at the regional level. They should also take into account the special features of the region, for example in the economic sector, more effectively than was possible in the national PRSP. A differentiated analysis of the various needy groups within the region could be undertaken. The same principles should hold for the regional PRS programmes as for the national PRSP, i.e. that (among other points) the PRSP should include all efforts to reduce poverty.
Discussion and recommendations:

A thesis of a NGO representative was that governments would not necessarily be able to reach the target groups more effectively by transferring responsibility for the HIPC funds to the sub-national levels. He pointed out that the integration of socially disadvantaged groups is also a political issue at the local level. Using a short, comparative analysis, he made clear how differently an inflow of funds from the outside can affect the political-social constellation of a community, without however automatically rescinding structural discrimination. Therefore, he foresaw the need for technical support at the municipal level during the implementation phase – a need scarcely considered to date in the PRSP. He pleaded for recognition of the technical competency with which NGOs from outside could create new political space in a village or a municipality, within which targeted assistance to and integration of disadvantaged groups is possible.

He also pointed out that this technical advocacy and process work for the participation of disadvantaged groups by such NGOs should not be confused with political representation or other interest group demands. The uses of the terms “participation” and “NGO” in the entire PRSP discourse fails to make this important distinction.

Participatory budget planning – how can that work?

Mary Wandia, representative of a Kenyan NGO specialized on questions of gender, voiced what the citizens of almost all PRSP countries have experienced: participation ends there where the allocation of funds begins. Nevertheless, in Kenya it was possible to achieve, at least up to this point, a relatively broad participation of the population. Through the concentrated work of various NGOs, it was even possible to arouse a degree of sensitivity to gender questions in the preparatory phase of the PRSP. Thus, a separate gender working group was established in the framework of the PRSP, which among other things, was able to insist on a participation quota of 30% women in the various committees. However, gender-specific issues, such as, for example, the demand at the municipal level for own land titles for women, were lost on the “way to the top.” They no longer appeared in
the PRSP paper. The gender working group reacted to this situation with the development of a comprehensive advanced training programme, which deals with the topic of gender in all its facets. A particular deficit was discovered in the area of gender and budgetary planning or gender and economic questions. For example, in Kenya there is no one who is equally well versed in economic and gender questions and who would have been able to assist in the preparation of the PRSP in this point. Thus, the – in actuality, reasonable – demand of the World Bank for gender advisory services for the Kenyan Finance Ministry, which is responsible for the PRSP, could not be met, according to information given by the NGO representative. Also Parmesh Shah, Director of the "Participation and Civic Engagement Group" of the World Bank, anticipates a more transparent and efficient use of funds as the result of the participation of women and men from the population in the budget planning and in the review of expenditures. Demystification of the budget is necessary, in his opinion, in order to facilitate a broad discussion in the media and civil society about the use of government funds.

Discussion and recommendations:

Uganda is well on the way to meeting exactly this demand. A "Citizen Guide" handbook was prepared to explain how the government budget works and where the funds go. It is directed to interested urban and rural people who have no previous knowledge of government budgetary matters – the same target group of the numerous workshops on the topic. This represents a beginning, and the population can in fact make use of the possibilities to participate in the budgetary planning, which occurs at all three administrative levels in Uganda. It is also hoped that in this way the corruption which continues to be a serious problem in Uganda – and not only there – can be more effectively checked.

Ideally, the population has a documented right to be kept up to date on budgetary issues, to participate in decisions, and to supervise compliance with those decisions. It is therefore necessary to broadly disseminate information about budget questions through the available media, such as
radio and newspapers. The workshop participants agreed that, in the future, both the donors and the responsible government authorities should devote more funds and time to this provision of information and to the corresponding training measures. Nevertheless, one must also keep in mind that interference by the population in budgetary questions will not always be popular, as this implies a reduction of power for the parliament or the authorities. One must therefore proceed carefully.

Problems are caused not only by the participation of civil society in budgetary questions, but even by the implementation of the results of the poverty and gender analyses in activities which are then actually reflected in the budget. One has therefore to keep a closer eye on this in connection with the already frequently mentioned capacity building.

**Quality standards versus ownership – a paradox?**

It always became especially interesting in the working group when the most widely divergent participants formulated their very different expectations with regard to the quality of the PRSP and were then immediately countered by others - with the issue of ownership. How can a demand to include respect for labour rights in a PRSP or the demand for gender advisory services for the Finance Ministry be harmonized with the self-determination of the countries? How can one even talk about ownership, when the entire PRSP is actually a directive of the multilateral donors? These and similar questions arose, also in the concluding discussion.

**Discussion and recommendations:**

Good advice is hard to come by, for in reality this is a paradoxical situation, which cannot be simply dissolved. To be sure, on the one hand, the donors attempt to promote the leadership of the countries; at the same time, there are also standards that correspond to the values and ideas of the donor countries, for example, that of justice, and for which the donors push. Naturally, such demands cannot be formulated as conditionalities that apply equally to all countries, as the countries differ greatly in their social, political, religious, cultural, and also economic situations. Rather, one could conceive
of the formulation of minimum standards for the PRSPs, for example, in the area of participation. This, however, implies the risk that countries with only weakly developed democratic structures could fail to meet these standards, while others could even comfortably regress from that which the civil society has already struggled to achieve. A dynamic system of mutually enforceable minimum standards, each formulated beforehand by representatives of the partners and the donor countries and adapted to the current situation, would thus be desirable. John Page, Director of the World Bank for the area of poverty reduction, who also addressed this topic in his opening speech, mentions proposals or ideas which could be guided by good-practice examples, and which could be convincing because of their success. Processing and disseminating these examples is clearly a viable path with which to moderate the contradiction between ownership and the externally imposed quality standards.

5.2.3 Summary of recommendations

For Donors:

Due to the dominance of the World Bank and the International Monetary Fund PRSP still adopt in a rather uncritical manner the neo-liberal economic model. This problem could be remedied through the participation of other UN organizations and bilateral donors in the evaluations of PRSPs. The participation of the International Labour Organization, as an example, could promote the respect of labour rights, also in PRSP.

Multi- and bilateral donors are not paying enough attention to the difficult negotiating mechanisms for the allocation of funds between the central government and the districts. Through the uncoordinated choice of a project site, they may even contribute to renewed injustice in the distribution of funds. The representatives of the countries of the south therefore plead for an improved integration of donor activities in the PRSPs. They also recommend that, instead of indiscriminately distributing funds, to support communities which make the effort, for example, to present a project.
For CSOs and Governments:

Promoting participation of CSOs in the discussion of how poverty reduction policies should look like only makes sense, if there is a real political will to accept the results of the debate. In order to achieve this, participants recommended that, ideally, already before the beginning of the PRSP process, clear and binding agreements should be made both on the roles of various institutions and also on the topics to be debated. The prerequisite for this is the understanding by all participants that the poor population has the right on principle to a policy that places poverty reduction at the centre. On the basis of this consensus, the roles of both civil society and the parliament, as well as of the government and the donors in the framework of the PRSP should be clarified. In this connection, several representatives from Africa urgently recommended to the other countries that they arrive at internal agreements between the government and civil society before they enter negotiations with the donors, so that together they have a stronger position.

For Governments:

Participation is not credible, if legally binding framework conditions are not created for the participation of the population. Democratic processes and institutions must be strengthened, so that civil society participation can find its permanent place. The PRSP can take up these efforts and strengthen them. It is important that participation is not limited to the local level, but building on this, also extends to the other political decision-making levels.

For Governments and Donors:

Communication and information are the key concepts for the successful institutionalization of participation. For example, it might be useful to prepare a popular edition of the PRSP, to be translated into the different languages of the country to ensure that the population is better informed.

Capacity building is another key factor for the success of PRSPs. The need for capacity building is seen in nearly all areas that affect the PRSP – monitoring, poverty analysis, conflict management, and participation are some of them. The implementation of poverty strategies requires funds for
additional on-the-job training of organizations and institutions and for the development of models of cooperation between governmental and non-governmental sectors. The participants therefore recommend that at least 20% of the forgiven debts should be invested in capacity building. Furthermore, the participants stressed the need for technical support at the municipal level during the implementation phase – a need scarcely considered to date in the PRSP.

The population has a right to be kept up to date on budgetary issues, to participate in decisions, and to supervise compliance with those decisions. It is therefore necessary to broadly disseminate information about budget questions through the available media, such as radio and newspapers. The workshop participants agreed that, in the future, both the donors and the responsible government authorities should devote more funds and time to this provision of information and to the corresponding training measures.

For Governments, CSOs and Donors:

The tension between quality standards versus ownership cannot be easily dissolved, there is no one for all solution. Minimum standards should not apply only to the partner countries, but also to the donors. Such transparency, which allows both sides to insist on compliance with commitments, has been lacking up to now for the HIPC funds.
5.3 Pro-poor Growth

5.3.1 Introduction and overview

The objective of this working group was to achieve a better understanding of the linkages between public actions and pro-poor growth, where pro-poor growth is understood as a “path of economic expansion, which is associated with an increasing income share of the poor” (Sautter, 2002). If a rapid reduction of poverty is aimed at, obviously the design of policies that stimulate pro-poor growth is an important challenge for PRSP countries. The aforementioned definition of pro-poor growth was accepted in the working group, even if different approaches exist in the literature. This definition includes the distribution of income as well as growth. Therefore, the first session of the working group dealt with the relationship between distribution (or inequality) and growth. The basic insights of this session provided a common basis for the following expositions and discussions, which focussed on four policy fields: macroeconomic policies; the institutional and legal framework; policies towards the productive sector; and budget policies. These four policy areas were specified in order to provide a framework for discussion, but the complexity of pro-poor growth strategies and the interrelationships between these artificially separated policy areas were acknowledged.

For each policy area, the participants formulated challenges, exchanged and discussed country experiences and lessons learned, and devised recommendations for future PRSPs and their implementation. The participants came from countries, which have already completed their PRSPs (Burkina Faso, Ghana, Honduras, Mauritania, and Vietnam), as well as from countries, which are at present in the process of preparing PRSPs (Bangladesh, Ethiopia, and the Kyrgyz Republic).

5.3.2 Equity and pro-poor growth

The present consensus with respect to the nexus between distributional change and economic growth is that there is no definite pattern, i.e. within
the growth process incomes of different brackets change more or less the same way. For poverty reduction, this implies that overall economic growth matters: Neither the rich nor the poor benefit disproportionately from economic growth. Ravallion (2000) finds every one percent increase in the mean income to reduce poverty by 2.5 percent, if measured by the headcount index. These empirical results could lead to the conclusion that one should not be bothered too much with distributional issues in order to reduce poverty. But the conclusions from cross-country studies hide important country specific differences. Some countries achieve much faster poverty reduction than others, while experiencing similar overall growth rates. And there is a consensus, expressed in the Millennium Development Goals, that the speed of poverty reduction in the past was not satisfactory.

The empirical results of Ravallion (2000) illustrate this point: empirically all possible combinations between overall growth and changes in the distribution of income (or expenditure) exist. Not surprisingly, a combination between increasing average income and decreasing inequality (measured by the gini index) is the most effective combination for reducing poverty.

The gini index probably is not the most appropriate measure in this context, because it mirrors overall distribution, whereas poverty reduction policies focus by definition on the poor. Changes between the upper brackets of the distribution do not really interest in this context. A different aspect of the growth-inequality relationship is the possibility that the initial income distribution exercises an influence on economic growth and / or the degree of poverty reduction generated by economic growth. There are examples where high initial inequality hinders economic growth.

One indicator for the pro-poor bias of growth is the "growth elasticity of poverty", which is the percentage change in poverty following a one percent change in average income. A different approach is Kakwani's (2001) "inequality-growth-trade-off-index" (IGTI), which refers to the growth rate of average income needed in order to keep poverty constant in case of a one percent increase of the Gini. Kakwani (2001) reports an IGTI value of 0.94 for the Lao PDR and of 4.07 for Thailand. This means that a growth strategy
that does not pay much attention to equity issues might be acceptable in terms of poverty reduction in the Lao PDR, whereas in Thailand a concentration on lowering inequality would be especially important.

There was a consensus in the working group, that the speed of poverty reduction in the past was not satisfactory. Therefore, the search for a type of growth, which focuses especially on the poor and brings about faster results with respect to poverty reduction than the traditional growth process experienced in the past, is desirable. One conclusion from this session was that the relationship between equity and growth is important in this context. As the empirical results show no regular pattern across countries, pro-poor growth policies must be country specific.

### 5.3.3 Macro-economic policies

**Challenges**

This session dealt with the general question how macro-economic policies must be designed in order to fit into a PRSPs-framework. One important challenge relating to macroeconomic policies is the full integration of structural adjustment programmes (SAPs) and PRSPs. In order to achieve a genuine integration, ownership must be taken seriously, also with respect to macro-economic policy. Capacity building in economic analysis is needed in order to enable governments and civil society to propose macro-economic policy options. The analysis of the poverty and social impacts of macro-economic policies needs to be improved and the PRSPs should reflect this analysis. Macro models should be applied, and PRSPs should have a strong analytical underpinning based on numerical analysis. There was a consensus that macro-economic stability is essential for poverty reduction but macro-economic policies need to go beyond ensuring stability: Macro-economic policies that actively support industrial development are needed.

The group felt that within the general process of liberalization an important challenge is the design of a trade regime that allows a pro-poor growth pattern. Once again, liberalization alone will not do the job.
Experiences and lessons learned

The experiences from different PRSP countries with regard to ownership of macro-economic policy differ significantly. In some cases, national PRSPs are based on formerly initiated poverty reduction programmes. It was claimed that in other cases such already existing programmes were neglected by the Bretton Woods Institution (BWI), and that the national process of policy formulation was interrupted.

- In Vietnam, the PRSP builds on the Vietnamese “Comprehensive Poverty Reduction and Growth Strategy” (CPRGS). The CPRGS is based on a 10-year socio-economic development strategy and on the National Programme for Hunger Eradication and Poverty Reduction. Hence, in Vietnam exists strong ownership with respect to the PRS-process. The Vietnamese success in poverty reduction was spectacular and mainly driven by the outstanding performance and increasing productivity of the agricultural sector throughout the 1990s. The Vietnamese experience has shown that macro-economic stability, which had been maintained in the aftermath of the Asian crisis, possibly at the price of lower growth rates, was consistent with strong poverty reduction in the past. Vietnam has, for example, followed a strict low-inflation policy in recent years. Nevertheless, declining growth rates have decreased the pace of poverty reduction. This recent experience illustrates the importance of economic growth for successful poverty reduction and the Vietnamese CPRGS highlights growth as an essential means for poverty reduction. Nevertheless, it seems that now a different growth pattern is necessary in order to reduce poverty further and policies that address the problem of rising inequality both between rural and urban areas and between ethnic groups are needed. Despite the success in poverty reduction, inequality between these groups has increased.

- The PRSP experiences from African countries present in the working group do not always indicate strong ownership, in particular relating to macro-economic policy. Deficit and inflation targets are defined by the BWI, and these targets may not fit the specific macro-economic situation of the respective country: The macro-economic policies of PRSPs are
sometimes perceived as being dictated by the BWI. Although Poverty and Social Impact Analysis (PSIA) of economic policies has been put on the agenda of policy-making, these tools rarely are applied in the formulation of PRSPs, for example in the case of Ghana. Where analytical tools, such as Computable General Equilibrium (CGE) models have been developed, they are in some cases considered as being used by the BWI and the respective governments to sell already defined macro-economic policies. In the hands of civil society, such analytical tools could contribute significantly to increased participation in formulating country-specific policy alternatives and, thus, increase the level of ownership.

- In Honduras, the PRSP is perceived to start from a macro-economic framework that is imposed through the Poverty Reduction and Growth Facility (PRGF). According to the PRGF-philosophy thePRS should not affect this macro-economic framework. Hence, serious doubts were raised with regard to the ownership of macro-economic policies in the PRSP of Honduras.

Macroeconomic stabilization along with concentration on export sectors is at the centrepiece of macro-economic policies in most PRSPs. Although export revenues may play a central role with regard to a country’s potential to repay debt, the group’s perception was that macro-economic policies should focus on sectors that have a high poverty reduction potential. Policies that basically rely on a trickle-down approach with emphasis on agriculture alone were not considered likely to deliver sufficient pro-poor growth. It was claimed that industrial policies consistent with sustainable poverty reduction that influence the pattern and character of growth are needed.

**Recommendations for future PRS**

Macro-economic policy should be an integrated part of PRSPs and should go beyond macro-economic stabilization. The social and poverty impacts of macro-economic policies have to be taken into consideration and PRSPs have to aim at a pro-poor pattern of growth. Therefore, new concepts of industrial policies are needed, and respective support from the donor community is required. More ownership of PRSPs in particular with regard to
macroeconomic policies is necessary and governments and civil society should be assisted in acquiring the necessary analytical capacities to design country-specific policy options. This implies investment in better economic data and training in its use.

5.3.4 Institutional and legal framework

Challenges

It has been empirically shown that asset inequality has a stronger negative impact on growth than income inequality. Thus, improving the access of the poor to assets was considered by the working group as an important element of a strategy that aims at pro-poor growth.

Land is still one of the most important of these assets. A large part of the discussion, therefore, focused on the necessity and design of land reform. Land reform may be one of the most important challenges for pro-poor growth, but land redistribution should not have a negative impact on productivity.

Access to assets includes access to finance. An important challenge here is to link formal and informal financing, i.e. to overcome the separation of these two sectors that has taken place following the up rise of micro-finance.

State institutions as well have to be accessible to the poor. Institutional challenges include the establishment of an equitable “rule of law” and the creation of reliable property rights. Institutions should reduce the transaction costs for the private sector, with special focus on sectors and regions where the poor can benefit from these institutions. And in general, access of the poor to public services must be improved.

In order to achieve the institutional reforms needed, the poor need a stronger voice: Empowerment in the sense of enhancing the capacity of the poor to influence these institutions is required. Decentralization may be an important instrument to make state institutions accessible to the poor and more responsive to their needs. Corruption, which in general discriminates against the poor, has to be tackled.
Experiences and lessons learned

There is a wide range of institutional and legal arrangements, which can create an environment for pro-poor growth. The PRSPs emphasize different aspects of institutional reforms. Therefore, the following experiences can only give some hints to the importance of these reforms and the difficulties involved.

- As already mentioned above, the Vietnamese successes in poverty reduction were mainly based on high growth rates in the agricultural sector. In Vietnam, there is no private property, and farmers have only usage rights. Thus, high growth rates in the agricultural sector were achieved without privatization. The deregulation of the agricultural sector and trade played a decisive role as the Vietnamese agricultural sector went from plan to market. The competition introduced by liberalization led to the agricultural productivity ‘boost’.

- The importance of reliable and adequate legal arrangements for Small and Medium Enterprises (SMEs) was also evident in the Vietnamese case. In 2000, a new business law was introduced, which cut significantly the number of licenses required for economic activity. To give an example of the inadequacies of the former regulation: In order to set up a copy shop 84 licenses were required. Such regulatory systems give rise to corruption, so deregulation helps lowering corruption and its negative impact on the poor.

- In Ethiopia, a radical land reform in 1975 produced small farms with low productivity, thereby violating the prerequisite for successful land reform that productivity has to be maintained or enhanced.

- When the Kyrgyz Republic gained independence, the economy was dominated by large state-owned enterprises, which functioned as part of the Soviet economic system. Many people lost their jobs after the breakdown of this system. Throughout the 1990s the country experienced a growing importance of the informal sector, which is estimated to account for 58% of employment and 48% of GDP in 1999. An inappropriate tax system was mentioned as one factor that contributes to this phenome-
non. In general, institutional arrangements are required which provide an adequate framework for these typically small enterprises playing an increasingly important role in employment creation.

- In Honduras, the liberalization of the financial sector without a strong regulatory body has triggered banking failures and capital flight. This example highlights the importance of appropriate sequencing of reforms.

**Recommendations for future PRS**

PRPSs should promote better access to assets for the poor. Within the given national context land reform may be considered. Secure tenure rights may be important for successful poverty reduction. The integration of microfinance into commercial banking should be considered in order to end the situation of a financial market with two different standards.

Strategies for institutional and organizational development in order to empower the poor to use and influence institutions must be developed. This implies a process of democratization. The international community could help with the transmission of experiences and best practices.

Decentralization can be a promising way to make institutions more responsive to the needs of the poor. Nevertheless, one should be aware of the difficulties, which may arise if local structures are badly prepared. Again, the appropriate sequencing is of utmost importance.

Possibilities could be explored how the poor can become not only owners of land, but also of corporate wealth, especially in companies which use the products of the poor as inputs.

**5.3.5 Policies towards the productive sector**

**Challenges**

As already mentioned in the chapter on macro-economic policy, there was a consensus that policies towards the productive sector are necessary for successful and sustainable poverty reduction. An enabling environment for the productive sector must be established.
It has been recognized that pro-poor growth does not necessarily have to be labour-intensive. Rather a multi-sector approach for sustainable growth must be identified and appropriate sectoral policies be implemented, because such a multi-sector approach will not necessarily be reached by letting the market rule. For the definition of the specific sectors, comparative and dynamic comparative advantages should be identified. True diversification rather than fostering unsustainable specialization might be another guiding principle in finding such a multi-sector approach. The policies and the specialization pattern of competing countries must be taken into account in order to avoid duplication and the following decrease in world market prices.

Consequently, the state has to play an important role in achieving a pro-poor development pattern of the productive sector.

**Experiences and lessons learned**

In the course of the discussion about policies towards the productive sector, many experiences of developing economies were referred to, although the lessons learned and conclusions drawn differed significantly. These policy experiences include the successful industrial policies of some Asian economies and the less successful experiences of the Latin American import substitution programmes. It is though questionable how much these examples can tell about successful future strategies towards the productive sector, as development is path-dependent and the global economic environment is changing.

Nevertheless, there was strong agreement that the state has to play an active role in shaping the industrial structure of a country. Nowadays, the typical strategies towards the productive sector first focus on the agricultural sector fostering diversification. Second, often at a later stage, labour-intensive growth in the manufacturing sector is supposed to become the main source of economic growth. This is for example the approach that can be found in the Vietnam CPRGS. The example of Mauritania, which emphasizes diversification in agriculture, is presented below.
THE CASE OF MAURITANIA: PRIMARY SECTOR DIVERSIFICATION PLUS TOURISM
(BASED ON A CONTRIBUTION BY A MAURITANIAN PARTICIPANT OF THE WORKSHOP)

In Mauritania, it was felt that the 2000 PRSP did not sufficiently appreciate the importance of a strategic approach towards the productive sector. Therefore, a study was carried out that tried to identify the sectors to be promoted and devise a set of policies to create employment and achieve pro-poor growth. The key sectors are agriculture, livestock, fishery, and tourism.

In agriculture, the cultivation of rice plays a crucial role, as a World Bank project boosted productivity and made the Mauritanian rice internationally competitive. 33 percent of the investment budget of the state goes into this sub-sector. Beside rice production as a basic pillar of the agricultural strategy, diversification especially in fruit crops is pursued.

Livestock production belongs to the most important activities in Mauritania. Most livestock activities can be classified as informal. In this sector, a strategy of adding more value to the product in the country is followed. This means that not cattle, but meat will be exported. Additionally, diversification is fostered by exporting cheese and other dairy products, in particular to the EU.

Mauritania is a country rich in natural resources. Thus, the development of tourism is set out as a final component of the industrial strategy. Above all, airport and transport facilities need to be developed, i.e. tourism infrastructure needs to be built.

In Ethiopia the PRSP focuses on the agricultural sector but lacks an industrial policy for urban areas. As 85 percent of the Ethiopian population lives in rural areas, one might be tempted not to consider industrial policies an urgent issue. However, if one takes into consideration population growth and migration to urban areas, a policy that would create employment opportunities in the urban areas seems necessary.

In Bangladesh, high growth in agriculture did not have an impact on poverty reduction. A detailed analysis of the reasons would be helpful.

In many PRSPs, the export structures of neighbouring countries or countries with similar climatic conditions have not been considered, so countries compete in the same markets mostly for agricultural products, thereby affecting world market prices to their own disadvantage. The example of coffee was mentioned.
Recommendations for future PRS

A new, active role should be assigned to the state. Fulfilling this role as a 'developmentalist' state, authorities have to push industrial development. This can be achieved by setting incentives and through selective protection and targeted support for specific sectors on a temporary basis. In general, such policies should try to avoid anti-poor biases. For example, it should be made sure that tariff protection does not adversely affect the poor. Industrial strategies need to move from a one-sector to an integrated national strategy. An important prerequisite for this new approach to be successful is that there is no hostility of the state towards the private sector, which, according to the country experiences mentioned in the working group, is still the case in some countries. Investment in infrastructure is an important element of a pro-poor industrial policy, especially in order to reduce rural poverty. And a robust financial sector that supports the productive sector is required.

5.3.6 Budget policy

Challenges

One challenge is the full integration of the budget process in the PRSPs. Quite often the PRSPs include only part of the total public investment programme, which may lead to distortions. HIPC countries sometimes include only HIPC funds. On the expenditure side total social spending always is included, but sometimes not at the appropriate detailed level. A means to make spending more pro-poor may be decentralization. The whole budget planning process within central and local government should take the PRS into account. On the tax side, the important task is to include a progressive element in the tax structure, even if weak institutions make collection of income tax difficult. Corruption and tax evasion, both phenomena that discriminate against the poor, have to be tackled.

Although there is wide agreement that budget policies must be sustainable, there was a discussion about the 'right' deficit target. Probably it depends on the country, and the BWI should take country-specific conditions into account.
Experiences and lessons learned

Several participants of the working group pointed out that budget policies in their respective countries do not always reflect the priorities and objectives set out in the PRSPs. The allocation of resources to the social sectors is often insufficient. And typically the pattern of public investment in the productive sectors has no explicit pro-poor orientation. Effective revenue collection is a serious problem in most PRSP countries. Indirect taxes have a higher revenue raising potential but may be regressive, depending on its construction, thus favouring the rich. Tax evasion and corruption have been reported to be a major problem in most countries.

- In the Kyrgyz Republic, a major problem is the lack of analyses that link the allocation of public resources in the productive and the social sectors to poverty reduction. Especially relating to public investment in the productive sector, these links are unclear, and the lack of objective criteria for budgeting decisions makes these decisions rather arbitrary. The Kyrgyz Republic is an interesting case with regard to decentralization. Under the assistance of different donors, capacities of local governments were enhanced. Donor reports concluded that these capacity building efforts had been successful, so that those institutions were prepared to assume responsibilities at the local level. The already existent local capacity could not assume its role since a conservative budget policy did not assign sufficient resources to the local authorities. Different from other countries, local governments did have the capacity, but not the money. This example shows the technical and political complexities involved in budgetary processes.

- Difficulties in decentralization were also reported from Ghana. In the GPRS, decentralization is a central reform element. But decentralization, which by definition is a bottom-up approach, is implemented top-down. This means that local authorities have to align their policies to the GPRS, which was centrally designed.
GHANA: THE CRITIQUE OF CSOs
(BASED ON A CONTRIBUTION BY VITUS AZEEM, ISODEC, GHANA)

This is what Ghanaian Civil Society Organizations expect from the government if it is committed to poverty reduction:

- Level, composition and efficiency of spending in social sector spending must reflect commitment to poverty reduction – more resources should be shifted away from military and administration to education and health.
- More spending on rural infrastructure – open up farming areas and markets for rural folks, increase access to education and health, etc.
- The geographical distribution of spending should reflect the local needs for social protection and the potential for growth.
- There is a need to assess impacts, options and trade-offs involved in choices.

Some of the future challenges:

- Political will to fulfil expenditure commitments in poverty strategies.
- Debt servicing involves huge resources – HIPC debt relief not adequate.
- A major problem in social sector spending is inefficiency and public accountability.

- In the Kyrgyz Republic, the increasing share of informal enterprises contributes to the erosion of the tax base. Taxes are collected from roughly only 200 enterprises. In Ghana, bribery and corruption were reported to be important causes of poor tax collection performance.

Recommendations for future PRS

In order to increase the transparency of the budget process the systems of monitoring and evaluation of the process should be improved. Technical assistance can be helpful in this respect. Better monitoring systems moreover are a condition for effective public accountability. The rights of CSOs for information should be enhanced in order to make this process viable. Budget policies of course must be sustainable. Therefore, systems of expenditure and tax revenue forecasting should be implemented or improved. More flexible deficit targets should be defined, thereby allowing more ownership of budget policies.
The impact of public expenditure on the poor has to be analyzed for all policies and not only for the classical social expenditure. Need assessments should be conducted at local level within a process of decentralization of expenditure decisions. Budget policies should be based on thorough assessments and analyses. On the revenue side, a gradual shift of emphasis from indirect to direct taxes might be needed.
5.4 Gender equality

5.4.1 Introduction

Reviews of some PRSP processes have clearly shown that gender aspects were underrepresented in existing policies and strategies. Other donors, including the World Bank, share this view. As German development policies seek to consistently integrate gender concerns in poverty reduction strategies, the organizers of the PRSP Conference in Berlin decided to form an independent working group to deal with the topic. Moreover, the gender team facilitated discussion on gender aspects in all working groups which where formed during the conference.

This report summarizes the results obtained from discussions and consultations, which took place in both the Gender Working Group as well as the other working groups. The Gender Working Group also dealt with AIDS / HIV issues as crosscutting and multi-sectoral themes. The results of these discussions are presented in detail in a separate chapter.

As gender aspects up to date have only played a minor role in international PRSP debates, the Gender Working Group prepared some examples of good practices regarding the integration of gender concerns into the process of PRSP formulation and implementation. Further, resource persons who have gained experience with PRSP processes in several countries were temporarily delegated to the various working groups and guiding questions were prepared to provide an orientation for moderators. The resource persons presented their case studies, which were analyzed in order that participants would achieve a common understanding on the rationale for and implications of incorporating gender in PRSPs. Discussions focussed on evaluating past approaches and on what lessons can be drawn. The participants also considered problems of implementing gender-sensitive policies and offered pertinent recommendations.

Discussions on the issue were guided by the following key questions:

- To what extent are sustainable poverty reduction and gender equality inter-dependent?
• Why are empowerment strategies critical to conceptualize the gender perspective?

• How could a gender approach be consistently integrated throughout the PRS process?

• Which instruments are available to support gender equality during the implementation of PRS (e.g. gender sensitive budgeting)?

• What kind of relationships exists between gender, poverty and AIDS and what are the implications for PRSPs?

5.4.2 Relevance of the issue and main challenges

Poverty is not gender-neutral. Women are largely over-represented amongst the world’s poor and gender discrimination in the access to and control over resources is widely acknowledged as an important cause of poverty in the international arena. Unfavourable structural frameworks at the macro-level not only have implications for the welfare of individual women, but also result in high economic and social costs. Research compellingly correlates greater gender equality with faster poverty reduction and higher economic growth.

Despite these findings, most PRSPs have failed to integrate gender strategies and action plans which were developed in many countries in the aftermath of the World Conference on Women in Beijing. In most Interim and Full-PRSPs, gender equality was found to be superficially handled. Quite a number of reviews of the PRSP process such as the PRSP-Review-Conference in Washington D.C. at the beginning of 2002, a World Bank evaluation of Interim- and Full-PRSPs in spring 2001, Gender in PRSPs: A Stocktaking (World Bank, 2001) also concluded that gender was poorly integrated. Other donor organizations that commented on PRSPs from a gender perspective presented country specific case studies, which provided remarkable evidence that gender aspects were missing in PRSPs.

Such weaknesses have been chiefly ascribed to the fact that a Women in Development (WID) approach was followed by most countries which tended to neglect strategic women’s needs. Mainstreaming gender at the three
levels of policy formulation, the process of preparing the PRSPs and the implementation of strategies remain major challenges.

The policy

In most partner countries, women's affairs policies have been institutionalized and resulted in the establishment of government agencies or offices for women's affairs. These institutions often produced clear statements on equality issues. Analysis of PRSPs, however, reveals that most papers are far behind official statements and fall short of reflecting the public debate on gender.

Donors have demonstrated strong commitment to gender mainstreaming within their poverty reduction policies. The World Bank's Policy Research Report "Engendering Development" (The World Bank, 2001) and the PRSP Sourcebook with a comprehensive chapter on how to mainstream gender in PRSPs (The World Bank, 2002) consistently stress the importance of mainstreaming gender.

The German Government has committed itself to the objective of poverty reduction through the Program of Action 2015, which explicitly stresses the need for promoting gender equality to achieve this overriding goal. In her opening speech to the PRSP-Conference in Berlin the German Minister for Economic Co-operation and Development, Heidemarie Wieczorek-Zeul, emphasized the importance of strengthening the development potential of women through PRSPs.

The process

During the PRSP preparatory stage discussion and consultation took place at various levels. Civil society organizations (CSOs) and governments in many countries undertook considerable effort to ensure that participatory processes were gender inclusive. Some countries restricted participation to a few government-recognized non governmental organizations (NGOs). Assessing the extent to which women, women's organizations, national women's machineries and gender experts have been included in the PRSP process has been difficult because PRSPs rarely mention who has become involved.
The paper

Only few PRSPs to date have mainstreamed gender through a Gender and Development (GAD) approach. A positive example is Rwanda where gender was consistently considered, with only a few gaps. Most papers refer to WID, with a bias towards describing “women’s problems” in isolation from larger sector concerns. Most commonly, the PRSPs analyzed did not systematically address gender concerns as a cross cutting theme of significance to all sectors.

5.4.3 Critical analysis of experiences based on country examples

There was consensus among the participants of the Gender Working Group that PRSPs have widely failed to mainstream gender.

Hence, the focus of discussion remained on analyzing the underlying causes for the lack of attention to the topic. Major constraints to mainstreaming gender in PRSPs have been identified at three levels:

The policy

- **WID versus GAD approach.** The majority of PRSPs produced to date follow a WID approach. Women’s issues are considered in isolation, such as low school attendance of girls or women’s reproductive health problems. Women are often not conceptualized as actors who have specific needs and interests, but rather as a homogeneous group of vulnerable persons. This inevitably leads to a basic needs approach at the expense of strategies aimed at empowering women. Gender imbalances are not analyzed in the context of political and legal frameworks, which often reinforce unequal relationships between men and women. Qualitative differences of practical needs and strategic interests of women and men and the degree to which they are affected by poverty often remain unconsidered.

- **Commitment to gender.** The lack of commitment to gender issues by decision makers and macro-economists was found to be an important cause of poorly engendered PRSPs. Politicians are often not sufficiently
aware of the relation between gender equality and poverty eradication. Mostly, they have a gender-neutral perspective of development issues. In Rwanda, the political will of the Government was a major precondition for initiating a series of deliberate steps, which led to the most gender specific PRSP to date. In Honduras, the Ministry of Finance has adopted the gender topic, but appears to have difficulties in linking gender issues and macro-economics.

- **Macro-economics.** The participants of the working group observed that the macro-economic frameworks that form the core of national poverty reduction strategies are usually analyzed in gender-neutral terms. Macro-economic models do not address gender imbalances in the access to and control over resources and the effects of unequal relationships on the overall economic output. In particular, the fact that women continue to take responsibility for the major share of unpaid reproductive work required to ensure the family’s survival is not considered in macro-economic models.

- The **Gender Chapter of the World Bank’s PRSP Source Book** stands in isolation of other sections of the Source Book. It strongly recommends diagnostic and monitoring tools and gender differentiated indicators but is not very practical. Moreover, the Source Book falls short to address the need for gender advocacy and barely mentions the need for gender analysis at macroeconomic level including the screening of national budgets that is central to PRSP.

**EXAMPLE OF GOOD PRACTICE: FOWODE’S GENDER BUDGETING PROJECT, UGANDA**

The Forum for Women in Democracy (FOWODE) in Uganda started a gender budgeting project at both national and local government levels with the ultimate goal to institutionalize gender sensitive budgeting as an integral part of the government’s budgeting process. The model for FOWODE’s project is to build partnerships among the civil society, the politicians and the state bureaucrats. The project has contributed to strengthening capacities of politicians and government planners to incorporate gender concerns into the budget. Gender sensitive budgeting is also used to question government’s macro-economic policies and the poverty reduction framework. This has been most effective at the district level.
The process

- *Gender analysis and data.* There were only few countries using gender analysis and gender differentiated data as a tool in their poverty diagnosis. This tool allows one to examine the access and control of men and women over resources, men’s and women’s differing development needs and preferences, different time uses and different impacts of development interventions on women and men. Typically, generic household consumption and welfare data, which do not disaggregate intra-household income and resource allocation, are applied. Gender differentiated data are not always available, but even where they are, the use of the data is often not effective. In many cases analysts fail to combine quantitative and qualitative methods of data collection.

- *Causes of poverty.* In general, poverty diagnoses lack the analysis of the underlying causes of poverty or fail to follow gender-specific lines. Without a detailed reflection of the causes of poverty, a consistent strategy of poverty alleviation cannot be drawn up.

- *Multi-sectoral issues.* Even if PRS-processes deal with selected multi-sectoral issues, analyses of the different topics are usually not inter-connected. Mozambique, however, provided a good example of linking gender and HIV / AIDS-analysis.

- *Participation of women.* In many PRSP-countries the number of women participating in the rounds of expert consultations is pleasingly high. However, participation of women does not necessarily mean that gender concerns are well represented (e.g. Ghana). In addition, it needs to be emphasized that gender is not a “women’s affair” but a societal issue, which needs to be dealt with by both, men and women.

- *Women’s organizations / voices are weak.* Even where women’s groups are consulted their participation in decision-making at government, civil society and even grassroots levels remains limited. There is a general lack of lobbying and advocacy for gender. Women’s organizations feel excluded from macro-economic debates central to PRSPs (e.g. Kenya).
EXAMPLES OF GOOD PRACTICES: PRS-PROCESSES IN KENYA AND UGANDA

Kenya's PRS-process has been reported to be one of the most extensive consultative processes that the country has undergone since independence. A Gender Thematic Group was created which became a powerful instrument for lobbying and integrating gender in all the committees and sector working groups that were brought into the process. Appropriate facilitators ensured that women and women's organizations received sufficient space and time to express their views. However, the process revealed the weakness of CSOs in effectively organizing and influencing such a complex and rapidly evolving policy-making process within such a short period (Nov.2000 - May 2001). Particularly women NGOs lacked the capacity to analyze the macro-economic framework in the context of poverty, gender, structural adjustment, trade and investment agreements. As a consequence, FEMNET, supported by GTZ, is about to implement measures on capacity building for gender responsive budgeting as well as lobbying for engendered macro-economic planning.

Ugandan women's groups played a key role in the gender-aware Ugandan Participatory Poverty Assessment Programme (UPPAP). Poor segments of the population as well as women were consulted to ensure that their voices would be integrated into the national planning process. The programme included gender training and methods to collect gender-disaggregated data; it also convened women's focus groups to overcome women's reluctance to speak publicly. However, when it came to synthesizing this process during a national workshop, the dimension of gender was diminished. Previously disaggregated data was aggregated, thus obscuring gender differences and inequalities.

- **Information.** Dissemination of information on gender and PRSP by politicians and the media to the public is insufficient; it is not a topic of the political debate.

- **Use of technical language.** The technical language used by government administrators and macro-economists is difficult to understand by other stakeholders. As a consequence, many social groups and grassroots NGOs tend to be left out of the process (for example, a case in Bolivia).

**The paper**

- **Gender as a crosscutting issue.** Often, concepts of gender do not acknowledge the crosscutting nature of the issue. There is a lack of skills on how to implement the Gender Mainstreaming approach; sometimes
all PRSPs that were analyzed handled the topic in a separate chapter where women, among other marginalized groups, are considered a vulnerable group that needs specific assistance in social areas. Women's needs in productive sectors tend to be addressed in line with stereotyped gender roles (e.g. PRSPs of Nicaragua and Benin). Ideas of ensuring equal rights in the political (representation), economic (property rights, dismantling labour-market discrimination), or in the family and household spheres (divorce, inheritance rights) have rarely found their way into the papers.

- **Writing teams.** Even gender sensitive participatory processes did not result in integrated PRS-papers because of the separation of those who participated in consultations from the writing teams. PRSP writers have scarcely integrated participatory inputs into the PRSPs. This may be due to a lack of commitment to take citizen's inputs into account. The reluctance to mainstream gender may also be reinforced by cultural perceptions (in Ghana, Participatory Poverty Assessments took account of gender specific views and helped to generate a broader definition of poverty which, however, did not become a part of the PRSP).

- **Indicators and monitoring process.** The indicators used for poverty diagnosis and monitoring generally lack sufficient gender differentiation except for the fields of basic education and health care. Gender specific targets for defining improvements in the economic and legal situation of women are hardly found. As a result of the lack of empowerment indicators, gender specific monitoring and evaluation has been chronically inadequate in PRSPs.

- **Time pressure.** The timeframe usually set for the elaboration of the PRSP is far too short. As PRSPs are linked to debt relief opportunities, most governments hurried through the process. Poverty assessments and nation-wide participatory processes that include poor women and men themselves are simply not possible within the set time frame. In addition, due to time constraints, the writing teams often lack personnel.
EXAMPLE OF GOOD PRACTICE: GENDER MAINSTREAMING IN PRSP, RWANDA

Gender is mainstreamed with only a few exceptions. The Rwandan Ministry of Gender and Promotion of Women assisted the sector ministries by providing the gender know-how as needed. Poverty, water, education, HIV/AIDS and other sections underwent sound gender analyses. Poverty indicators for monitoring require that gender-disaggregated data are available. Gender sensitive participatory processes are analyzed creatively and usefully. An external gender expert supported the Rwandan Ministry of Economics and Finance and the PRSP writing team.

5.4.4 Lessons learned and open questions

Analysis of experiences gained from different countries (e.g. Kenya, Ghana, Uganda, Senegal, Bolivia, Honduras and Yemen) resulted in two major outputs:

a) Lines of argumentation were developed in order to convince major stakeholders of the advantages of integrating gender equality into poverty reduction strategies and

b) Seven clusters of recommendations dealing with relevant practical support areas were formulated.

Arguments

As the majority of policy makers are men, both in the partner countries and within donor organizations, four arguments were thought of being critical to convince policy makers of the importance of incorporating gender into PRSPs.

- **Efficiency**: Women are not a vulnerable group to be targeted by isolated social measures. They are actors who contribute to the welfare of the society through their productive and reproductive capacities. Removing gender-specific barriers to women’s productivity provide the basis for poverty reduction strategy to become efficient and effective.

- **Win-win situation, e.g. gains also on the male side of society**: The participation of women in the political, social and economic realm and a marked shift in the relationship between women and men will lead to
economic gains. More respectful partnerships, which may in turn enhance the family, social, education and human rights situation of a country as a whole give rise to a different culture and prepares the ground for a more peaceful world.

- **Gender relations and society**: Gender inequality and its relevance for the relations between men and women have repercussions on society as a whole. Although women tend to specialize in the work fields related to gender equality and gender mainstreaming, it is a big misunderstanding to think that gender should be a women’s problem only. It is a questionable approach to leave the workload, the advocacy, the argumentation, the training and all the support to women alone. Unless gender teams work in favour of greater gender equality and unless there is openness, support and solidarity from the male side, the subject will in many cases not reach the male side of society. To address gender inequality requires reforms of society as a whole, it is not just a woman’s affair.

- **Governance / Democratization**: Not every female politician is a good women’s advocate. However, in the absence of women politicians female perspectives may be lost. Good governance e.g. accountability, transparency, decentralization and a fair and just society can neither be put in place nor function without giving women their just representation in society, at all levels, in all organizational structures, both in government and in the civil society.

**Recommendations**

During the two days group work participants came up with seven clusters of recommendations:

1. **Engendering macro-economics**: Women’s reproductive work (“care economy”) should be included in economic analyses. This includes gender analyses of budgets and expenditure reviews, and creating pro-poor growth models with a gender perspective.
Capacity building: Many country representatives underlined the need to train experts of the government machinery and members of the civil society in both macroeconomics and gender expertise.

Communication / Information / Dissemination: Action should be taken to enhance information and communication with regard to the macro-economic outlines of poverty reduction strategies. This would entail breaking down macro-economic data and figures; translate plans and reviews into an easy language for people (women and men) and to sensitize / inform political actors accordingly. A major focus should be on Ministries of Economics and Finance. Also, donors’ gender guidelines or handbooks should be more legible and applicable; donors’ official information media related to PRSP should become more gender aware. Finally, special efforts should be undertaken to publish good practices, including practical tools such as gender budgeting of countries where gender has been successfully incorporated into the PRS-process and the paper.

Attitudinal change: Guidelines should be issued to support discussion with decision-makers and enhance attitudinal change in both partner countries’ governments and donors’ organizations, where cultural biases to gender issues prevail.

Participation and coordination from a gender perspective: The fact that gender specific data are not reflected in budgets shows the difficulty of translating these data at every stage into policy frameworks and implementation processes. The participants argued that gender experts should support PRSP teams at all stages of the process. Inter-sector as well as donor coordination need to be enhanced to ensure that gender becomes a priority concern, which is reflected in all sectoral policies as well as in multi-sectoral programmes.

Political framework: The link between gender, legal reform and human rights approaches need to be more pronounced in public debates.

Gender data / analysis: Gender specific data are not yet fully used for poverty assessment, activity plans and monitoring systems. Reflection of
gender specific information in the PRSP framework should therefore be
strongly requested. Closely linked is the request to use gender analysis
and combine quantitative and qualitative methods.

Open questions

One major question remained open: How best can gender be mainstreamed
during a conference discussing certain thematic aspects of PRSP? Even
this Conference in Berlin has shown that systematic gender mainstreaming
is difficult for organizers, moderators or participants. Thematic working
groups (Participation, Poverty Analysis / Monitoring, Sustainable Develop-
ment and Pro-Poor Growth) dealt with gender aspects only in sketchy
terms. Yet conclusions similar to those of the Gender Working Group were
drawn (e.g. introduction of gender specific indicators and data, capacity
building for gender-specific poverty analysis and translation of such data
into budgets).

5.4.5 Prioritized recommendations for future co-operation

The participants of the conference were asked to rank certain recommenda-
tions. The recommendations concerning Engendering Macro-economics,
Capacity-Building and Communication / Information / Dissemination were
given priority. Further, HIV / AIDS and its interlinkage to poverty and gender
were also ranked highly.

Engendering macro-economics

- Applying a gender framework in macro-economic analyses does not only
mean disaggregating data by gender, but should ensure that macro-
ecconomic analyses include non-remunerated work, which is predomi-
nantly done by girls and women. New macro-economic models are
needed which include these categories.

- Participants showed great interest in gender-sensitive budgeting and
relevant initiatives of some partner countries; relevant expertise was built
up and made available in the PRSP context in Uganda, Tanzania and
also South Africa. Such expertise needs further promotion.
In cases where PRSPs underwent amendment, gender aspects of budgets ultimately disappeared. Gender-sensitive budgeting therefore needs to be fed back periodically at all stages of formulation of PRSPs which takes place every three years.

Gender-sensitive public expenditure reviews and gender-sensitive expenditure tracking are still absent and need to be introduced. Despite of difficulties in the process of designing pro-poor growth strategies as acknowledged in the group work, some best practices of gender-sensitive PRSP could be presented and discussed (Rwanda, Uganda); there was an unanimous feeling among participants that a gender-sensitive pro-poor growth model needs to be developed.

**Capacity building**

- Among the civil society organizations, women CSOs need to be more involved in the consultation process.
- CSOs need capacity building in order to be in a better position to follow the process of developing, implementing and monitoring poverty reduction strategies.
- CSOs need training in economic literacy, which is generally poor.
- Decision-makers often lack knowledge and professionalism in dealing with gender concerns. Appropriate gender training could support sensitization and greater awareness.
- Collection and handling of sex-disaggregated data was found to be a first and foremost condition for engendering the PRSP process. That data which is seldom disaggregated is a major setback for national bureaus of statistics that need capacity building.
- The gender machinery, e.g. the gender trainers, advocacy organizations, the focal points etc., also need to be strengthen, mainly in coordination and organizational matters as well as in the formulation of PRSP. Special funding will be needed to enable this.
<table>
<thead>
<tr>
<th>Recommendations</th>
<th>What can governments do?</th>
<th>What can CSOs do?</th>
<th>What can donors do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3) Support training in economic literacy for CSOs</td>
<td>Facilitate Support / fund</td>
<td>Acquire knowledge</td>
<td>Fund / support training</td>
</tr>
<tr>
<td>(4) Support gender awareness training for economists and legislative decision-makers</td>
<td>Adopt greater sensitivity and understanding for gender concerns Organize gender awareness training</td>
<td>Provide training, if capacities are available</td>
<td>Fund / support training</td>
</tr>
<tr>
<td>(5) Support capacity building of national bureaus of statistics</td>
<td>Organize training</td>
<td>Possibly benefit from training</td>
<td>Fund / support training</td>
</tr>
</tbody>
</table>

**COMMUNICATION / INFORMATION / DISSEMINATION**

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>What can governments do?</th>
<th>What can CSOs do?</th>
<th>What can donors do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Strengthen the gender awareness machinery</td>
<td>Facilitate</td>
<td>Support experience sharing, interaction among each other, provide information/ coordination</td>
<td>Fund / support capacity building in many respects</td>
</tr>
<tr>
<td>(2) Engender all published information on poverty reduction</td>
<td>Screen own official communication and incorporate gender sensitivity</td>
<td>Lobby Screen own publications</td>
<td>Screen own official communications and incorporate gender sensitivity</td>
</tr>
<tr>
<td>(3) Support translation of economic budgets (and analyses) into peoples' language</td>
<td>Facilitate or out-source</td>
<td>Be actively involved Organize forums Publish easy to read booklets</td>
<td>Support / fund publications and / or workshops etc.</td>
</tr>
</tbody>
</table>
5.4.6 Final conclusions – implications for action and future cooperation between partner countries and donor organizations

PRS processes are still fairly new for both partner countries and the international donor community. Based on the experiences shared in the Gender Working Group, the following conclusions were drawn:

In the partner countries

- Government decision-makers need to be more sensitive to gender concerns and to mainstreaming gender.

- Government employees need to receive assistance to become more proficient in handling gender-sensitive data right from the poverty analysis to the translation of these data into policies and strategies and beyond this into the implementation process, including monitoring and expenditure reviewing.
• Within governmental structures more training and provision of gender expertise in all the sectoral teams and on decision-making levels for PRSPs is needed to give poverty the proper gender dimension which it deserves. Legal aspects and human rights need to be incorporated into the overall framework of PRSPs.

• Governments should facilitate and encourage the participation of CSOs and among them gender expert organizations in the whole PRSP process. They should interlink with these organizations and support their attempts to understand and translate budget frameworks into people’s language. They should also respond favourably to their lobbying for gender aspects and engage their gender expertise, if available.

• CSOs should build up their expertise in gender aware economics, liase with the population groups involved in PRSPs, inform, train, lobby and inter-liase in order to build internal capacities.

• CSOs should also offer their services for gender training to government institutions.

In the donor organizations

• Donors need to build up gender mainstreaming capacities. They should review their publications for strong adherence to gender equality goals and improve gender guidelines for easy understanding and application.

• Donors should encourage, support and fund a variety of activities, mainly in the fields of capacity building and information/dissemination in the partner countries, in order to support better engendering of governments’ PRSPs through interaction with CSOs.
5.5 Sustainability

The working group consisted of eight country representatives: Pakistan, Albania, Vietnam, Mongolia, Senegal, Ghana, Uganda (partly), Tunisia (partly), who contributed with their experiences in PRSP-processes and sustainability. Additionally, one member of an international research institution participated as an expert in the field of sustainable development.

5.5.1 What is the problem? How is sustainability interrelated with poverty?

In the first session the group discussed the interrelation between poverty and sustainability. It was agreed that both issues can not be separated from each other and that sustainability needs to be understood in a broad sense. Therefore, sustainability does not exclusively refer to environmental issues, but also to social/human development, institutions, processes etc. Sustainability is a fundamental factor for the success of PRSPs and should be an integral part of any poverty reduction efforts.

As consequences of not considering sustainability issues in poverty reduction strategies, examples for mid-term and long-term negative impacts were identified:

- A lack of integration of PRSPs with other national strategies and policies leads to overlaps and duplication and therefore to increased costs;
- the lack of prioritization and coherent development strategies reinforces sectoral territoriality: different strategies pull in different directions, cause confusion and competition for (limited) financial resources and influence;
- some critical issues get lost in the gaps;
- a common consequence is the fatigue over participation in different strategies and a low ownership of PRSP on the side of actors involved in other strategies.