



THE AFRICAN CAPACITY
BUILDING FOUNDATION

Capacity Issues in the Formulation and
Implementation of the Next Generation of
Poverty Reduction Strategy Papers

*Mike I. Obadan and
Sylvanus Ikhide*

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Mike I. Obadan and Sylvanus Ikhide¹

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LIST OF ABBREVIATIONS

PRSP	-	Poverty Reduction Strategy Paper
UNCTAD	-	United Nations Conference on Trade and Development
AERC	-	African Economic Research Consortium
UNU	-	United Nation's University
HIPC	-	Heavily Indebted Poor Countries
SAP	-	Structural Adjustment Programme
IMF	-	International Monetary Fund
BWI	-	Bretton Woods Institutions
MDGs	-	Millennium Development Goals
PRS	-	Poverty Reduction Strategy
UN-ECA	-	United Nations Economic Commission for Africa
ACBF	-	African Capacity Building Foundation
I-PRSP	-	Interim Poverty Reduction Strategy Paper
IDA	-	International Development Association
IMF	-	International Monetary Fund
APR	-	Annual Progress Report
GPRS	-	Ghana Poverty Reduction Strategy
HDI	-	Human Development Index
UNDP	-	United Nation's Development Programme
SSA	-	Sub-Saharan Africa
GLSS	-	Ghana Living Standards Survey
CEDAW	-	Convention in the Elimination of All Forms of Discrimination against Women
OVC	-	Orphaned and Vulnerable Children
RBM	-	Roll Back Malaria
MTEF	-	Medium-Term Expenditure Framework
CDF	-	Common Development Fund
NGOs	-	Non-Governmental Organisations
CBOs	-	Community-Based Organisations

CSOs	-	Civil Society Organisations
CDCs	-	Community Development Committees
LICUS	-	Low-Income Countries under Stress
PSIA	-	Poverty and Social Impact Analysis
PEM	-	Public Expenditure Management
NCDP	-	Ghana's National Commission on Development Planning
DFID	-	United Kingdom's Department for International Development
ISSER	-	Institute of Social and Statistical Research (Ghana)
PACT	-	Partnership for African Capacity Building

EXECUTIVE SUMMARY

Although economic growth is widely acknowledged to be crucial for poverty reduction and for sustaining development, efforts aimed at tackling these challenges in Africa did not, for a long time, yield the desired results. The decade of the 1980s was thus deemed a lost decade for Africa despite the plethora of development initiatives and a sea-change in the policy landscape. In recent years, however, Africa's growth performance has improved significantly, though shy of the 7 – 8 per cent required to halve poverty by 2015. With Africa's low economic performance over the three decades to 2000, it is hardly surprising that it remains the poorest continent in the world. Sub-Saharan Africa has the highest poverty incidence in relation to the other regions in the world (41.1% in 2004 compared to 9.0% for East Asia and Pacific and 8.6% for Latin America and Caribbean). It was against this background that the Bretton Woods Institutions (World Bank and IMF) introduced the Poverty Reduction Strategy Paper (PRSP) in 1999 as the fundamental principle for both their loan policies and the extension of debt relief to heavily indebted poor countries (HIPC).

A PRSP describes the macroeconomic, structural and social policies and programmes that a country is expected to pursue over several years to promote broad-based growth and reduce poverty. It provides access to World Bank and IMF concessional lending and debt relief under the HIPC initiative. An IMF fact-sheet revealed that by the end of 2005, a number of countries had completed preliminary or 'interim' PRSP. Generally, country experiences across the first set of PRSPs have varied with regard to process and content. Such experiences also show that adequate capacity has continued to be one of the missing links in implementation of PRSPs. This study seeks to review the implementation of the first-generation PRSPs to distill and prioritise capacity issues that should be addressed in order to improve the formulation and implementation of the next generation of growth-oriented PRSPs. Four case studies have been selected for the inquiry — namely, Lesotho, Mali, Rwanda and Ghana — with occasional occasional reference to some additional countries and the broader literature for further or sharper illustration.

Content of the First Generation PRSPs

The issues focused in the PRSP tend to be common although variation may occur in terms of coverage and emphasis. All the four focus countries tended to reflect unsatisfactory

poverty and human indicators. At the outset of the PRSP in Lesotho in 2001, the majority of Basotho lived in deep poverty (65.0% incidence), compounded by high inequality (a Gini coefficient of 0.506) and generally low human development indicators — as manifested by a low 0.40 on the Human Development Index (HDI). And similarly for Rwanda. In Mali 64.2 per cent of the population lived in poverty while the HDI was slightly higher at 0.55. Ghana was relatively better than the other countries, save for bearing the highest inequality with a Gini coefficient of 0.67.

Accordingly, the PRSP processes in the sample countries were anchored on sectoral strategies and programmes that simultaneously focused on economic growth and poverty reduction. Strategies entailing institutional development programmes, infrastructure development, human capital development, rural development and agricultural modernization, enhanced social services, and private sector development, among others, were applied to varying degrees. In Mali, for example, out of the 167 projects cost-ed for implementation in the CSLP in 2002, 40 per cent (by resource allocation) were in the health sector, 24 per cent in agricultural development, 16 per cent in education, and 5 per cent in macroeconomic reforms and management. Infrastructure and institutional development received fairly sizable attention in the country programmes. In Ghana, with the aid of HIPC savings, poverty was to be tackled through greater investments in health, education, safe water and sanitation.

The PRSP recognizes that poverty has a gender dimension. Accordingly, in the sample countries, a number of measures were adopted to tackle gender-related poverty. The specific programmes targeted at poor women included development of local skills in aid of self-employment activities, support for working women, provision of training and support for female micro-entrepreneurs, preventing violence against women, etc. PRSPs also recognize that poverty has a symbiotic relationship with HIV/AIDS: Aids induces and deepens poverty while the combined effects of poverty and inequality render people vulnerable to HIV/AIDS infection and less able to cope with its consequences. As a result, efforts were made in the first generation PRSPs to mainstream HIV/AIDS into countries' poverty reduction programmes to ensure buy-in from all stakeholders. Thus, for example, the Government of Rwanda developed a proposal for a national strategy for multi-sectoral

interventions against the very high HIV/AIDS prevalence (11.2%) in many spheres. Also, in Lesotho, in order to meet the goal of reducing HIV prevalence from 32 per cent in 2002 to 25 per cent in 2007, the HIV/AIDS thematic group recommended eight strategies and many interventions for inclusion in the PRSP. In the same way, Ghana strived to keep the HIV/AIDS prevalence rate below 5.0 percent with measures aimed at reducing new transmission, reducing the impact of the disease, and enhancing the coordination and management of the national HIV/AIDS response.

Particularly since the Paris Declaration of March 2005, donors have increasingly become much more firmly engaged in the PRSP process, with a majority of them having formal guidance relating to the PRSP. However, the most challenging task in the PRSP is how to channel donor support into the main frame of government budget for the realization of the poverty reduction objective. While the governments prefer to receive resources on the most flexible terms, in terms of budget support, donors prefer project support. Thus, against the backdrop of relatively haphazard donor aid coordination and poor integration into national economic management, there is still the need for donors to align their commitments to be in line with the government budget.

Citizen or stakeholder participation is one of the hallmarks of the PRSP process. Communities and other stakeholders are expected to play a complementary role to government in the PRSP process. But the degree of participation has tended to vary across countries. For example, evaluators have described the participatory process in Mali as grassroots oriented and satisfactory, deriving from the country's long tradition in involving the citizenry in the country's governance process. Quite to the contrary, some reservations have been raised regarding the quality of the participation in Lesotho, particularly the poor representation of the private sector during the early stages of the process, and the increasing signs of 'participation fatigue' for some stakeholder groups. In Rwanda, NGOs and CSOs were actively and successfully mobilized for the PRSP process, though concerns have been expressed about the limited role of the parliament in the process. It was felt that as the elected representatives of the people, parliament's role should be much more felt.

Achievements and Constraints of the First Generation PRSPs

The experience in many African countries with the first generation PRSPs suggests that the approach has made important progress in key areas. The PRSP approach has contributed to the significant improvement in documenting the multi-dimensional nature of poverty. It has also contributed to a much stronger focus on poverty alleviation inside government and in the political discourse more generally. Moreover, the participatory process has expanded considerably to include NGOs, CSOs and in some cases the private sector. The PRSP process has also helped focus attention on donor alignment and harmonization both internationally and at the country level. The increased pro-poor spending under the PRSP approach is another notable achievement: Available data in many of the countries that have implemented the PRSP show that annual expenditure on the social sectors as a percentage of GDP was higher *with* the PRSP compared to the same variable in the previous (SAP) era. However as and when data on poverty trends and access to social services become available, it would be instructive to assess the effectiveness of such spending.

In spite of the remarkable gains from the first generation PRSPs noted above, a number of outstanding challenges remain to be redressed in order to enhance the efficacy of PRSPs vis-à-vis growth and poverty reduction. One has to do with how to get sector line ministries and local/municipal governments to be actively engaged in the PRSP process. A second major area of challenge has to do with how to improve the operational links between the PRSP and budgets and budget outcomes. Often, there has been a missing conceptual link between the stated PRSP targets and the interventions necessary to provide public services, on the one hand, and the allocation of resources on the other. Thirdly, there is the challenge of integrating the social and productive sectors of the economy backed by sound analysis of sources of growth. Fourthly, although the participatory process in many countries has improved considerably, much still need to be done. Finally, perhaps, one of the greatest challenges of the PRSP approach is the issue of capacity constraints.

Capacity Challenges or Constraints

A major weakness in the first generation PRSPs was the inadequate attention to the centrality of capacity in shaping the outcomes of the PRSP process, with the effect of reducing the effectiveness of state and non-state institutions generally and limiting the

attainment of the PRSP objectives in particular. Capacity constraints have manifested poor and untimely preparation, implementation and monitoring of PRSPs in many African countries. And these capacity constraints have transcended the core public sector to include non-state actors in terms of their ability to effectively engage in policy dialogue. In Lesotho, progress towards the completion of the full PRSP, long after its approval in 2001, was slowed down because of serious capacity deficits. Rwanda's third annual progress report on the PRSP highlighted the role of inadequate capacity in slowing down reforms in financial and expenditure management as well as procurement.

Some of the major capacity weaknesses in the PRSP process are as follows:

- Weak analysis of the sources and drivers of growth, itself a sine qua non for sustained poverty reduction;
- Inadequate poverty and social impact analysis (PSIA) to evaluate alternative reforms;
- Poor specification, prioritisation, costing, and budgeting of agreed public actions put together to reduce poverty, as well as inadequate incorporating of the PRSP priorities in the national budget processes, notably the annual budget and the medium-term expenditure framework (MTEF);
- Weak public expenditure management expenditure management (PEM) systems to support and monitor PRSP implementation;
- Low absorptive capacity often arising from weak technical capacity of ministries, poor coordination of interventions and the multiplicity of cumbersome and complex procedures of donors and creditors.
- Weak monitoring and evaluation (M&E) capacity, notably in relation to data availability and quality and the institutional capacity for M&E, particularly a clear linkage between data production, analysis and (evidence-based) policy making.

What then are the Priorities for Capacity Building?

In many African countries inadequate capacity is the primary constraint to implementing PRSPs. And so, donor support should make adequate provision to assist recipient countries in meeting the urgency to undertake detailed capacity needs assessments for PRSP preparation and implementation as a basis for determining country-specific priorities and

actions for capacity building. The broad indications of priorities for capacity building based on overview of PRSP implementation in Africa are schematically presented in Table 3 in this paper. What is clear is the need to strengthen the analytical underpinnings of PRSPs as well as the institutional capacity for its successful implementation. Of particular importance are the following: development of institutional capacity of sectoral ministries in core PRSP skills including PSIA, public expenditure management, analysis of growth and its distributional impact, poverty diagnostics and monitoring systems and indicators. Also important is support for the capacity building of key stakeholder groups, notably non-state actors, to institutionalize their participation in the PRSP process. The capacity building needs of the four specific sample countries are articulated in the paper. They are not that unrelated to the above broad indications of capacity building needs.

Conclusions and Role of ACBF and its Partners in Capacity Building

This study has shown that inadequate capacity which was considered as one of the major constraints to Africa's development in the 1990s within the context of the Structural Adjustment Programs (SAPs) has persisted in the post-SAP era. In many countries, the focus countries in particular, inadequate capacity and under-utilization of existing capacity effectively remain prominent constraints to the preparation, implementation and monitoring of PRSPs. However, the challenges faced by countries on the PRSP approach tend to differ, hence the variegated intensity of their resources needs. In addition to distilling the priority areas for PRSP capacity building in the focus countries, this paper urges a greater focus on capacity needs assessments for the PRSP process. The deeper understanding of the PRSP – related capacity gaps in each African country would then provide a basis for intervention directly by the ACBF or indirectly by mobilizing donor support in that direction. Given the centrality of PRSPs to multilateral and bilateral donor interventions in developing countries in the spirit of the Paris Declaration, there is a niche for ACBF as a premier and competent capacity building institution to coordinate capacity needs assessments and capacity development for PRSP implementation in the aid-recipient countries in Africa. The Foundation would draw on its deep networks of institutional partners in the respective countries across SSA, not least core public-sector institutions, parliaments, umbrella civil-society organizations, policy analysis and research institutions, increasingly private-sector chambers of commerce, and in some countries national communities of practice and

communities of purpose. We submit that this is a lucrative market for ACBF. However, we submit that the credibility of the Foundation as a competent institution in capacity building writ large, and PRSPs in particular, would be crucial.

1.0 INTRODUCTION

This introductory section first provides an overview of Africa's growth performance and poverty situation and then reviews elements of the poverty reduction and strategy paper (PRSP) approach. It concludes with a statement of the objectives of the study and the approach adopted.

1.1 Africa's Growth Performance and Poverty

Economic growth is widely acknowledged to be crucial for poverty reduction and for sustaining development. But efforts aimed at accelerating growth and reducing poverty in Africa have not yielded the desired results, such that the continent has variously been described as “a growth tragedy over the last three decades” (AERC / UNU, 1998) and “a continent of missed growth opportunities” (UNCTAD, 1998). Even though the world economy is known to have grown steadily in recent decades, bringing widespread prosperity and lifting millions of people out of poverty, especially in Asia, African economies, on the contrary, have experienced stagnation over the same period. The decade of the 1980s was thus deemed a lost decade for Africa in spite of a plethora of development initiatives and a sea change in the policy landscape. During that period (1981 -90), per capita income growth rate for the continent averaged -1.2 percent.

However, in 1995, with the onset of economic recovery which stretched into the new century, the Africa region achieved positive per capita income growth for the first time in many years, and this performance was sustained in the following years up to 2005, excepting 1998 and 1999, although the average per capita income growth for the 1990s was -0.3 percent. Doubtlessly, Africa's overall GDP growth rates — driven by surging commodity prices and improvements in economic policymaking and the political environment — have improved significantly in the last few years rising from an average of 2.8 percent over the 1998 – 2003 period to 5 – 6 percent since 2004. However, these growth rates fall below the 7–8 percent required to meet the MDGs which center on halving poverty by 2015. Africa's growth rates also do not compare favourably with the average for low-income countries as a whole (8% in 2004-2005), and for developing East Asia and the Pacific (8.9% in the same period).

Following the sustained economic stagnation in the three decades to the early 1990S, sub-Saharan Africa has the highest poverty incidence in relation to comparable developing regions in the world, notably, East Asia and the Pacific, Latin America and the Caribbean. Poverty is not only persistent in Africa; its depth is severe and typically higher than elsewhere in the world. as the poverty problematic is aptly summarized in the Commission for Africa Report (2005; 101) that notes that: “Africa’s poverty and stagnation is the greatest tragedy of our time. The continent has lost much of the past three decades, as conflict, corruption, and economic stagnation have replaced (the) hope, idealism and economic progress of the immediate post-colonial period. Poverty is rising, life expectancy is falling and millions of children do not attend school”. Thus, as Africa’s economy stagnated while population grew rapidly, and the incidence and severity of poverty increased. And this in spite of debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the wave of Structural Adjustment Programmes (SAPs) geared towards addressing the problems.

1.2 The PRSP Approach

It was against the above background that in September, 1999 the Board of the World Bank and International Monetary Fund (IMF) approved a new approach to the challenge of reducing poverty in low-income countries based on country-owned poverty reduction strategies. Poverty Reduction Strategy Papers were originally conceived by the Bretton Woods Institutions (BWI) as the fundamental principle for both their loan policies and the extension of debt relief to highly indebted poor countries. PRSPs were designed to be country-driven, results-oriented, comprehensive and long-term in perspective, and foster domestic and external partnerships. PRSPs were designed to address the criticisms and weaknesses of the preceding SAPs, particularly the lack of country ownership that stemmed from pernicious aid conditionalities. Thus, country leadership and citizen (stakeholder) participation in the development management process are hallmarks of the PRSP approach. Nonetheless, doubts have been expressed if citizens had participated meaningfully in shaping macroeconomic and structural policies in any PRSP process, given their limited access to basic information and documents that would be required for effective participation is the main reason for the scepticism.

As of the end of August 2005, 49 full PRSPs had been circulated to the Fund Executive Board, an additional 11 countries had completed preliminary or 'interim' PRSPs, while by the end of the same year it was expected that the majority of countries would be implementing their first set of PRSPs. By the end of 2004 a second generation of PRSPs had begun to emerge even in Burkina Faso and Tanzania alongside other developing countries, while Uganda had already begun developing its third-generation PRSP (ODI, 2004). Generally, country experiences across the first set of PRSPs have varied with regard to process and content. While some countries have made some progress in their PRSP implementation and have completed one or more annual progress reports, and are looking forward to their revised PRSP, others have had greater difficulty in organizing the participatory processes that underpin the PRS approach, or have faced more binding capacity constraints and the pace of implementation has been much slower.

The experience with the first generation PRSPs shows that adequate capacity has continued to be one of the missing links in Africa's development. While the capacity of governments to draw up sound economic policies and to implement them effectively necessarily varies from country to country, there is general agreement that few African countries have the requisite complement of human resources and institutions (Obadan 2005). Yet, as the United Nations Economic Commission for Africa correctly observes, there can be no institutional effectiveness when capacity is lacking, and there can be no efficient service delivery where there is no institutional effectiveness or accountability (UNECA, 2005). In the specific case of the first-generation PRSPs, some progress has been made and achievements discernible. However, capacity constraints have tended to create difficulties for countries, slowdown the pace of implementation of the PRSP, as well as undermine the achievement of objectives. Some of these constraints relate to the following:

- Weak analytical underpinnings of PRSP, relating, for example, to the sources of, and obstacles to growth, how policies affect growth, and its distributional impact;
- Public expenditure management;
- Poverty and social impact analysis;
- Costing and prioritization of PRS programmes;
- Capacity for monitoring and evaluation;

- Institutionalizing the participatory process with respect to a broad range of domestic stakeholders and development partners, and
- Weak / limited absorptive capacity.

1.3 Objectives of the Study and Approach

The primary objective of the study is to examine the capacity issues pertinent to the formulation and implementation of the next generation of growth-oriented PRSPs against the backdrop of the capacity challenges of the first set of PRSPs. Flowing from this is the complementary objective of providing guidance to the African Capacity Building Foundation (ACBF) in terms of priorities for its capacity building interventions geared towards growth and poverty reduction in Africa. To the above ends, the study examines the following specific issues:

- The contents of PRSPs and the PRSP Process;
- Achievements and Challenges of the First Generation PRSPs and the Progression to the Second Generation PRSPs;
- Capacity Challenges/Constraints in the Implementation of PRSPs. A number of studies have pointed to the role of capacity constraints in hindering effective implementation of PRSPs;
- Priorities for capacity building in broad terms and in the context of four selected countries;
- Role of the ACBF.

The study provides an overview as a basis for possible indepth follow-up studies on capacity needs for PRSP formulation and implementation in African countries which would entail extensive field work. For the purpose of the present study, emphasis is placed on desk research based on progress reports and case studies of four countries to identify the main capacity issues and the types of interventions required. The necessity for case studies derives from the fact that some countries may be faced with peculiarities that are not shared by others. Countries tend to differ in the intensity of their needs, and resource constraints vary from country to country. The countries covered by the study consist of those that are still implementing the first generation PRSP - Lesotho and Mali – and those that are at the verge

of moving into the second generation, namely, Rwanda and Ghana.² Lesotho's Interim PRSP (I – PRSP) was presented to the executive boards of the International Development Association (IDA) and IMF on March 6 and 9, 2001. But its full PRSP was expected to be completed towards the end of 2004. Mali's PRSP covered the period 2002 – 2006. By June 2002, it had completed one Annual Progress Report (APR). Rwanda's PRSP is one of the early PRSPs and by June 2002, it had produced one APR. Ghana had also completed one APR in the period July 2000 – 2003. While its Growth and Poverty Reduction Strategy (GPRS I) took off in 2003, the GPRS II was earmarked for 2006 – 2009. The four countries were selected on the basis of consistent implementation of PRSP, geographic and linguistic balance.

2.0 SOME CONCEPTS IN POVERTY ANALYSIS AND MEASUREMENT

An operational definition of poverty and associated concepts in poverty analytics are instructive. Sachs (2005) draws on a survey of the discourse and distinguishes between three degrees of poverty, namely, absolute (extreme, abject) poverty, moderate poverty and relative poverty. It is extreme poverty that is the staple of PRSPs and the Millennium Development Goals (MDGs), and it occurs only in developing countries. Extreme poverty occurs when households cannot meet basic needs for survival, when they are chronically hungry, unable to access healthcare, lack safe drinking water and sanitation, cannot afford education for all or some of the children, and perhaps lack rudimentary shelter (ibid).

There are competing methods for measuring poverty. Nonetheless, at the center of poverty measurement is a poverty line, below which people count as poor and above which they are not. There are conceptual issues, practical difficulties and controversies about the construction of the poverty line, hence the poverty measures that are based on the poverty line. Assuming a measure of individual welfare such as per capita household income or calorie intake, perhaps the most famous poverty measure is the headcount ratio which gives the number of people with per capita values below the poverty line. However, the headcount ratio is at best a limited measure of poverty, not least because of its insensitivity to the degree of poverty and inequality among the poor (Badhan and Udry, 1999). The

²Tanzania and Burkina Faso are among African countries are implementing the second generation PRSPs Uganda, the forerunner of the PRS approach, is already developing her third strategy.

headcount ratio would for example be invariant to policies or shocks that would make the very poor poorer, or even decrease with redistributive lump-sum transfers from the poorest of the poor to those that are just below the poverty line and thus take them above the line. These weaknesses are rectified by alternative measures which are variously robust to other welfare-theoretic considerations of poverty measurement, including Dalton's principle which requires social welfare to decrease with greater inequality (Deaton, 1997). The discussion of the other social welfare-theoretic properties germane to poverty measurement is beyond the scope of this paper. Suffice it to say that the simplest of these alternative measures is perhaps the poverty gap measure that weights the contribution of an individual to the aggregate measure of poverty with their degree of poverty.

The World Bank has for long championed a complicated statistical standard of US\$1 — recently revised to \$1.25 — per person per day measured at purchasing power parity, to estimate the number of extremely poor people around the world. Using this measure, it was shown that the number and proportion of people living in extreme poverty rose in SSA between 1981 and 2001, the only such region in the world to have sustained a deterioration in the incidence of extreme poverty over the period (Sachs, *ibid*).

Similarly for measuring inequality, a number of measures have been proposed though the ideal standard should satisfy the axiomatic properties of a social welfare function and Dalton's principle as broached above. It should be noted that not all the standard statistical measures of inequality meet these axiomatic considerations. The inter-quartile range does not, while those that do include the coefficient of variation, Theil's entropy measure of inequality, and the Gini coefficient. The latter is a commonly used measure of inequality and is derived straight from survey data, ranging from zero (perfect equality) to one (perfect inequality). The Gini coefficient can also be derived from the Lorenz curve, itself the most familiar graphical tool for studying inequality.

Household surveys are the primary methodology for measuring living standards, their evolution over time and their distribution across households and geographical regions, with living standards of the poorest segments of the population comprising the primary focus. The World Bank has traditionally employed Living Standards Measurement Surveys (LSMS)

to collect data on on selected measures of living standards such as household income, expenditures, or calorie consumption, although other practitioners have relied on national income accounts data. Apart from the urgency to resolve the profound conceptual and practical issues regarding the measurement of poverty and inequality, the actual measurement is often straightforward descriptive statistical analysis and lucid presentation of data with no need to construct behavioral responses or econometric models, often augmented by graphical techniques (Deaton, op cit).

In the context of the PRSPs, the World Bank has increasingly championed the use of Participatory Poverty Assessments (PPAs) in the measurement of poverty and inequality. The idea was that client countries would collaborate with joint IMF/WB missions to participate in poverty assessments to measure and appreciate the size of the problem (Stiglitz, 2002). The World Bank (2002) defines a PPA as an interactive, participatory research process the seeks to understand poverty in its local, social, institutional and political context, incorporating the perspectives of a wide range of stakeholders and involving them in planning follow-up action. Over and above poor men and women who are the primary focus of PPAs, other targeted stakeholders include decision-makers from all levels of government, civil society and the local elite in order to take into account different interests and build capacity and commitment for follow-up action. PPAs differ from traditional poverty diagnostics in the sense that they marshal a variety of participatory research methods to actively engage stakeholders in the research process, and in their belief that the very research process would lead to follow-up action. By the late 1990s, PPAs were included in more than half of all WB poverty assessments, thereby marking quite a remarkable shift from LSMS (*ibid*).

3.0 CONTENT OF THE FIRST GENERATION PRSPs

This section presents the highlights of some of the thematic areas covered by most first-generation PRSPs. Variations may occur both in terms of coverage and emphasis but generally the issues raised tend to be common to most PRSPs of the period.

3.1 Poverty Incidence, Trends and Determinants in Selected Countries

Table 1 below shows a schematic presentation of Selected Poverty and Human Development Indicators (HDI) for the selected countries. This is then followed by a brief country-by-country discussion of the main indicators.

Table 1: Selected Poverty and Human Development Indicators

Indicators of Poverty	Name of Country			
	Mali	Ghana	Lesotho	Rwanda
Headcount	64.2 (1994)	39.0 (2000)	65.0 (1996)	65.0 (1995)
Inequality (Gini) Index	0.38 (Bamako only,1998)	0.41 (2006)	0.506 (2002)	0.455 (1996)
Human Development Index (HDI)	0.39 (2006)	0.53 (2006)	0.49 (2006)	0.44 (2006)
HDI Rank	168/179 (2006)	142/179 (2006)	155/179	165/179 (2006)
Poverty and characteristics	Sharp regional differences; mainly a rural phenomenon although pockets exist in urban areas.	Sharp regional disparities, very high in rural areas	Mostly rural; decreases with educational level and increases with household size; regional disparities exist. Gross income inequality	Sharp regional disparities; very prominent in rural areas. Sharp income inequality
Human Development Report	Low human development	Low human development	Low human development	Low human development. Effect of war (genocide) sharply divisive

Source: UNDP Human Development Report 2006; World Development Indicators, Country PRSPs.

Lesotho:

The vast majority of Basotho were mired in extreme poverty at the outset of the PRS process in 2001, with income levels that could hardly cover basic necessities such as food, shelter and clothing. Between 1987 and 1995, the percentage of the population below the national income poverty line was virtually unchanged at about 58 percent. Of the ten administrative districts, the incidence of poverty in 1994/95 was found to be highest in the predominantly rural, mountainous districts. The same applies to both the depth and severity of poverty. The poor households in Lesotho are heavily concentrated in the rural areas. While there was a relative increase in the share of the poor to be found in urban locales between 1986/87 and 1994/95, the predominantly rural character of poverty remains unchanged.

One distinct feature of the poverty profile in Lesotho is the high income inequality. The poorest 10 percent of the population command less than one percent of the total national income compared to over 50 percent of national income for the richest 10 percent. This inequality is particularly reflected in a rural-urban divide, where rural districts have significantly higher levels of income poverty compared to the urban districts. Empirical research suggests that high inequality countries tend to have lower growth rates (Ravallion and Chen, 1998; Pritchett, 1997). Intuitively, inequality matters for economic growth because it is directly related to the degree of exclusion of a section of the population in the economic development process.

Growth in Lesotho has been shown to be weakly pro-poor. For high poverty, high inequality countries like Lesotho, there is fair agreement in the discourse that redistributive policies must be adopted to reduce the extremely high levels of inequality while pro-poor strategies are required to reduce the exclusion of the poorest through promoting their access to education, health, and social safety nets (Killick, 2000).

Mali:

The household living standards measurement survey that was conducted in Mali in 1994 prior to the commencement of the PRSP revealed a situation of widespread poverty. The mean income per capita was as low, at CFAF 160,000. About 64.2 percent of the population lived in extreme poverty, the majority of whom lived in rural areas. Poverty has a higher incidence in the rural areas where it affects 71.3 percent of the people compared to 31.2 percent in the urban areas. Poverty also has a strong spatial dimension in Mali. In the region of Bamako, Gao-Kidal, the poverty incidence is about 20-24.2 percent and depth is about 4.0 to 6.4. Available figures for other regions such as Kayes (45.1, 18.8), Koulikoro (74.0, 39.8), Sikasso (84.6, 42.2), Segou (85.0, 41.7), Mopti (71.5, 30.6), Timbuctoo (58.0, 18.2), show a high incidence as well as depth. When it is realised that the region of Bamako and Gao-Kidal account for only 14 percent of the population, it can be inferred that the poverty incidence is intense.

Poverty manifests itself in adult illiteracy rate (41.5 percent), malnutrition especially for children under five, reduced life expectancy (52 years), poor health and housing, and reduced

participation in economic, social and political life of the country, etc. These statistics put Mali in the 164th position out of 173 countries ranked in the 2002 UNDP Human Development Report (HDR).

Rwanda

For Rwanda, by 1999, 65 percent of the population lived below the national poverty line and the country was ranked 64th out of 174 poorest countries on the Human Development Index (HDI). Per capita income was US\$251 in 1996 and the external debt burden was US\$1.2 billion. Infant mortality rates per 1000 births were: 125 (1996), 131 (1997), 129 (1998). On the other hand, the prevalence rates of children with malnutrition were; 28 per cent (1995), 42 per cent (1998) while life expectancy at birth was 50 years for female and 47 years for males in 1998. The population with access to safe water was 44.0 percent in 1996, and that with access to health care was 80 percent in 1997. In 1996, there were 11.3 HIV positive cases per 100 adults and adult literacy was 52 percent for males and 45 percent for females.

Considering key social and economic indicators, by 1999 Rwanda largely fell below the Sub-Saharan Africa (SSA) averages as indicated in Table 2 below.

Table 2: Comparison of Social and Economic Indicators between Rwanda and SSA

Social indicators	Rwanda	SSA
Life expectancy (years)	49	51
Literacy in per cent of people aged 15 years and above	48	43
Combined 1 st -2 nd -3 rd GE ratio in per cent	43	44
Gross primary enrolment in per cent (1996/1997)	80	75
Access to safe water per cent of population	66	45
Access to sanitation	86	37
Infant mortality per 1000 live births	131	91
Economic sector comparison		
GNP per capita (US dollars)	240	510
Foreign direct investment (Per cent of GNP)	0.1	1.3
Financial credit to private sector (Per cent of GNP)	8.1	65.1
Unemployment of total labour force	31.1	11.1

Source: 1999 Rwanda Indicators and the World Bank, World Development Indicators, 1999.

Available poverty indicators by provinces show high regional inequality. For instance, 75 percent of people in Kigali-urban are in the top expenditure quintile for the country. Additionally, food poverty is largely rural with 96 percent of the food-poor living in rural areas. However, there are important differences between provinces. Some, like Ruhengeri and Gisenyi, are of high agricultural potential but have been badly affected by insecurity and have many people without housing. Others, like Kibungo and Umutara, have had very large inflows of population and therefore have a deficit of infrastructure, and are facing environmental pressure. Finally, other provinces, such as Kigali-Ngali, Butare and Gikongoro have chronically low incomes arising from dense population, relative aridity and soil acidity.

The long distances to potable water sources represent a significant burden for time use, particularly for women and girls. Significant numbers of people also live in houses without toilets in Umutara (8.4 percent), Gikongoro (7.8 percent), Butare (7.2 percent) and Gisenyi (5.6 per cent). At a provincial level, Cyangugu shows the highest number of landless households, while Butare, Gikongoro, Cyangugu, and Ruhengeri have the highest percentage of households with farm sizes of less than 0.2 hectare. Average consumption in the top quintile is about ten times the average consumption in the bottom quintile, and about six times the consumption in the second quintile. In the mid-1980s, by contrast, consumption in the top quintile was only four times that in the bottom quintile. This indicates that regional and overall inequality has increased since the mid-1980s. Similarly, measures for the Gini-coefficient show an increase in this measure of inequality from 0.27 (one of the most equal distributions in Africa) to 0.455 (a rather high level of inequality, compared, for example with Ghana's of 0.37). The data on urban and rural expenditures indicate that much of this gap is likely to be attributable to the urban-rural gap.

The incidences of landlessness, small plots to cultivate and poverty levels were and are still of very serious concern. In 2000, agriculture contributed 45 percent of GDP (US\$1.8 billion), 91 percent of employment and 72 percent of exports. In a small country with one of the highest population growths in Africa, the issues of land, demography and the environment sustainability are of the utmost importance. The country has one of the lowest revenue bases in the world. This is due to the fact that more than 90 percent of its

population depends on subsistence agriculture. The population growth was 3 percent in 2000 and with existing low levels of technology in the country and given the limited cultivable land area, levels of agricultural exploitation were already degrading the environment and raising concerns about environmental sustainability.

Ghana:

The main government instruments for monitoring poverty in Ghana are the Ghana Living Standards Survey (GLSS) that is conducted every five years, and the Core Welfare Indicators Questionnaire, an annual survey that measures poverty levels using selected indicators. The poverty profile used for the preparation of the I-PRSP was based on data generated from GLSS3 (1991/92) and GLSS4 (1998/99). The percentage of the Ghanaian population defined as poor declined from 51 percent in 1991-92 to about 43 percent in 1998-99 in spite of the failure of the adjustment programs to lay a durable foundation for long-term sustainable growth. The decline in overall poverty, however, was not evenly distributed geographically, the poverty reductions being concentrated in Accra and the Rural Forest localities. Export farmers and wage employees in private employment enjoyed the greatest gains in their standards of living while food farmers experienced the least gains. Poverty has instead increased in some regions, notably in the Northern, Upper East and Upper Western regions.

Poverty in Ghana also has a gender dimension. Women experience greater poverty. Gender disparities exist with respect to access to education, productive assets such as land and credit, and are marginally represented in decision-making. Socio-cultural factors continue to perpetuate the gender inequities in access to and use of services.

In addition to income poverty, progress in reducing the social dimensions of poverty has been equally mixed, with deep geographical disparities. For example, while infant mortality rates declined slightly between 1993 and 1998 nationally, the rates actually increased in the three northern regions. Malnutrition measured by underweight and stunting among children under five similarly shows adverse conditions prevailing in the north of the country compared to the national figures. With the introduction of user fees, use of health facilities by the poor has significantly declined.

Progress in improving access to education has been quite disappointing. Gross primary school enrolment ratios have not significantly improved since 1992 and the quality of education is alarmingly low. Drop-out rates remain high at about 20% for boys and 30% for girls at primary school and 15% for boys and 30% for girls at junior secondary school. Low enrolment and gender disparities are most pronounced in the north. Poverty in Ghana manifests itself in other ways. Community perceptions revealed that poverty is represented by a lack of basic necessities and facilities, an inability to provide education and medical care for the family, a lack of access to assets such as land and credit.

3.2 Sectoral Strategies, Pro-poor Growth and Poverty Reduction

When increases in government revenue are devoted to public expenditures on goods and services (such as education, health, sanitation and hygiene) that are disproportionately consumed by the poor, they could reduce non-income facets of poverty such as poor health, high infant mortality and morbidity, lower life expectancy, etc. Table 3 overleaf summarises the sectoral strategies in the various countries Poverty Reduction Programmes and examines their pro-pooriness.

Table 3: Sectoral Strategies in PRSPs

Mali	Ghana	Lesotho	Rwanda
<p>Mali has the CSLP well articulated with the decentralisation programme</p> <p><u>Sectoral strategies</u></p> <ul style="list-style-type: none"> ▪ Institutional development programme-improve the legal, institutional environment; modernisation of the central administrative apparatus, enhanced decentralisation and devolution of power ▪ Infrastructural development programme-financing of basic infrastructural facilities; the development of new technologies and actions to promote the availability of non-wage factor inputs at competitive costs ▪ The skills development programme-human capital development, social policy ▪ Private sector development-direct support programmes such as the promotion of a virile private sector and promotion of foreign investment. 	<p>- Graduated from I-PRSP to the GPRS in 1999.</p> <p><u>Main Strategies in GPRS</u></p> <ul style="list-style-type: none"> ▪ Infrastructure: with emphasis on roads, ports, telecommunications and airways ▪ Modernised agriculture based on rural development: land reform, encouragement to grains and new cash crops, and supporting the private sector to add value to traditional crops such as cocoa. ▪ Enhanced Social Services: The objective is to enhance the delivery of social services particularly with regard to education and health services, changes in the educational system, model health centers and ensuring locational equity of these infrastructures ▪ Good Governance: the objective is to ensure the rule of law, respect for human rights and ▪ The attainment of social justice and equity. ▪ Private sector development: The objective is to strengthen the private sector in an active way to ensure that it is capable of acting effectively as the engine of growth and poverty reduction. 	<p>- Mainly a carry-over from I-PRSP (2001) into PRSP (2004)</p> <p><u>Sectoral strategies</u></p> <ul style="list-style-type: none"> ▪ Economic growth with emphasis on export-led growth ▪ Prudent fiscal and monetary management ▪ Improved capacity for national macroeconomic Management ▪ Increased accessibility and efficiency of quality social services ▪ More favourable environment for private sector development ▪ Health sector-related issues especially HIV-AIDS 	<p>- PRSP well articulated and integrated into her decentralisation programme</p> <p><u>Sectoral strategies</u></p> <ul style="list-style-type: none"> ▪ Rural development and agricultural transformation ▪ Human development ▪ Economic Infrastructure ▪ Good governance ▪ Private Sector development ▪ Social capital to support vulnerable group ▪ Cross-cutting issues-HIV/AIDS, gender, environment, imugundu (grouped settlements), employment, capacity building and inequality

The PRSP processes in our sample countries were aimed at sectoral strategies and programs that are focused on pro-poor growth and poverty reduction. From Table 3, it can be inferred that all national strategies focus essentially on pro-poor programmes especially in the social

sector in varying degrees. In Mali, for instance, out of a total of 167 projects costed for implementation in the CSLP in 2002, 40 percent were in the health sector, 24 percent in agricultural development, 16 percent in education and 5 percent in the programme element on macroeconomic policies. It is also obvious that institutional development as well as infrastructure such as roads and telecommunications received fairly sizable attention in the country programmes. If these projects are allowed to filter to the rural areas, there is no doubt that substantial benefits in poverty reduction will be achieved.

The budget process in Ghana has maintained a strong linkage with the Ghana Poverty Reduction Strategy (GPRS) since the implementation of the programme. In spite of the financial constraints, poverty-related activities were funded in full. Government addressed poverty by increasing its share of spending in the social sector and through direct actions to increase productive assets and basic services to the poor. Poverty reduction spending was increased by 43.1 percent in 2004 over 2003, significantly greater than the planned 34.4 percent increase over the same period. Expenditures on poverty reduction constituted about 28.1 percent of total government spending in 2004, and slightly exceeded the planned expenditures of 27.97 percent for the year. Pro-poor expenditures were largely directed at Basic Education, Primary Health Care, Agriculture, Rural water, Feeder Roads and Rural Electrification (National Development and Planning Commission, 2004)

Like Lesotho, the first programmes under the Ghana Poverty Reduction Strategy (GPRS I) were formulated against the backdrop of a general economic crisis in which virtually all of Ghana's key macroeconomic indicators were strongly misaligned. The focus of that programme was accordingly to re-align the macroeconomic situation as a necessary condition for the implementation of sectoral policies specifically targeted towards reducing the incidence of poverty as observed in the 1990s. In the meantime, Ghana had applied for debt relief under the HIPC Initiative, and had to observe the classical conditionalities of that scheme, one of which was that the savings from debt relief would be applied solely to "poverty alleviation", itself the anchor of the MDGs. Indeed, the need to submit a PRSP was the immediate incentive for producing GPRS I and subsequent versions were envisaged at fitting into the same trajectory of national development policy. At the onset, it became obvious that apart from HIPC savings, policies under GPRS had to address the issue of how

to create wealth by restructuring the economy towards accelerated growth, so that the objectives of poverty reduction and the protection of the vulnerable and excluded could be sustained.

The principal social objectives that were added to these related to improved governance, including the decentralization of government and public-service reform to partner the private sector in national economic development within a decentralized democratic environment. Thus, for the three years under GPRS I, the main thrust of the government's policy initiatives was the maintenance of macroeconomic stability. This was achieved through prudent fiscal and monetary policies aimed at reducing inflation, driving interest rates down to levels conducive to increased investments but still attractive enough to mobilize savings, ensuring stable and competitive exchange rates, and maintaining a fiscally sustainable debt regime. In the real economy, a moderate rate of economic growth was to be achieved through the creation of an enabling environment for improved agricultural productivity and private sector-led agro-industrial development. The additional resources freed through debt relief were earmarked for tackling the deepest poverty through investments in health, education, and safe water and sanitation.

3.3 Gender, HIV/AIDS and National Poverty Reduction Strategy

Two of the MDGs focus on the promotion of gender equality and combating the scourge of HIV/AIDS, malaria and other diseases. It is not surprising therefore that the PRSP places a lot of emphasis on these priorities. The PRSP recognizes that poverty has a gender dimension and has accordingly been adequately diagnosed in the design of the program. In our sample countries, a number of measures were installed to reduce gender-related poverty. Governments took specific steps to ensure increased female representation in elective offices. In Mali and Rwanda, specific numbers of seats are assigned to female members in parliament and more pointedly at local council elections. In addition, women-support programs were implemented, targeting the development of local skills to enable women participate in productive activities, support for working women, provision of training and support for female micro entrepreneurs, establishing information centres for women's rights, and preventing violence against women. Not much of this, however, is very visible in the rural areas.

The bi-directional causality between HIV/AIDS and poverty motivated efforts to mainstream HIV/AIDS into the first-generation PRSPs. In Rwanda, for instance, the prevalence of HIV has increased dramatically in the past couple of years in Rwanda as a result of large-scale population movements. The Government has developed a proposal for a national strategy for multi-sectoral interventions against HIV/AIDS. The areas of intervention are prevention of HIV transmission by reinforcing information, education and communication, provision of voluntary testing and counselling, promotion of the use of protection, reinforcement of the treatment of sexually transmitted diseases, safety of the blood supply, prevention of mother-child transmission, medical and psycho-social care of people with AIDS, support to affected individuals and families, development of research, coordination of activities, regional collaboration in the campaign against HIV/AIDS, human resource development. All public services are supposed to ensure that access, utilisation and impact are equitable between women and men. The evidence surveyed so far indicates that there is little gender gap in primary or secondary education in aggregate, although the gender profiles of private and public sectors differ quite significantly.

Lesotho has the fourth highest HIV/AIDS prevalence rate in the world after Botswana, Zimbabwe and Swaziland (UNAIDS, 2002), with a prevalence rate of close to 31 percent for adults aged 15-49 years. The epidemic in Lesotho is typified by a combination of high mortality, a disproportionate number of orphaned and vulnerable children (OVC), increasing mother-to-child transmission, a downward trend in life expectancy, and declining economic productivity. Lesotho's PRSP has done a fair job at linking HIV/AIDS and poverty in the country, as well as providing some data on seroprevalence rates, disaggregated by gender and age, thereby clearly demonstrating that young girls are amongst the groups most affected. In order to meet the goal of reducing HIV prevalence from 31 percent in 2002 to 25 percent by 2007, the HIV/AIDS Thematic Group recommended eight strategies for inclusion in the full PRSP.

HIV/AIDS came second to the malaria epidemic in Ghana's GPRS 1. Malaria in Ghana is the single most important cause of mortality especially among children under five years and pregnant women. In 2002, for instance, malaria was estimated to account for 44.5% of all outpatient illnesses, 36.9% of all admissions and 13.2% of all deaths in health facilities in

Ghana. The disease is also responsible for a substantial number of miscarriages and low birth weight babies among pregnant women. The Ministry of Health produced a Roll Back Malaria (RBM) Strategic Plan in 2000 with the overall goal of facilitating human resource development by reducing the malaria disease burden. Specific priorities were debated and proposed as part of the RBM plan, and then mainstreamed in GPRS II.

3.4 Alignment of Donors to the PRSP

Over the years, and with the shift of development objectives mainly to poverty reduction, a survey of donors suggests that development agencies are increasingly seeking to involve partner governments and the poor themselves in translating poverty reduction aims into real benefits. A range of dimensions of poverty is being tackled by means of support for basic services, pro-poor credit schemes, agricultural extension services and the empowerment of local communities. Donors have become much more firmly engaged in the PRSP process with a majority of them having formal policy guidance relating to the PRSP.

By far, the most challenging task in the PRSP has been how to channel donor support into the main frame of government budget for the realisation of the poverty reduction objective. While Government prefers to receive resources on the most flexible terms, many donors prefer to provide project support rather than budget support. The second major challenge has concerned the decentralization of expenditure to lower levels of government (local authorities) for spending on poverty alleviation programs. With poverty being mostly a rural phenomenon, this has meant decentralization from the seats of government in the capital and provincial towns to rural councils. This is further compounded by donors may be wary of dealing with a plethora of lower levels of government. For Mali, donors ended up playing a very active role in the CLSP despite initial suspicions regarding the involvement of the Bretton Woods Institutions. Notably, donors recognized and were mollified by the role of the government in steering the PRSP process.

In Rwanda, the major donors had the opportunity to participate in the preparation of the PRSP and many of them have been very supportive. Both Government and donors jointly authored and agreed on 'Guidelines for Productive Aid Coordination in Rwanda', which spelled out concrete long-term and short-term steps for effective aid coordination to support

the implementation of the PRSP. The measures taken under MTEF would contribute to the realization of more optimal allocation and utilization of scarce resources (domestic resources as well as those from the donor community) within the PRSP framework. The government of Rwanda would provide leadership in the implementation of the aid coordination arrangement, assigning lead donors for the respective sectors. Nonetheless, this initiative is still at its infancy.

Overall, donors still need to align their commitments in line with the government budget. This has to some extent been addressed in Rwanda. The Common Development Fund (CDF) provides an appropriate framework for coordinating the mobilisation and management of community development resources without the complexities and bureaucracy from Government and donors. Once the funds are in the CDF, the utilisation and accountability conditions, as well as the monitoring procedures would be uniform and standard, as opposed to individual donor preferences. The government of Rwanda has repeatedly requested all development partners to channel their development funds through the CDF for harmonisation and coordination of development programmes in the districts, which under the decentralised policy are the engines of development³.

3.5 The Participatory Process

Communities including traditional institutions, non-governmental organisations (NGOs) and community-based organisations (CBOs) are expected to play an important complementary role to government in the poverty reduction process. They are supposed to make an impact through advocacy and participation in committees, fora, regular policy processes and various implementation and governance programs. The participatory process in Mali has been described as satisfactory by many evaluators. Mali has extensive experience in making various components of society participate in the formulation of economic policy programmes. Thus, the consultative process initiated under CSLP was a continuation of an old Malian tradition. The following structures were set up for national and regional consultation: (i) a policy orientation committee; (ii) a joint commission of the country and its development partners; (iii) a technical committee; (iv) a steering committee; and (v) a

³ The Common Development Fund (CDF) was mainly established to strengthen the poverty reduction strategy and empower the population by providing them with financial support to implement development projects through the administration of districts, towns and the city of Kigali.

substantive secretariat. Each body functioned under a chairperson with varying levels of authority and power. For instance, the Prime Minister headed the policy orientation committee while the Minister for Finance led the joint commission of the country and its policy orientation committee.

In the consultative process leading to the formulation of the CSLP, local communities were extensively involved through the association of municipalities presided over by the Mayor of Bamako which brought together some 700 local communities. Similarly, each region established a regional CSLP Committee bringing together substantive administrative divisions, NGOs operating in the region and decentralized organizations. Commissioners chaired the regional committees and the offices of regional directors for economic planning and statistics provided secretarial services. During the consultation, each region determined its priorities for the PRSP.

CSOs participated very actively in CSLP formulation. In May 2001, CCA-ONG — the umbrella civil society organization — organized workshops in Bamako, Koulikoro, Sikasso, Segou and Mopti to discuss the substance of the interim CSLP report and the specific contribution the NGOs could make to the preparation of the final CSLP report. This process resulted in the preparation of the civil society position paper on the CSLP. This report was formally submitted to the Minister of Finance and Economic Planning as the contribution of the national civil society to the process at a Steering Committee meeting held on 18 July 2001. Thus the participatory process in Mali can be said to be truly grassroots.

The participation of domestic stakeholders has been very valuable in several ways in the PRS process in Lesotho. In particular, it has led to extensive dialogue within the various ministries and governmental agencies. By bringing in the views of CSOs, participation has helped to improve the understanding of poverty. In the process, the approach has in many cases encouraged broad-based participation thus fostering debate, openness, transparency and accountability. However, a few lapses were observable with the participatory process in Lesotho. Despite the impressive nature of the consultation process, the quality and scope of the briefing materials has been adversely affected by the rather superficial knowledge of participatory techniques among some facilitators, insufficient attention to reporting

protocols and analytical strategies, and the under-representation of urban areas. Participation in the PRSP process has also been constrained by: (a) the poor representation of the private sector during the early stages of the process, (b) the slower than anticipated PRSP finalization process, with almost three years having elapsed since the submission of the I-PRSP, and (c) the increasing signs of ‘participation fatigue’ especially for representatives of CSOs and the private sector. A major challenge thus facing the country as it heads towards implementation is to move away from *ad hoc* forms of consultation to more institutionalized forms of collaboration and dialogue with national stakeholders.

Rwanda provides another good case study on how the participatory process could be enhanced to reduce poverty and boost good governance. NGOs and CBOs were actively mobilised in the process. The civil society such as OSSREA, Action Aid, Christian Aid and Oxfam and others have contributed to the PRSP process. Action Aid (an international NGO) participated fully in the Participatory Poverty Assessment (PPA) while the OSSREA (comprising academic and research associates in Rwandan Universities) contributed in the Policy Relevant Policy (PRT) of the PRSP. The process also goes with the local NGOs under CCOAIB (an umbrella organization for local NGOs initiatives). The participation of CSOs in priority setting, resource allocation and in monitoring is encouraging. Firstly, the priorities set in the PRSP emanated from the full participation by all stakeholders, some of which are mentioned above. The formulation of priorities was particularly deep and concretely participatory by all stakeholders.

Secondly, although the resource allocation decision can be said to be at its infancy, the ground is well prepared to accommodate all stakeholders. For example, at the grassroots level, the Community Development Committees (CDCs) are well established, made up of elected members representing all stakeholders. Although scanty resources have been allocated at this level, CDCs have received some training on budgeting and planning procedures especially within the MTEF framework. Thirdly, one could say that the participation of the stakeholders in the monitoring exercise stands a good chance considering that all the stakeholders participated in developing the monitorable indicators.

In spite of the positive and encouraging developments on the ground, CSOs however lack a proper platform for coordinated action. The Government has organized some channels of communication with individuals drawn from CSOs into commissions on various aspects of development, although these individuals are not representatives of CSOs as such, but individuals who are deemed credible in the opinion of the Government. Arrangements are underway to form a CSO platform with a view to developing a policy for guiding the operations and participation of CSOs within the PRSP process.

While the participation of CSOs has been rising, concern is expressed on the relatively little role that the Parliament has played in the whole process of participation. As the peoples' representative institution, its role in the policy process needs to be greater than it has been to date. This should apply to all elected representatives of the people at all levels so that the participation process is grounded in democratic institutions for sustainability to be ensured. Box 1 below speaks to the depth and the traditional anchor of the participatory process in Rwanda.

Box 1: The Ubudehe Initiative in Rwanda

Ubudehe is one of the initiatives put in place by government as part of the process to establish the poverty alleviation programme. It is the traditional Rwandan practice and cultural value of working together to solve problems. The literal origins of the word describe the practice of digging fields before the rains come and the planting season arrives. A group of households join together to dig their fields acting collectively to share the burden of the work and ensuring that everyone is ready in time for the planting season.

The Ubudehe approach makes the community come together to identify their problems, prioritise them, find solutions and eventually implement the retained approach, and this all in a participatory way through institutions that have been set up by the population themselves. Funds for implementing these collective actions (e.g., buying goats for manure, water systems, water drainage etc) have been forthcoming. Right now the whole province of Butare has been through this process, while in six other provinces people have been trained at the cell level to implement this methodology. Two evaluations were carried out regarding Ubudehe and both were favourable with reference to the approach, philosophy and commitment of all actors. This opens the way for rolling out the program nationwide. The remaining provinces will be funded in 2005 (at the moment € 1000 are foreseen for each cell). It is planned that cells will continue to be funded—for two or three years, and afterwards the cell will be able to source its own funds through the CDF channel.

What do communities actually do? In the same way as was carried out under the Participatory Poverty Assessment, each cellule goes through a process of collectively defining and analysing the nature of poverty in their community. This is done using a number of standard PRA tools including social mapping, seasonality, and preference scoring and process techniques. The first step is to look at local categories of poverty, the characteristics of each category, mobility between categories, the causes and impacts of poverty, the role of security, risk and vulnerability, social cohesion, crime and conflict and social exclusion.

The cellule then goes on to identify and analyse the characteristics of the problems that they face. This list of analysed problems is then ranked in terms of priority and the one that the community wants to spend most of its own time, effort and resources to resolve is selected. Then they develop action plans to address the problems they have prioritised.

4.0 FROM FIRST TO SECOND GENERATION PRSPS: ACHIEVEMENTS AND CHALLENGES

Many countries in Africa are currently concluding activities under the first generation PRSPs and are migrating to the second generation. The experience in many African countries with the first generation PRSPs suggests that the approach has made important progress in key areas. PRSPs have contributed to a much stronger focus on poverty inside government, distributing responsibility from the social sectors of education and health to include the ministry of finance. Moreover, the participatory process has expanded considerably to include CSOs and NGOs and in some cases the private sector in many countries. Third, there is renewed and more focused attention on donor alignment and harmonisation both internationally and at the country level. This section will provide an overview of the achievements of, and challenges that have been encountered in the implementation of the first-generation PRSPs.

4.1 Achievements of the First Generation PRSPs

In many countries, poverty reduction has moved up government agendas as a result of the first generation PRSPs. Rather than see poverty as an issue to be tackled through the introduction of special activities narrowly focused on selected social sector projects, it has become a priority concern and viewed as one that has the potential to shape the whole activity of government. In this wise, poverty plans have become more comprehensive and multi-sectoral and in some cases integrated into government development plans. In Ghana, for instance, the first PRSP, **GPRS I**, issued in 2003, reflected a policy framework that was directed primarily towards the attainment of the anti-poverty objectives of the UN's Millennium Development Goals (MDGs). On the other hand, **GPRS II** has been designed to introduce a shift of strategic focus, even though many of the actual programmes which will be implemented under it between 2006 and 2009 will be in the same areas as in GPRS I. The central goal of the new policy as in many second generation PRSPs is to accelerate the growth of the economy so that Ghana can achieve a middle-income status within a measurable planning period.

Though more comprehensive, PRSPs have not lost the trend established by the HIPC initiative towards increasing 'pro-poor spending'. Available data from many of the countries that have implemented the PRSP show that annual expenditure, as a percentage of GDP,

was higher post-PRSP in the social sectors-education, health, and transport sectors- when compared to the expenditure for the pre-PRSP era.

Another major achievement of the PRSP is with regard to governance issues. The approach has resulted in unprecedented involvement of civil society organizations, NGOs and to a limited extent parliament especially at the local level in poverty policy debates. Many NGOs have scaled up their activities with clear goals to increase their contribution to poverty reduction and in many cases help challenge governments that have remained unaccountable to the citizenry. PRSPs have created the opportunity for politicians and government officials to engage CSOs and NGOs on matters of public policy through the national consultative process of the PRSP.

In Mali and Rwanda, new spaces opened up through the PRSP have become part of legislation aimed at strengthening the role of citizens in holding government accountable. In the aftermath of the genocide in Rwanda, government realized that CSOs, NGOs, CBOs and other non-state actors — both local and international — have an important role to play in the PRSP process as much as in conflict resolution. In this direction, first, the Government sometimes contracts such organizations to deliver publicly funded services. For instance, religious hospitals are fully integrated within the public health system. It may be possible to extend this approach to other areas. Secondly, NGOs were often seen to work effectively in areas where the Government has limited capacity, for instance, in addressing the specific problems of street children. Thirdly, CSOs and CBOs had filled a vital niche as interlocutors between people and the State, participating in sensitisation campaigns, assisting in priority-setting, particularly in the context of decentralisation. Furthermore, non-state actors contributed to public debate by advocacy and research on particular issues. Fourthly, these organisations can help to monitor the outcomes of Government programmes.

Finally, a major achievement of the PRSP was to bring to the fore in the development discourse, issues of donor alignment and harmonisation. Donor behaviour has now been recognised to have undermined national institutions and imposed high transactions costs on government in the past. Commitments made at the Monterrey and Rome meetings emphasised the need for donors to co-ordinate and harmonise their assistance around

nationally owned PRSPs. The OECD-EAC has produced a series of good practice documents on alignment and harmonisation. The body has also initiated moves aimed at tracking members' progress towards PRS alignment. The Strategic Partnership with Africa has made donor alignment the central element of its new agenda. The IMF and World Bank staffs have undertaken joint missions to streamline understanding on the meaning of donor support in terms of multilateral and bilateral budget support instruments.

Efforts are being intensified to harmonise donor efforts at country level. More importantly, bilateral donors are moving away from projects and programmes and towards more macro aid modalities such as sector-wide approaches and general budget support. Though this remains a difficult terrain in the face of weakly prioritised first generation PRSPs, a recent survey of eight African countries found that an average of eight donors are now involved in budget support groups with a total annual disbursement of about 15-20 percent of total government spending (Discoll and Evans, 2004)

4.2 Major Challenges from the First Generation PRSPs

In spite of the remarkable gains from the first generation PRSPs highlighted above, a number of challenges remain if the approach has to be transformed into a mechanism for deeper and more institutionalised form of state commitment to poverty reduction. The first area has to do with how to get sector line ministries and local/municipal governments to actively engage in the PRSP process. Initiatives for line ministry engagement in the PRSP process are often not clearly defined. Officials and ministers sometimes fear loss of control over sector priorities, targets and indicators, as well as a reduced share of donor funding if projects and programmes are moved into national budgets.

However, the experience from decentralisation initiatives is a far cry from expectations, as the process has been equated with the proliferation and delegation of new functions to weak institutions, despite clear evidence that these lower levels of government do not possess the *institutional capacity* to implement such functions. The end result is that very little contribution is made to poverty reduction.

The second major area of challenge has to do with how to improve the operational links between the PRSP and budgets and budget outcomes. The government budget, especially the MTEF, is a key instrument for PRSP implementation. The composition of the budget defines the relationship between budgets and the poverty-related targets. Oftentimes, there is a missing conceptual link between the stated PRSP targets and the interventions necessary to provide public services, on the one hand, and the allocation of financial resources on the other. Where financing gaps exist, as is more often than not the case, the PRSP does not provide guidance on how to allocate public funds to alternative uses. PRSP priorities are often poorly costed and not translated into budget priorities. As a result, though PRSP appears to have increased inputs and outputs at the sector level, clear links do not as yet exist between these and poverty outcomes.

By far one of the greatest challenges the new generation PRSPs may have to contend with is the need to integrate the social and productive sectors of the economy. Analysis of the sources of growth and obstacles to pro-poor growth has been variable in quality across countries⁴. Where they do exist, they are not often linked to the choice of policy actions. Adequate macro-frameworks linking policies to growth strategies either do not exist or where they do, lack realism. The need for more country-specific analysis to inform the formulation of effective development strategies can thus not be overemphasized.

Finally, although the participatory process in many countries has improved considerably, much still needs to be done. The key elements of the PRSP process that distinguishes it from erstwhile development tools can be summarised as ownership and participation. Participation has in many cases been translated into consultation steered by national governments during which large segments of organised society put forward their demands. In some other cases, the process may have been captured by political elites. Generally some of the problems associated with the participatory process across countries include:

- *Shallow and narrow participation by CBOs and NGOs:* The NGOs and the private sector that are often invited to take part in the process are mostly visible, formal sector

⁴ From the various Annual Progress Reports, and World Bank and IMF Notes, one issue that has reoccurred is that there are significant analytic gaps in the understanding of the sources of growth and the policy priorities for accelerating growth or making its pattern more poverty-reducing.

organizations such as the apex labour unions and the organized private sector. Little scope was allowed informal segments of civil society and private sector such as community-based organizations ((CBOs) and informal sector unions.

- *Communication and information problems:* Government's poverty reduction strategies and related programmes are often not adequately and appropriately communicated among stakeholders. There is a generally low level of economic reporting in the print and electronic media.
- *Technical capacity of NGOs:* On the part of government, the fear is expressed that most NGOs may not have the technical capacity to undertake policy analysis. The poor role of civil society in the participatory process reflects an underlying weak capacity of NGOs, CBOs and the private sector to participate effectively in the formulation and monitoring/evaluation of economic policies. Economic policy advocacy requires adequate skill and expertise in policy analysis, monitoring and evaluation. Rather, NGOs are often involved with multiple issues, hence they lack adequate concentration needed to engage the wider public and the government on specialized development and policy matters. Moreover, the bulk of the NGOs do not stay the course; they are easily diverted and their programme thrusts swing too often in consonance with donor shifts. Unhealthy rivalries also hinder networking and collective impact.

While there are signs of growing parliamentary involvement in PRS oversight and implementation, many countries still face significant institutional and capacity issues that impede the effectiveness of this involvement. The African Governance Report (UNECA, 2005) documents the capacity constraints of African legislatures to include:

- Poor education, knowledge, information, freedom and independence of legislators to perform their functions effectively and efficiently;
- Lack of adequately stocked libraries, electronic equipment, documentation facilities and professional staff;
- Poor financial resources which present a problem for many parliaments; and
- Lack of professional staff to collect, analyze and convert data into meaningful information for legislators to use.

One current that underlines our discussions on the identified areas of weaknesses in the first generation PRSPs is the key role that the lack of capacity has played in shaping the outcomes of the PRSP process. A stylized fact of the first-generation PRSPs is that inadequate capacity has reduced the effectiveness of state and non-state institutions hence limiting the attainment of the objectives of the PRSPs. The challenge therefore is to beef up capacity in the implementation of PRSP both at the local and national levels⁵. The remaining part of this paper now focuses on this issue.

5.0 CAPACITY CHALLENGES OR CONSTRAINTS

The observation since the 1990s that adequate capacity is one of the missing links in Africa's development and democratization has remained valid in the context of preparation and implementation of PRSPs. Lack of capacity and the inability to use existing capacity effectively remain important constraints to the preparation, implementation, and monitoring of PRSPs in many countries, particularly in Africa. Countries face challenges in different areas of the PRSP approach. The constraints relate not only to government capacity but also to that of other stakeholders in terms of their ability to engage in policy dialogue. In Lesotho, serious capacity constraints were behind the slowdown towards the completion of full PRSP, long after the approval of the I-PRSP in 2001, was slowed down because of serious capacity constraints. And so, it was expected to be submitted to the cabinet towards the end of 2004. Similarly for Ghana in 2004, civil society reportedly suffered from systemic capacity weaknesses that hampered the civil society review of the PRSP process.

Countries operating in difficult environments have particularly faced unique challenges in preparing and implementing the PRSP. The low-income countries under stress (LICUS) have generally not had the baseline data, analysis and capacity to immediately prepare a PRSP. In Mauritania, the first year of PRSP implementation witnessed absorption capacity constraints, particularly, as regards project planning, execution, monitoring and evaluation. Rwanda's Third Annual Progress Report on the PRSP indicates that capacity constraints slowed down reforms in financial and expenditure management as well as procurement. The

⁵ Weak public sector capacity has been acknowledged in a number of works as a key impediment to the attainment of targets set in most of the first generation PRSPs (World Bank, 2005).

following discussion highlights some of the major thematic areas of capacity constraints that have impeded effective PRSP implementation.

5.1 Analytical Basis of PRSP

5.1.1 Analysis of Growth

Economic growth is important for poverty reduction, although alone it is by no means sufficient for rolling back poverty. This observation is less surprising bearing in mind that poverty eradication requires resources and that resources can only be sustainably generated through growth. Indeed, empirical evidence attests that countries that have grown over sustained periods have performed better at reducing poverty, notably China and East Asian countries. This investment effort must be complemented by higher efficiency and productivity gains, hence the critical importance of human and institutional capacity building. In order to complement the greater poverty focus of public resources, it is imperative to have in place policies that will accelerate growth and thus make poverty reduction sustainable over the long run. It is widely accepted that sound growth requires investment in human capital and physical infrastructure as well as the right macroeconomic and structural policies, good governance and healthy institutions. In the light of the above, the PRSP underscores the importance of growth for poverty reduction. But for the most part the analysis of the sources of growth is relatively weak, making the prospects for accelerated, pro-poor growth more difficult to assess.

Despite the centrality of growth to poverty alleviation, the Rwandan Third Annual Progress Report (August 2004 – July 2005) highlights the lack of a clear analysis of the sources of and obstacles to growth and a link to the sectoral policies, including through costing and prioritization. In the same way, the IMF and World Bank Joint Staff note on the Implementation Report of Mali's Poverty Reduction and Growth Framework (2000 - 2006) observes that the framework would benefit from a more in-depth analysis of growth potential in the economy and a clearly articulated growth strategy, including stronger focus on the implementation of growth – enhancing structural reforms.

In general, the IMF (2004), in its progress report on PRSP implementation observed, among others, that:

- The PRSP approach has contributed to the significant improvement in documenting the multi-dimensional nature of poverty. But progress in identifying the policy and institutional levers for accelerating growth and making it pro-poor in specific country circumstances has been more elusive;
- While growth has become increasingly central to countries' PRSPs, complementing the qualitative decisions with quantitative analysis remains a key technical challenge;
- Assessing the distributional impact of growth and how it is affected by macroeconomic, structural, and sectoral policies in the specific country context also continues to present analytical challenges;
- While countries often specify expenditures as 'pro-poor,' the analytic basis for defining expenditures as 'pro-poor' is often absent;
- PRSPs were notably weak in linking macroeconomic frameworks and financing requirements to medium-term goals; and
- There is scope to better inform policy choices by strengthening the poverty and social impact analysis (PSIA) of specific reforms that are being considered. Integrating PSIA into country development strategies face the challenges of weak country capacity and methodological difficulties.

In the light of the foregoing, the need for country-specific analysis to inform the formulation of effective development strategies can thus not be overemphasised

5.1.2 Poverty and Social Impact Analysis (PSIA)

The PSIA of major policies and programmes had typically not been undertaken as part of the early PRSPs because of national capacity constraints and its inherent technical difficulties. However, distributional analysis to inform PRSP implementation is becoming common. Even with limited data and weak national capacity it is still possible to assess some of the potential poverty effects of given policies and therefore to contribute to more informed policy debate. Nevertheless, integrating the results of PSIA into country strategies continues to pose numerous challenges. Besides the constraint of weak country capacity,

there is often the issue of limited government demand for analysis, itself steeped in the absence of an evidence-based culture in development management. Also significant are methodological difficulties, for example, estimating the impact of reforms and obtaining requisite data. The factors which affect the analysis include the data, capacity and analytical constraints, as well as the time frame of the analysis. Considerable resources are often required for PSIA. In addition, the analysis can take a significant amount of time to complete. There is thus the need to support countries' capacity to undertake PSIA, so that insights can be obtained into the distributional impact of key policies and reforms. Such analysis is likely to enhance the focus on equity concerns related to the distribution of assets as well as differences in access to services.

5.2 Constraints on Prioritization

The first set of PRSPs were generally weak regarding the prioritization and specificity of public actions put together to reduce poverty. Prioritization implies limiting – and sequencing – the set of policy measures to those which can most likely be achieved, given human resource and political constraints, over the time horizon of the strategy. It further implies recognition of the budget constraints and other limitations that bear on the implementation of the strategy, and a willingness to reallocate budgets to higher priority sectors and sub-sectors. The key to effective prioritization is for countries to fully cost their proposed actions within a framework that takes into account the existing fiscal constraint and is consistent with the compelling need for macroeconomic stability, and fiscal and debt sustainability. So far, incomplete costing of priority programmes in the PRSP, as well as the lack of links between costing, the annual budget, and the Medium Term Expenditure Framework remain obstacles to incorporating PRS priorities into the budget allocation.

Generally, limited country capacity to cost programmes and policies coupled with limited public expenditure management capacity have accounted for the observed weak prioritization. Other contributory factors are the demands generated by donors and by domestic constituencies through participatory processes. A desirable aspect of prioritization of public actions for poverty reduction is increasing the allocation of public spending for poverty-reducing activities while reducing unproductive expenditures.

5.3 Public Expenditure Management (PEM)

In their review of the PRSP approach, the IMF and World Bank (2002) observe that in many countries the public expenditure management systems were too weak to support a meaningful presentation of the overall public expenditure programme in the PRSP and to monitor implementation. Government budgets in low-income countries typically lack comprehensiveness and meaningful functional classification of expenditures, and seldom provide sufficient detail about allocations to programmes that are targeted towards poverty reduction. And budget execution often differs significantly from budget allocation. Auditing systems are extremely weak. Yet, PRSPs till then had sometimes included only broad references to the need to improve PEM systems, generally without outlining specific measures for doing so. Indeed, most countries implementing PRSPs, particularly those qualifying for HIPC, started with very weak PEM capacity. But as the implementation of their programmes progressed, steps were taken to improve PEM systems, often with assistance from external development partners.

Notwithstanding, nearly 10 years into PRSP implementation, the need to strengthen PEM systems remains a priority area. Take the example of Rwanda, where after three years of PRSP implementation the need to improve public expenditure management and establish a link between government policies and the MDGs remained compelling. This has been more so as poverty still affects two-thirds of the population especially in the rural areas. Capacity constraints, including administrative capacity, remain a major obstacle for the reform agenda. In addition, the country's growth has continued to be hampered by energy shortages, infrastructure bottlenecks and barriers to trade. Mali's experience also reveals subsisting challenges in public expenditure management and calls for:

- Strengthening of budget control-related functions to assure reliability of the budget system;
- Emphasis on capacity building and establishment of an adequate institutional framework for independent jurisdictional audits;
- Strengthening the capacity of the Finance Committee of the National Assembly, as well as the capacity and legal authority of the audit section of the supreme court; and
- Redressing weaknesses in procurement procedures.

No doubt, strengthening of PEM systems has been a particular focus of the technical assistance and policy advice provided to low-income countries by the Bretton Woods Institutions. A lot of improvements are still desired as good PRSP practice at the country level.

5.4 Absorptive Capacity

In most of the countries implementing PRSP, inadequate absorptive capacity has been a prominent weakness. This problematic needs to be redressed if the public investment programmes associated with the PRSP is to succeed and the substantial external financial flows anticipated by some countries are to be used in an optimal manner. Two important dimensions of absorptive capacity are crucial for the successful formulation and implementation of a PRSP, to wit:

- A country's overall human capital stock such as engineers, economists, doctors, teachers, managers, administrators, statisticians, etc.
- The adequacy of its physical infrastructure.

The initial conditions with respect to each of these factors would determine a country's ability to use additional aid productively. However, aid can also help to address the constraints at the country level in a phased manner (Sachs, 2005). Senegal's Annual Progress Report (2003) reveals the phenomenon of low absorption capacity for external resources. The following explanations for the country's low absorption capacity were advanced, namely:

- Lack of coordination among interventions which leads to a certain amount of inconsistency or even duplication in the selection of actions to be carried out;
- Weak technical capacity of ministries to prepare and implement projects, given that they no longer have planning units. This manifests itself in the form of incomplete project files and biased evaluations, which undermine the chances of achieving poverty reduction strategy objectives; and

- The plethora of cumbersome and complex procedures of donors and creditors using non-governmental channels.

The problem of weak technical capacity is fairly widespread. Mauritania, for example, has experienced absorption capacity constraints in the areas of project planning, execution, monitoring and evaluation of programmes and projects. Its limited capacity to execute, monitor and evaluate projects adversely affected resource absorption and attainment of development objectives. It then took a number of steps to loosen the constraints related to absorption capacity, as highlighted in Box 2 below. The country provocatively took measures to bolster its institutional capacity for economic management through a programme of capacity building in the areas of programming, monitoring and evaluation of investment expenditures, as well the development of a forecasting model for simulating the impact of economic policies and/ or external shocks on the poverty profile. The government also established a National Capacity Building Programme aimed at meeting the needs of all those involved in implementing the PRSP. Box 2 overleaf follows in earnest.

Box 2: Improving Absorptive Capacity in Mauritania

Execution of public investment projects has improved significantly over the past few years, following the introduction by the Government of a set of measures aimed at improving the country's absorption capacity.

The PRSP clearly states, however, that this absorptive capacity is still limited and that focused attention is required if the ambitious public investment program associated with the PRSP is to succeed and the substantial financial flows anticipated under the enhanced HIPC initiative are to be used in an optimal manner.

Over the 2002 – 2004 period, the Government intends to pursue and deepen reforms aimed at improving absorptive capacity by means of a coherent set of measures aimed simultaneously at: (i) developing capacities in the area of design and programming; (ii) capacity-building in project execution; (iii) capacity-building in the area of monitoring and evaluation; (iv) harmonization of donor procedures; and (v) capacity-building in the private sector.

In order to develop design and programming capacity, the planned measures deal mainly with the following: (i) improving the quality of the PIP through more efficient selection of public investments; (ii) strengthening of the structures involved in planning; and (iii) improvement of cross-sectoral coordination.

In order to improve project execution capacities, the most important measures are: (i) development of implementing legislation for the new public procurement code and dissemination of information about the new regulations to actors involved in procurement; (ii) improving project management through the development of procedure manuals and annual work programs along with the corresponding budgets; (iii) introduction of routine portfolio reviews with most donors and the dispatching of supervision missions at more regular intervals; and (iv) re-vitalizing Oversight Committees in order to make them actual instruments of project monitoring, and the production of periodic project management reports.

Improvements in monitoring and evaluation will require the following: (i) improved training for the staff of project monitoring units and planning/monitoring entities, and reinforcement of the material resources available to them; (ii) progressive creation of monitoring/evaluation entities within ministries that lack them; (iii) promotion of a framework for regular consultation among the various project entities with a view to harmonizing methods and tools for data collection, and to foster the exchange of information; and (iv) the introduction, or strengthening, of mechanisms for monitoring impacts of projects and programs, at the level of the projects themselves as well as within the oversight ministries.

Efforts will be made to harmonize donor procedures, particularly by applying the most appropriate methods of bringing about greater convergence in procedures, while at the same time taking into account the specificities of each partner.

In order to strengthen the capacities of the private sector, the Government plans to: (i) develop and implement an appropriate training and capacity-building program within national enterprises; (ii) encourage partnerships and alliances between national and foreign enterprises; (iii) weigh the options for setting up specialized guarantee and financing institutions; and (iv) progressively create a database on the public works sector and define technical standards for that sector

Source: Mauritania (2002). "Poverty Reduction Strategy Paper: Implementation Report", March.

5.5 Monitoring and Evaluation Capacity

Adequate capacity for monitoring and evaluation of PRSP is important for the desired poverty reduction outcomes to be achieved. Indeed, the effective implementation of countries' PRSPs is more likely to occur when there is regular monitoring, evaluation, and revision of the strategy. Early reviews of the PRSP suggested that the treatment of monitoring and evaluation in PRSPs has generally focused more on improvements in data

availability and quality and less on institutional arrangements. And while improving, PRS indicator lists are often long, sometimes not well defined, and baseline data are frequently unavailable. Also, there continues to be a tendency for PRS indicators to focus on inputs and impacts. Most PRSP indicators have focused on budgetary or expenditure data (input indicators) and survey-based measures of well-being (impact indicators). This means that intermediate outputs and outcomes have generally received less attention, thus weakening government's ability to understand how inputs translate into impact (IMF and World Bank, 2004).

With respect to data and analysis for PRS monitoring and evaluation, some notable improvements in data availability in later Annual Progress Reports are observable. But progress is uneven and falls short of what is needed to fully track indicators of development such as MDGs. The statistical systems, while improving, remain fragile in PRS countries. No doubt, the PRS initiative has spurred interest in building institutional capacity for monitoring and evaluation, but most country systems still do not have strong and clear channels for linking data production, analysis and policy making. And there is need to keep the monitoring system simple and flexible, and be built progressively. Finally, there is need for capacity building within the agencies responsible for overall monitoring systems to redress the observed weak analytical capacity.

The experience of Mali on the use of quantitative monitoring indicators reveals the listing of a large number of indicators. But there was scarcity of data for many of them, thus suggesting the need, in the next PRSP to adopt a limited number of indicators for which data could be available. Besides, it is necessary to establish baseline values of those indicators to permit assessment of progress in the course of PRS implementation. The country's delay in producing the Annual Progress Report tended to limit the effectiveness of the monitoring and evaluation. The delay stemmed partly from capacity constraints, notably insufficient skill mix of staff in the PRSP unit. In general, capacity building geared towards strengthening PRSP units in the countries would ease the observed constraints in those experiencing them.

6.0 PRIORITIES FOR CAPACITY BUILDING

A number of African countries have recorded some progress in PRSP implementation in a number of areas. But the Annual Reports reveal that there are continuing difficulties experienced by most countries relating to capacity constraints. In some countries the weakness of capacities is the primary constraint to implementing PRSP. And with the significant capacity constraints in many countries, it means that capacity building will be a long-term endeavour. However, the countries differ in their degrees of capacity needs and priorities. Indeed, studies have shown that African countries are at different stages of development with regard to the levels of capacity in the institutions of governance as well as capacity building initiatives and processes. And so, in the specific context of the PRSP, there has to be flexibility and considerable ownership in identifying and setting priorities for capacity building initiatives and requirements. While donor support will be important to assist countries in meeting immediate capacity priorities, the African Capacity Building Foundation has an important role to play in supporting countries to undertake capacity needs assessment for PRSP preparation and implementation, as basis for determining country-specific priorities and action plans for capacity building.

6.1 Broad Indications of Capacities Building Priorities.

Presented below in Table 4 below is a schematic summary of broad indications of priorities for capacity building based on the foregoing overview of PRSP implementation in Africa. What is clear from the table is that in order to realise the potentials of the PRS approach, there is the need to strengthen the analytical underpinning of the PRSP as well as the institutional capacity for its successful implementation. Of particular importance in this regard is the development of institutional capacity of sectoral ministries in core PRSP skills including PSIA, public expenditure management, analysis of growth and its distributional impact, poverty diagnostics, and monitoring systems and indicators. Also important is support for the capacity building of stakeholder groups to institutionalise their participation in the PRSP process.

Table 4: Summary of Capacity Building Priorities

Capacity Building Areas	Main Components	Strategies for building Capacity
Enhancing the Analytical basis of PRSPs	<ul style="list-style-type: none"> • Sources of Pro-poor growth and constraints to accelerating growth • Linkages between macro, structural and sectoral policies on one hand, and poverty outcomes on the other • Management of shocks 	<ul style="list-style-type: none"> • Support for the development of better quantitative tools • Improving the availability and quality of data through training and use of cross country studies based on data collected by internationally accepted methodologies
Capacity for Poverty and Social Impact Analysis	<ul style="list-style-type: none"> • Distributional impact of growth and how it is affected by macroeconomic, structural and sectoral policies within a specific country context • Strengthening the understanding of how well public programmes meet the needs of the poor 	<ul style="list-style-type: none"> • Improving the availability of data and the time frame of analysis • Development of forecasting models that simulate the impact of policies and external shocks on poverty and inequality
Strengthening public expenditure management	<ul style="list-style-type: none"> • Focusing strategies on key policy measures that are appropriate and feasible for poverty reduction • Meaningful functional classification of expenditures • Ensuring that budget execution does not drift from allocation • Strengthening capacity to mobilise domestic revenue, especially tax revenue, to finance PRSP projects and programmes • Strengthening audit systems • Redressing weaknesses in procurement procedures 	<ul style="list-style-type: none"> • Functional MTEF that ensures that expenditure is driven by policy priorities and disciplined by budget realities • Reform of the tax system • Strengthening technical skills of tax officials and the institutional framework • Institution of public expenditure Review Process • Clearly defined rules for public procurement
Absorptive Capacity	<ul style="list-style-type: none"> • Embraces overall human capital stock - engineers, economists, doctors, etc - and adequacy of physical infrastructure both of which affect ability to adequately use aid. • Underlines the need for aid coordination • Strengthening the technical capacity to prepare and implement projects 	<ul style="list-style-type: none"> • Aid coordination • Capacity building for the development of higher education and research and development
Monitoring and evaluation	<ul style="list-style-type: none"> • Improvements in data collection systems • Engendering sound frameworks for linking data production, analysis and policy making • Building institutional capacity for monitoring and evaluation 	<ul style="list-style-type: none"> • Identification and establishment of baseline values for limited number of indicators for which data is available • Development of budgetary and expenditure data (input indicators), survey-based measures of well-being (impact indicators) as well as intermediate outputs and outcomes
Enhancing civil society and private sector capacities	<ul style="list-style-type: none"> • Strengthening their ability to engage in constructive dialogue on policy options • Ensuring their sustained participation in PRSP preparation, implementation and monitoring 	<ul style="list-style-type: none"> • Developing and implementing appropriate training and capacity building programmes within national enterprises • Development of their capacities for policy analysis and development of counter proposals • Improvement in their institutional and organizational frameworks

6.2 Specific Capacity Building Needs for PRSPs in the Sample Countries

The objective of this section is to identify key areas for intervention by the ACBF with a view to recommending possible areas of intervention to ensure optimal policy design and outcomes.

6.2.1 Capacity Building Needs in Rwanda

The capacity building situation in Rwanda is an outcome of historical developments in the pre-genocide period, the genocide of 1994, and the post-genocide administration. Of interest here is the identification of specific areas of capacity need of critical government institutions responsible for the preparation, implementation, and monitoring outcomes of the PRSP objectives, as contained in the Multi-Sector Capacity Building Programme document (2005) for Rwanda. The genocide left an acute shortage of skilled personnel in public and private sectors in Rwanda. This thus makes capacity building a fundamental aspect of public policy.

Key areas of capacity building needs in Rwanda relate to:

(1) The formulation of a performance measurement framework for monitoring and evaluation of PRSP policies and interventions on poverty reduction. Human resource capacities are in short supply in terms of qualified personnel for the current and envisaged tasks. The situation was aggravated by genocide and the attendant massive exodus of human resources.. There is a lack of competent management and administrative capacities to cope with the requirements of development as stipulated in the PRSP. This situation imposes limits to the absorptive capacity of the economy of Rwanda. No doubt, human capacity building is key, but equally important, however, is the installation of an appropriate institutional framework to foster the utilization and retention of human resources in the country. Uncompetitive remunerations, inappropriate organizational structures, inadequate working facilities, complex donor procedures are some of the militating institutional inadequacies (Twahirwa and Muyango, 2002). The institutional frameworks for managing relations with donors are inadequate. The changing global, regional and national conditions for Rwanda are likely to require that the necessary institutional changes be effected for capacities to cope with such changes. This may call for adjusting, restructuring or even

overhauling existing institutions and organizational structures and the associated procedures and systems.

(2) The other thematic areas requiring capacity building for effective PRSP implementation in Rwanda include the following (Twahirwa and Muyango, 2002):

- Macroeconomic policy analysis and management;
- Public finance and accounting, budgeting and public finance management and accountability;
- Public administration and management, good governance, transparency and accountability;
- Human resource management;
- National accounts, management of data, information, and Information and Communication Technology (ICT); and
- Project cycle management.

(3) In order to address the capacity building challenges, the following are some of the interventions that ACBF and its partners in capacity building may wish to consider:

- Support for the establishment of an institute for policy analysis and research to spearhead capacity building in policy analysis and undertake independent policy research as well as provide policy advice.
- Support the establishment and strengthening of a national monitoring and evaluation system to track performance and assess impact of development projects and programmes undertaken across government by public sector institutions.
- Support programmes that enhance awareness on policy issues among Civil Society Organizations (CSOs), including communities and private sector groups to enable them engage more effectively in policy discussions.
- Facilitate processes for CSOs/Community-based Organizations (CBOs) and private sector representation such as establishing CSO/CBO and private sector desks at decisionmaking organs.

- Work towards broadening the participation of CSOs and the private sector in policy formulation and evaluation.
- Establish effective representation and feedback mechanism for CSOs and private sector participation in key technical sectors and ministries.
- Support the design and implementation of programmes that ensure adequate management and maintenance of office and transport equipment used in public sector institutions.
- Initiate support for institutionalization of democratic budget process to reflect PRSP priorities.
- Realigning donor policies and resources within the framework of PRSP to ensure recipient ownership of programmes.

6.2.2 Capacity Building Needs for PRSP in Ghana

(1) The preparation of the PRSP falls under the responsibility of the National Commission for Development Planning (NCDP). However, the Commission is widely perceived to be a rather weak institution with only marginal impact on economic policy making. Government institutions generally need to learn new skills required for PRSP implementation, and to master the judicious management of the process in a manner which nurtures substantive debate without degenerating into acrimony. In order to engage effectively with civil society, Government ministries will need to be strengthened and equipped with improved methods of participation. Developing such expertise will take time, but may be helped if an experienced local or African institution be consulted to develop and run a programme of workshops and related initiatives designed to strengthen the capacity of the NCDP and the Ministry of Finance in participatory processes.

(2) There are also problems concerning the capacity of civil society to engage meaningfully in PRSP process. It will be important therefore to provide assistance to finance a secretariat for the proposed coordinating mechanism; to finance the participation of those civil society institutions which would find it difficult otherwise to engage in this process; and that local and international donors make available resources over a period of years to finance poverty related research and policy analysis. At present, there is no consultative mechanism

which brings together the various elements of civil society concerned with the impact of economic policy on poverty reduction. There is, however, a desire that such a mechanism be established.

(3) Government leadership in providing timely and accurate information regarding its poverty situation and the implementation of related development programs determines the level of support it gets for its policies and programmes and hence, their success. At present, the information dissemination process in Ghana is rather weak, highlighting the need for the Government to improve its generation and dissemination of information regarding the development process. This should include information on new initiatives and frameworks (such as the PRSP); changes in policy direction; policy targets; budget information (planned expenditure and actual expenditures); and performance in reaching agreed targets. Initiatives currently underway to strengthen the capacity of the Ghana Statistical Services, the Ministry of Finance and NDPC to generate, analyse and disseminate such information should be implemented as a matter of urgency and carefully co-ordinated. An informed debate about issues relating to poverty and economic development is part of the democratic process. At present, the ability of the media to play its full role in this process is limited, and there is a need to determine what measures might be put in place to strengthen the capacity of the press and electronic media to improve its coverage of such issues.

(4) The effective monitoring and evaluation of the PRSP process is predicated on sound statistical systems. However, there is inadequate statistical capacity in Ghana for monitoring and evaluation of the PRSP. In addition, non-state actors in particular need to be capacitated to engage effectively with government in the PRSP process. A key statistical strategy for monitoring and evaluating the effectiveness of PRSP implementation is well-designed household surveys. Capacity building for the design, implementation and analysis of household surveys to monitor and evaluate the PRSP needs to be targeted to the needs of the respective stakeholders mindful of their roles in the process. In particular, analytically dense work needs to be devolved to the policy analysis and research institutions, and linkages between the latter and the other stakeholders strengthened. For example, the Institute of Statistical, Social and Economic Research (ISSER), at the University of Ghana, which has an economic consultancy arm, would be keen to participate in such initiatives.

There are other institutions and individuals which could be involved in this work. Public debate about the PRSP process and its impact on the poor is crucial for effective monitoring and evaluation, raising the importance of capacity building for the media, especially the print media, with respect to the PRSP process.

In the light of the above, the critical capacity building needs for the PRSP in Ghana can be summarized as follows:

- Building core public-sector capacity for PRSP implementation, notably the NDPC, Ministry of Finance, Parliament, the Auditor General’s Office, etc
- Building capacity for key non-state actors (civil society organizations, policy analysis and research institutions, and the media) for effective participation in the implementation and the monitoring and evaluation of the PRSP process; and
- Building statistical capacity for poverty diagnostics and the monitoring and evaluation of the PRSP process.

6.2.3 Capacity Building Needs for PRSP in Lesotho

The key challenges to the PRSP in Lesotho emanate from its operationalization, weak governance, and a lack of political will. Some key examples relate to the need to develop a supporting medium-term macroeconomic framework and address Lesotho’s external vulnerability and competitiveness concerns. In addition, the fiscal framework requires significant spending restraint in non-priority areas (such as civil service costs), many of which have not been identified. Finally, there is a need to improve the monitoring and evaluation framework and identify capacity constraints in the public sector. In all, individual capacity challenges relating to specific results—at macro, sectoral, and cross-sectoral levels—in terms of incentives, organizational competencies, and individual skills need to be identified. In addition, the PRS represents an opportunity to gain the support of donors in providing the needed technical assistance for effective capacity building.

The following are core areas of capacity building should be addressed for effective PRSP implementation in Lesotho, namely:

- Strengthening the capacity for macroeconomic policy design and management
- Full operationalization of the Fiscal Analysis and Policy Unit
- Strengthening the capacity of the Bureau of Statistics for compilation of National accounts and other household level data for monitoring poverty in Lesotho
- Development of a comprehensive framework for reporting progress in achieving the goals of the PRS in order to foster accountability and transparency. Currently, there appears to be no mechanism to assess the impact of the PRS in reducing poverty unless a standardized national framework is adopted.
- Need for the establishment of a Poverty Observatory Unit that will assume the overall responsibility for collecting and analysing data on the poverty situation in Lesotho and feeding the results back into the policy design/redesign phases. The Unit should be placed within the Ministry of Development Planning and serve as a facilitating forum for research and survey facilities outside government structures.
- Pro-poor policy coordination and implementation capacity
- Capacity-building support to national and sectoral planning and budgeting activities linked to the PRSP.
- Budgeting and expenditure support, MTEFs
- Support for civil society engagement and participation

6.2.4 Capacity Building Needs for PRSP in Mali

Mali, like other countries, is faced with a double challenge of vital importance. One is designing and implementing a national policy that is capable of ensuring strong and sustainable growth and more efficient development. The other is devising and putting in place strategies to integrate, or even favour, the poor in the process of growth and development.

Similarly, the monitoring and evaluation needs spawned by the PRSP have to be clearly identified. In this case, capacity needs for monitoring and evaluation of the PRSP need to be addressed while the actions required of PRSP countries to enhance monitoring and evaluation must be put in place to ensure success. Besides, the role of external partners needs to be clearly defined. In short, the following are the key areas where capacity building needs for PRSP in Mali are required:

- (1) Strengthening National Development Planning and Management Capabilities;
- (2) Improving Public Expenditure Management for the responsible institutions;
- (3) Strengthening Civil Society Capabilities;
- (4) Strengthening the Capabilities and Credibility of the Judicial System; and
- (4) Strengthening the statistical system to support the disparate stakeholders in the monitoring and evaluation of the PRSP.

7.0 CONCLUDING REMARKS AND ROLE OF ACBF

In this study, we have attempted to examine the issue of capacity in the design and implementation of PRSPs in four selected African countries that have implemented the first phase of the programme and are transitioning to the second stage. Our analysis revealed that a major constraint to the successful implementation of the PRSP in these countries is inadequate capacity of the various stakeholders. Five major areas of capacity needs — analysis of the sources, strategies and distributional properties of growth; poverty and social impact analysis of alternative public actions; capacity building for requisite public-sector institutions in the various facets of PRSP implementation; strengthening the capacity of non-state actors to participate effectively in the PRSP process, notably for civil-society and policy analysis and research institutions; and the urgency to strengthen the statistical system for generating the data required for poverty and social impact analysis, as well as the monitoring and evaluation of the PRSP more generally. We then focused on the specific needs of the countries in our sample for two reasons. First, we recognise the fact that these countries may differ in the intensity of their needs and second, resource constraints may vary from country to country thus enlisting prioritisation. Thus, it will be most desirable to have a deeper understanding of the PRSP-related capacity gaps in each country as a basis for country-specific intervention.

We note that the mission for ACBF is to build sustainable human and institutional capacity for sustainable growth and poverty reduction in Africa. Two unique characteristics of the ACBF that position it to intervene in capacity building for PRSP include its ability to provide funding over a fairly long period and ability to support a diverse range of stakeholders in the development process.

Supporting capacity building in the PRSP will also help the ACBF to address one of the criticisms levelled against its interventions over the years. It has been alleged that the impact of ACBF-funded programmes and institutions is uneven having been found to be stronger with semi-autonomous policy units and national and regional graduate level training than with governmental policy units and in-service training programmes (Goldsworthy and Bennel, 2001, p.16). Second, involvement with capacity building programmes for PRSP will enable the ACBF to find an effective way to ensure a strong link between recipient countries' needs for enhanced policy and development management and the ad hoc capacity programmes it funds. The ACBF has no doubt been shifting its grant-making function from project to country program approach to meet the aforementioned challenge. The PRSP would provide an avenue for the realisation of this transformation given the overall macroeconomic-oriented nature of PRSPs. We go so far as proposing that, for want of a more substantive national development framework, building capacity for successful PRSP implementation should provide the basis for formulating country-programs.

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