# BRIEFING BOOK
# FOR
# STRATEGIC PARTNERSHIP
# WITH
# AFRICA(SPA) MEETING

Paris,
December 5-7, 2000

**Jay Smith**

**BRIEFING BOOK FOR SPECIAL PROGRAM OF ASSISTANCE FOR AFRICA (SPA) MEETING**
**Washington, December 5-7, 2000**

Strat Book

Paris

**Agenda and Background**

1. Agenda
2. Madavo-Derryck letter (11/13/00)
3. Key USAID positions/points for the plenary discussions
4. Chairman's Summary, Paris SPA meeting, June 13-15, 2000
5. USAID Reporting Cable from June 2000 SPA Plenary

**Wednesday and Thursday, December 8-9, 2000**
**Plenary Discussion**

Economic Outlook for Africa

6. Economic and Financing Tables
7. Table: US SPA-5 Allocations and SPA-4 Disbursements, November 28, 2000 (and Harber email)
8. Table: African Debt owed to the USG

PRSPs/HIPC

9. Summers' Statement for the Prague Meetings and Statement about Congressional Approval of Debt Relief Money
10. The Enhanced Initiative for Heavily Indebted Poor Countries: Review of Implementation
11. The IMF's Poverty Reduction and Growth Facility
12. Poverty Reduction Strategy Papers--Review of Implementation
13. Cable: USAID Guidance on Mission Involvement in PRSPs
14. Tanzania PRSP

Big Table Meeting

15. Agenda for the Eighth Session of the ECA Conference of Ministers of Finance
16. USAID Reporting Cable from Big Table Meeting

SPA Technical Team Activities

17. Minutes of October 18-19, 2000 Technical Group Meeting
18. Donor Involvement in PRSPs: Survey Results
19. PRSP Institutionalization Study
20. Summary of USAID Mission Responses to the Questionnaire
21. Reform of Conditionality: Final Results from Burkina Faso Pilot
22. Comparative Review of HIPC/PRSP Conditionalities in Ten Countries
23. Financial Management Stocktaking Exercise
24. Reforms, Recovery and Poverty Reduction in Africa, Work of Growth and Equity Task Team
25. Study Regarding the Harmonization of Technical Assistance Under Sector Programs Terms of Reference
26. Study of Efficiency and Outcome of Selected Sector Program Terms of Reference
27. Draft Report of Sector Program Tracking Exercise
28. Wolgin Assessment of SPA Technical Team After Six Months

# AGENDA

## Strategic Partnership with Africa

**December 5-7, 2000**
**World Bank Paris Office**
**66, Avenue d'Iena**

**Chairman: Mr. Callisto E. Madavo**
**Vice President, Africa Region**
**World Bank**

**Tuesday, December 5**

| | |
|---|---|
| **15:00-17:30** | **Pre-Plenary Session with Guest Speakers: "The Private Sector and Poverty Reduction"** |
| **19:30-21:00** | ***Dinner in Honor of Invited Guests with Heads of Delegation*** |

**Wednesday, December 6** **(Plenary Sessions Begin)**

| | |
|---|---|
| **09:00 - 09:30** | **Chairman's Opening Statement** |
| **09:30-10:30** | **Economic Performance and Prospects** |
| **10:30-11:00** | ***Coffee Break*** |
| **11:00-12:30** | **Update on Financing for SPA Countries (Including HIPC Initiative)** |
| **12:30-14:00** | ***Buffet Lunch for Delegations (On Premises)*** |
| **14:00-15:00** | **Progress Reports on PRSPs**<br>• **Implementation, Issues and Lessons (World Bank)**<br>• **Update on Poverty Reduction and Growth Facility (IMF)** |
| **15:00-15:20** | **Thematic Conclusions from SPA Technical Meetings, October 17-19: Comments by Technical Group Co-Chairs** |

| | |
|---|---|
| 15:20–16:30 | **PRSP Issues**<br>• **Institutionalization of PRSP Process: Status Report on Country Studies (PRSP Process Task Team)**<br>• **ECA Report on "Big Table" Meeting on PRSPs** |
| **16:30-17:00** | ***Coffee Break*** |
| **17:00-18:30** | **PRSP Issues, continued**<br>• **Reform of Conditionality: Final Results from Burkina Faso Pilot and Comparative Review of HIPC/PRSP Conditionalities in Ten HIPC Countries (European Commission)** |

**Thursday, December 7**

| | |
|---|---|
| **09:00-10:00** | **Findings from SPA Tracking of Sector Programs (World Bank)** |
| **10:00-11:00** | **Public Finance Management: Report on Institutional Assessment Processes, Issues for SPA donors (Public Financial Management/Accountability Task Team)** |
| **11:00-11:30** | ***Coffee Break*** |
| **11:30-12:30** | **SPA Modus Operandi**<br>• **Timing for Annual Plenary Meetings**<br>• **Dissemination of Information between Plenary Meetings**<br>• **Structure/Operations of Task Teams** |
| **12:30-14:00** | ***Lunch Break*** |
| **14:00-14:30** | **Chairman's Summary** |

* * *

**The World Bank**
Washington, D.C. 20433
U.S.A.

CALLISTO E. MADAVO
Vice President
Africa Region

November 13, 2000

Ms. Vivian Lowery Derryck
Assistant Administrator
Bureau for Africa
U.S. Agency for International Development
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20523-4801

Dear Ms. Derryck:

*Meeting of Strategic Partnership with Africa (SPA), December 5-7,2000*

I am pleased to write to you about our upcoming meeting in Paris. PRSPs will again be the main focus of the meeting, in order to benefit from what has been learned as this process unfolds -- what is working, what constraints and challenges the countries are facing in implementing poverty reduction strategies and defining their assistance needs, and what the external partners can do to address those difficulties. I encourage you to share your views and experience to date since the inception of the PRSP process one year ago.

Ten countries have draft Interim PRSPs which have been reviewed by the Fund and Bank Boards; two full PRSPs have also been completed and reviewed; nine SPA countries have reached the decision points on their enhanced HIPC programs; and one has reached the completion point. Another eleven SPA countries are under active preparation for their decision points.

The pre-plenary session on Tuesday, December 5, will be dedicated to the African private sector and its link to growth and poverty reduction. In African-based workshops on the PRSP, leaders have identified the area of private sector development as critical to a viable poverty reduction strategy. A panel of African entrepreneurs will address the question of what governments and donors should be doing (or not doing) to promote private sector development, how such development can be directed to have a larger impact on poverty reduction, and how private sector interests can be better integrated into the PRSP process.

We begin the plenary on Wednesday as usual with the current economic situation in SPA countries and a discussion of financing issues. Country Status Reports and summary tables for performance and for external and fiscal financing are enclosed. This session will include a progress report on the HIPC Initiative, updates on the use of fiscal frameworks, and an assessment of oil price/commodity terms of trade shocks. The Bank

RCA 248423. WUI 64145 FAX (202) 477-6391

and Fund will discuss their response to these shocks and the need for action from the donor community.

In the afternoon we will take up PRSP issues from various perspectives. The World Bank will review the experience, issues and lessons during the past year in developing the PRSP, and the IMF will report on how it is moving forward with Poverty Reduction and Growth Framework (PRGF) programs. The Co-Chairs of the SPA Technical Group will discuss the conclusions from the Technical Meetings held in October and will discuss a new study on country-level institutionalization of the PRSP process commissioned by the PRSP Process Task Team. You may recall that the task team's first output, a donor survey, was a very useful to input to our last meeting.

The Economic Commission for Africa, who have constituted a PRSP learning group, will report on its "Big Table" meeting on PRSPs with African and OECD Ministers to be held November 20. To close the Wednesday session, we will hear from the European Commission on two initiatives on conditionality: The results of the Burkina Faso pilot on moving from *ex ante* policy conditionality to *ex post,* results-based conditionality; and a comparative review of HIPC completion point conditions in ten countries and their linkage to PRSPs and Interim PRSPs.

On Thursday there will be a discussion of the findings from the SPA tracking of sector programs. Then Norway, Chair of the Task Team on Public Financial Management, will make a presentation on public finance management. Finally, we will discuss several issues regarding how we conduct our work.

The meeting agenda, Country Status Reports, and related tables are enclosed. We plan to post the meeting documents on the SPA Website by the week of November 20. (Go to http://www.spa-psa.org and click on "Members Only". The Username is "spauser". The Password is "spa5".)

Kindly notify us as soon as possible with the names of the members of your delegation for the December meeting. The Fax number is 202-473-8046, or you may reply by email to the SPA secretariat (arosenberg@worldbank.org), with a copy to the Paris office conference secretariat (ptouam@worldbank.org, cleymarie@worldbank.org). I am looking forward to seeing you in Paris. With best regards.

Sincerely,

Callisto E. Madavo
Vice President, Africa Region

CC: Executive Directors

# KEY POINTS FOR SPA PLENARY, DECEMBER 2000

## Economic Performance and Prospects

- The primary issue of concern is that poverty reduction targets are based on 8-10 percent growth rates, yet it is highly unlikely that the sub-Saharan continent as a whole will reach anywhere near these rates.

- As donors to Africa, we want to be careful that, to the extent possible, we continue to invest our resources such that they will stimulate economic growth for the continent.

- While investments in non-productive sectors may be needed; if they are made at the expense of the productive sectors, then we may find ourselves doing more harm than good.

- In the context of the PRSP, there has been tremendous pressure on African countries to channel resources into primary education and basic health care, when, for example, improvements in agriculture or creating environments for foreign direct investment may be equally important.

- Per the discussion on private sector and poverty reduction, if we are really going to take poverty reduction in Africa seriously, then we need to take a hard look at our roles, as donors, in promoting private sector growth and foreign direct investment.

## PRSPs/HIPC

- The most important issues emerging from the PRSP experience to date are the contradictions and tensions that arise because of the links between the PRSP/Interim-PRSPs and the HIPC debt relief process.

- Quality PRSPs cannot be put together as fast as the HIPC process demands!

- The short timeframe given to prepare Interim-PRSPs for HIPC deadlines means that, in some cases, not only has the participatory process been compromised, but also the quality and ownership of the strategies themselves have suffered.

- We are concerned that these problems may continue to plague the PRSPs and render them useless as tools to assist donor programming.

- Moreover, it is not clear that the required fundamental change in the nature of working relationships among national government's branches, district governments, the private sector and civil society, is taking place in many African countries, where efforts are focused on meeting HIPC requirements rather than creating a long-term strategy to reduce poverty.

- For example, Tanzania's PRSP was approved last week, yet there are still problems with…(fill in with information from mission)

- Is this the standard we are going to set for PRSPs? What is the incentive for a country to really address the institutional impediments to poverty reduction in its country?

**PRSP quality issues**

- As was noted during the October technical team meeting, one of our biggest challenges remains addressing the financial management aspects or implementation plans of PRSPs. We must not lose sight of how important it is that PRSPs include these critical components for accountability.

- They must deal with the budgetary and policy choices that must be made given limited resources, and they must address corruption, financial inefficiency, decentralization, and other institutional issues.

- They should lay out the roles of various stakeholders, such as legislators, local governments, donors, line ministries other than just Ministries of Finance, and private entities, in the <u>implementation</u> of strategies.

**Pooling of Resources**

- One of USAID's concerns is that there is a growing movement to increase donor levels of budget support and to push for pooling of donor funds in support of a PRSP.

- While, we agree in principle with this move, there must be adequate financial management, accounting, auditing

and reporting in place before we can provide budget support.

- We believe that technical assistance must be provided in conjunction with budget support, and donors must work together in each country to address some of the financial management challenges.

- Working separately to address such issues only within a basket undermines our aid efficiency, our leverage to achieve change, and our ability to reach our collective development goals.

**Capacity building**

- As African countries embark on economic, political and social reforms (to spur economic growth and poverty reduction) the issues of human and institutional capacity have emerged as a top priority for development.

- In the public sector in many countries, the capacity to design and implement policies, manage and monitor the economy, design and implement budgets, mobilize resources and manage external resources is weak or nonexistent.

- The private sector continues to face serious obstacles, including a weak support infrastructure; weak physical infrastructure; an insecure legal environment; burdensome and intrusive bureaucratic regulatory regimes; and antipathy towards entrepreneurship.

- For market-based economic reforms to work, state effectiveness must improve. States need to be able to develop, implement and manage policy reforms, to provide an enabling context for private and public sector activities, and to privatize more aggressively.

- In order to successfully tackle poverty reduction in Africa, there must be BOTH a fundamental change in the behavior and processes by African countries and donors and, second, investment by BOTH players in capacity building efforts in the most critical areas.

Drafted by: AFR/DP/POSE: CCorson, 2-0285; 11/28/00;
Afr.dp.pub/dppse/docs/SPA December Plenary/key points SPA
December 2000

**Chairman's Summary**
**SPA Partnership Meeting**
**June 13-15, 2000**
**Washington, D.C.**

## Introduction

Let me begin by reinforcing what I said at the start of this meeting; namely, how good I feel about being back in the SPA partnership. It is clear after more than two days of meetings that this partnership has *moved forward,* and I sensed a real commitment in this room to grapple with the urgent issues facing our partners in Africa *and facing us in our work to support their efforts.*

As Jan Cedergren noted, perhaps our most important achievement is that there is *now a consensus around poverty reduction as our common objective.* This has to remain our touchstone. And it is clear that we are still learning how best to make use of, and collaboratively shape, the instrument for achieving it -- namely, the PRSP. This is embedded in the theme for the SPA-5 agenda: -- developing new aid relationships for poverty reduction.

I think our discussions advanced these themes, and our partnership as well. I'll underscore four dimensions that struck me in particular.

- First, the discussion of the nature of the development challenge in Africa -- starting with the pre-plenary session on the book that was prepared collaboratively with African institutions -- brought out very clearly *the growth dimension of poverty reduction*, but it also drew attention to some other *cross cutting issues* that perhaps have not figured enough in our efforts to date:
    - the importance of trade and regional integration;
    - the high costs of conflict for those in it and those near it;
    - the poverty impact of HIV/AIDS;
    - the need to effectively develop capacity on a sustainable basis.
- Second, the sometimes very frank discussions on *aid relationships* lent further support to the approach embodied in the CDF and the PRSP. But I think we went deeper on the question *of mutual accountability* -- between donors and aid recipients, and among donors as well. In this regard, I think we should be particularly grateful for the work of the Technical Group, which provided us with early feedback on the PRSP process. We can only gain from more of this. And the independent perspective brought by OED on aid coordination gave us some real food for thought.

- Third: The contribution of *the African voices* at this meeting -- and here I would especially single out the two Ministers we had with us -- was simply outstanding, and brought a perspective on the issues at the heart of our agenda for which I cannot see any substitute. I would hope we can find other occasions and other mechanisms to integrate voices like these into our deliberations.

- Finally, *the importance of resources*. Stressed by the ministers, clear from the numbers, underscored by the book: Part of our job as partners continues to be to secure resources and deliver them in a useful, efficient, and accountable way to get results. In this regard, the figures we heard on the follow-through on SPA-5 pledges, even at this early stage, were very encouraging indeed.

Let me now give you a summary, as I see it, of the main sessions of our meeting.

**Pre-Plenary Session**

The pre-plenary session was very much linked to the themes of the plenary. In truth, I must say that if I had not seen the labels I might not have been able to tell the two apart. There was a seamless weave between the two.

We had a very useful discussion of the book Can Africa Claim the 21st Century?, which was well received around this table. Dr. Ali, you and your colleagues can take a bow. As a stock-taking, it acknowledges failures -- but does not overlook the successes. It tells the two sides of the story in Africa. Its insistence on treating Africa not as an undifferentiated whole, but rather as a diverse set of countries and situations, was greatly appreciated. I have no doubt that we will be referring back to its emphasis on *putting growth at the core of poverty reduction strategies* and to *the four main policy areas it identifies:*

- Resolving conflict and improving governance;

- Explicit attention to equity and investment in people, to achieve a greater poverty impact for growth;

- Increasing competitiveness and diversifying economies;

- More effective partnerships for aid and debt reduction.

The presentations of the two reviewers -- Professor Ademola Oyejide of the University of Ibadan and Dr. Andrew Mullei of the International Center for Economic Growth -- brought out some of the dilemmas and constraints faced by policymakers in developing trade policies in the context of globalization, and the importance of developing a business-friendly environment for sustained growth. The need for *regional approaches* to trade and investment, particularly in infrastructure, was highlighted by both speakers.

As I said earlier, it was a particular honor and pleasure to have as guests two Ministers of Finance, H.E. Dr. Katele Kalumba of Zambia and H.E. Tertius Zongo of Burkina Faso, who turned the session into a truly special experience. Their insights from the ground up will help us bridge the gap between principles and application. Their messages on the best approaches to *developing effective aid relationships* were particularly relevant to our partnership:

- The need to *allow governments room to develop their own policies*, as a basis for ownership, and to develop a partnership that will accept shared successes -- and shared failures;

- The need to develop *a longer term vision* as a basis of aid coordination and the development of partnership;

- The need for *developing adequate capacity* within countries to develop and execute policies, which otherwise cannot be truly owned;

- The need, which so many have stressed, for *a regional approach* to policies, which challenges all of us who base most of our programs on a country by country basis;

- The need to explicitly address issues of *regional imbalances* within countries, which lead to conflict, and not hide behind national averages. I remember vividly the example used by our Belgian colleague about Mozambique, where infrastructure constraints cause southerners to import food because it is too expensive to trade with northern Mozambique, where there are food surpluses.

- The desirability of developing *more explicit accountabilities* -- from all parties to aid partnerships;

- The need to lighten the burden on scarce capacities by *simplifying and aligning our own administrative processes;*

- And finally, the need to pay attention to the global dimensions of market access for exports and to the issue of arms trade.

**Economic Performance**

We began yesterday with an overview of economic performance and prospects by Alan Gelb. His presentation brought out very clearly that our expectations for growth this year have been revised downwards to a little more than 4 percent. This revision was largely due to the impact of declining terms of trade for many SPA countries, and other external shocks, including conflict.

While this underscores the continued vulnerability of these African economies, Alan also stressed that in the face of these shocks, growth seemed fairly robust --

certainly compared with the past -- and that therefore a strong platform for growth exists to continue in the future.

On the other hand -- and we know with economists there are always two hands -- these average growth rates are not adequate to reduce poverty. Our French colleague and a number of others expressed concern about the implications of this pattern. The growth expectations for the SPA-5 period as a whole are being held back significantly by conflicts and political instability in a number of countries.

**The PRSP Process in the Context of the CDF**

We were able to spend much of yesterday discussing the experience so far with PRSPs. In the morning, we focussed on African perspectives, and were joined again by Minister Kalumba. We continued in the afternoon, with presentations introduced by Kemal Dervis, the World Bank's Vice President of the Poverty Reduction and Economic Management Network; Anupam Basu of the IMF; and Gilles Hervio on behalf of our own SPA Technical Group.

Dr. Kalumba stressed that with good progress already made in macroeconomic stability, the time was right to respond to the cry for "development with a human face." This did not mean abandoning growth, but rather strengthening growth though attracting investment, especially foreign investment into Africa. He vividly recounted the challenges of consultation in an African context, drawing on his experience as a politician and chief, with a need often to combine indigenous structures with technically sound proposals.

Perhaps his strongest call to us as donors, however, was to reiterate the nature of partnership in his view -- one based on honest feedback and mutual accountability. He called for visionary and participatory leadership --keeping one's eye on the long term goal -- and a strategic approach to partnerships.

These themes were also similar to the ones that emerged at the workshops on PRSPs held in Abidjan and Addis Ababa and hosted by the ECA and the AfDB, as well as in the meeting on HIPC and PRSPs held recently in Geneva hosted by Switzerland. In addition, those events identified the need in terms of content to draw out linkages between poverty reduction and macroeconomic policies, the role of efficient and effective public service delivery and capacity issues, the need for change in the way of doing business and aid modalities, and the need for continuous learning.

Our discussion brought out again the broad support for the principles and direction of the PRSP approach, very much in line with the direction in which agencies would like to move. But it is still far too early to see how PRSPs will work out in practice. Questions remain about how well ownership is being fostered, and about the tension between, among other things, speed and quality. I was struck by the question posed by our Canadian colleagues: *How much are we willing to be influenced* in the way we are delivering assistance, and not just how much are we able to influence others?

In the afternoon, we heard the Bank and Fund perspectives. Kemal Dervis emphasized several points: the need to view the formulation and implementation of the PRSP as a learning process; the value of shifting to an approach that puts poverty reduction goals at the center of development efforts; and the costs of failing to grasp the opportunity provided by this approach. He also acknowledged the tension between the desire for early debt relief and the high expectations for the quality of PRSPs, and he suggested that the introduction of Interim PRSPs could prove to be useful in managing the tension. But he reminded us that, in the end, PRSPs will only be as good as the content of the strategies they embody.

Anupam Basu of the IMF stressed the need to integrate the resource and private sector development aspects of the PRSP, as well as the desirability of securing as much predictability as possible in the availability of donor flows in support of poverty reduction strategies. He underscored that countries were not all starting from the same situation in terms of having achieved macroeconomic stability or having addressed structural issues, and consequently that much diversity should be expected in PRSPs.

Gilles Hervio presented the results of the donor survey work done through the Technical Group and its Task Teams. This feedback certainly provides us with information and perspectives that we would not otherwise have had, and is an excellent start in meeting the task that the partnership has set for itself in monitoring the PRSP process and, in particular, the donor role in it.

As the Technical Group report during this session indicated, the Interim PRSP is not seen in the field as a substitute or a model for the PRSP itself. The Interim PRSPs have been done quickly, with limited consultation, and in some cases with little perceived ownership. There remain great concerns about capacity and the quality of the PRSPs that will emerge; about the tensions in managing an adequate in-country consultation process; about the development of indicators to be monitored, which is in many cases at an early stage; about the adequacy of financial management systems; and about the linkages of PRSPs with donor support and the modalities of providing this support. As Kemal indicated, the World Bank is looking at ways to adapt our own support (i.e., IDA support) in this regard, within our own country strategy framework.

Around the table there were still concerns that the rules of the game remained unclear, and that this created difficulties for some agencies in adapting their programs to the PRSP process. A number of you asked whether minimum standards could be defined. However, the tension and tradeoffs between setting guidelines or rules, the need for country leadership, and the diversity of starting points in terms of poverty-reduction strategies, would suggest that we should be cautious about prematurely defining standards.

Early in our conversation, our Japanese colleague posed the question of how the PRSP was related to the SPA. I was tempted, as I said then, to answer the question, but I didn't, because the answer depends on what all of us want. For me, however, it was very clear that the PRSP is central to the SPA, and experiences with the PRSP needed to be aired as part of our discussions in this meeting. As one of you put it, the discussion of the

PRSP alone within the partnership made this meeting worthwhile. I am looking forward to the work of the Task Teams as we continue to develop and follow the PRSP process.

**Enhancing Country Leadership in Aid Coordination**

We next looked at important aspects of the CDF and PRSP approach -- enhancing country commitment and country leadership in aid coordination, and the donors' role in facilitating this coordination. OED and UNDP spoke about their reviews of aid coordination, and the DAC reported on last December's Development Partnership Forum and future plans. The presenters gave us a vivid picture of how far we have to go.

Her wit cushioned the blows a little, but the findings presented by Wendy Jarvie of OED indicated that most countries do not feel in charge, and that donor and Bank policies have impeded coordination at the country level. At the same time, aid relationships have become more complex, with many more players, procedural requirements, etc. – she called it "aid bombardment." For the countries, Consultative Groups are about resources; for us as donors, they're about policy dialogue. That's something for us to reflect on.

However, she also said that the time is ripe for change. Countries want to be managers, not recipients, of aid, and the PRSP holds great potential for realizing this goal. Recommended donor actions included reforming Consultative Groups, supporting capacity development, and aligning procedures. Countries should increase their financial accountability, take over CGs and Round Tables, and adopt sectorwide approaches. Happily, Africa was seen as the leader in the sector approach.

Jean-Nicolas Marchal confirmed that UNDP's review reached many of the same conclusions, and UNDP is considering steps to phase out Round Tables in favor of consolidated country led forums. The CDF and PRSP were seen as new instruments with much promise, as they place the lead for aid coordination with the country.

Fritz Meijndert reported that the DAC Development Partnership Forum also found that the PRSP and CDF held promise for aid coordination. But despite a consensus for harmonization at senior levels, at the working level, donors varied widely on their ability to be flexible. The DAC is now proposing a task force to address the issues, starting at the country level. That is where the focus ought to be -- at the country level.

The discussions around the table brought out some important points. On the plus side, there are examples of significant progress. Coordination of adjustment aid was deemed a success. There is movement on the sectorwide approach. We learned that Norway, Netherlands, Germany, and UK are working on harmonization in areas such as accounting and auditing. Japan cautioned that while there is a need for greater donor coordination and aid efficiency, harmonization should not mean uniform procedures, because real ownership requires choice. Overall, however, yesterday's presentations were a real wakeup call about how far we need to go, and several partners offered some ideas for moving forward, especially at the country level.

**Update on Financing Issues and the HIPC Initiative**

This morning we had an update on financing issues and the HIPC Initiative by Jeff Katz. He drew out for us some of the financing implications for SPA-5 of the developments in economic performance that we heard about from Alan Gelb yesterday. His presentation underscored the continued, in fact increased, importance of maintaining our flow of new resources in the face of the terms of trade and weather shocks that are actually widening trade deficits.

Jeff also presented to the group the first results of our efforts to develop a fiscal presentation of the financing gap. While the numbers themselves are clearly at a provisional stage, they show very modest increases in expenditures and continuing improvement in budget balances. They also point to the continuing pressure of debt service. This presentation was seen by you as a major step forward, and there is no doubt that this perspective will be attracting a lot of attention as it is developed. We look forward to your further feedback on it both directly and through the technical Task Team that is working on it.

Regarding our own delivery of quick disbursing support, the figures you have sent us through April indicate that 53% of the pledges announced just last December have already been followed through with allocations -- compared with almost no allocations at this stage during SPA-4. This is very good news.

Finally, on the HIPC, Jeff pointed out that to date about one-third of total HIPC relief for SPA countries has been agreed to, and that by the end of the year almost three-quarters of the total of almost $20 billion will have been approved. This should lead to an acceleration of the impact of the Initiative from the relatively low levels so far.

Many of you commented on the clarity and continuing usefulness of our economic and financing discussions, and found the content of the presentations at this meeting particularly enlightening. We will therefore circulate a transcript of those sessions to supplement the written Chairman's Summary.

We also promised for the future to include more explanatory material and definitions with the standard requests for updates on donor allocations and disbursements.

I would also like to acknowledge again the agreement on a major contribution from the EU to the HIPC Trust Fund, which is a crucial piece of financing for the HIPC Initiative.

**Report from the Co-Chairs of the SPA Technical Group**

We heard this morning from Peter Landymore on the progress made on implementing the new technical-level architecture agreed to at the December plenary. He discussed the proposed work program for the Technical Group, which makes extensive use of the Task Teams to tackle the specific areas of work. This plan was endorsed, even as many noted that the Task Teams had set their sights rather high in their Terms of

Reference. These "living documents" will be monitored as things proceed so as to keep the work focused on the SPA agenda and benchmarks, and so that we don't end up with seven *de facto* Technical Groups, as Peter carefully cautioned this morning.

Mr. Landymore also noted that the life span of the Task Teams will vary, some are likely to extend throughout SPA-5, and others will probably accelerate their work so that it can be fed into the PRSP process. The new structure will be reviewed after about one year.

There was broad support for the proposed division of labor among the Plenary, the Technical Group, and the Task Teams. The Plenary will be mandated to discuss broad macroeconomic and other over-arching issues at high level in line with the SPA-5 agenda. It will consider recommendations coming from the Technical Group. The overall role of the Technical Group is to provide technical inputs to the Plenary to ensure that the SPA-5 agenda is implemented. It will focus on the PRSP process and change in aid modalities; deeper analysis of alternative pro-poor policies, and improving effectiveness of aid delivery mechanisms. It will steer the work of the Task Teams, ensuring coherence and preventing overlaps between different tasks, and drawing out relevant operational and policy conclusions for presentation to the Plenary.

We also agreed to move to an annual Plenary beginning next year, and to semi-annual Technical Group meetings in support of the Plenary. The structure and organization of the Plenary and its relationship to SPA technical work will be reviewed by the Technical Group and the Secretariat.

During discussion of the Secretariat's support for the Technical Group, it was noted that the Bank intends to continue to play a role, but that new resource constraints – in terms of budgets and especially staff availabilities -- will pose challenges.

**ECA Presentation on Strengthening the African Voice in the SPA**

The approach outlined by Elene Makonnen for the role that the ECA could play in strengthening the African voice in the SPA was warmly endorsed by the partnership: That role focuses on being a "catalyst of ideas, action, and capacity," synthesizing perspectives from African players. She outlined how the SPA will be able to link closely to ECA fora and mechanisms.

The objective of the newly created African (PRSP) Learning Group is to bring together African policy makers and practitioners to draw lessons from the experience with the PRSP; share country experiences on how African countries are adapting to the PRSP process; flag constraints and challenges that need to be addressed; and offer suggestions on aid modalities and approaches which are conducive to constructive recipient/donor relations.

ECA identified four themes which the Learning Group, and the preparatory annual country consultations, will focus on. They relate very closely to the outputs from the seven task teams: e.g., the content and nature of growth processes; in-country processes

of formulating a PRSP; new government-donor relationships and adjustments in attitudes; and, lastly, demand-led capacity building needs.

ECA will be sharing reports with the SPA from the Learning Group meetings, and other major meetings such as the African Development Forum, and the Ministerial Conferences.

Finally, Ms. Makonnen stressed that the ECA wants to ensure that SPA members participate in their high-level meetings.

**Conclusion**

Let me say again that I am glad to be back in the SPA partnership. I think we are focusing on the right things. The partnership continues to grow from strength to strength. We also continue to work to be even more relevant in addressing the African situation.

Before we depart, let me express warm appreciation to the interpreters for all the help they provided, and to the strong team I have supporting me -- those you see here and those who are outside the hall.

And thanks especially to all of you. I wish you a good journey home.

Jn00ChSum

N VZCZCAID8082

UNCLASSIFIED

PAGE 01 STATE 143759 281220Z
ORIGIN AID-00

INFO LOG-00 AF-00 EAP-00 EUR-00 UTED-00 TEDE-00 IO-00

OIC-02 OIG-03 SAS-00 /005R

143759
SOURCE: AIDUNC.007894
DRAFTED BY: AID/AFR/DP/POSE::CCORSON:CC:CORSON2 -- 7/25/2000
2
APPROVED BY: AID/DAA/AFR:VDICKSON-HORTON AID7894
AID/AFR/DP/POSE:CCORSON
----------739722 281223Z /38
R 281218Z JUL 00
FM SECSTATE WASHDC
TO USAID MISSIONS IN AFRICA
INFO USMISSION GENEVA
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY TOKYO

UNCLAS STATE 143759

AIDAC

E.O. 12958: N/A
TAGS:
SUBJECT: STRATEGIC PARTNERSHIP WITH AFRICA PLENARY
MEETING

1. THIS IS AN ACTION REQUEST. SEE PARA 20.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 143759 281220Z
SUMMARY

2. THE 26TH SEMI-ANNUAL MEETING OF THE STRATEGIC PARTNERSHIP WITH AFRICA (SPA), WAS HELD JUNE 13-15, 2000 IN WASHINGTON, D.C. VIVIAN LOWERY DERRYCK, USAID ASSISTANT ADMINISTRATOR FOR AFRICA, LED THE U.S. DELEGATION, ACCOMPANIED BY KEITH BROWN, USAID DEPUTY ASSISTANT ADMINISTRATOR FOR AFRICA, JAY SMITH, DIRECTOR OF THE OFFICE OF DEVELOPMENT PLANNING (DP), CATHERINE CORSON, DONOR COORDINATOR, USAID/AFR/DP/POSE, AND CURT GRIMM, USAID/AFR/DP/POSE. THE PLENARY WAS PRECEDED BY A SHORT MEETING OF THE TECHNICAL COMMITTEE, AND A PRE-PLENARY DISCUSSION ON THE RECENTLY RELEASED ANALYSIS OF AFRICA#S DEVELOPMENT CHALLENGES, QUOTE CAN AFRICA CLAIM THE 21ST CENTURY UNQUOTE. BOTH THE TECHNICAL COMMITTEE AND PLENARY MEETINGS FOCUSED ON EXPERIENCE TO DATE WITH THE NEWLY INTRODUCED WORLD BANK (WB) AND INTERNATIONAL MONETARY

FUND (IMF) POVERTY REDUCTION STRATEGY PAPERS (PRSPS). AS PART OF AN ONGOING EFFORT TO INCREASE AFRICAN PARTICIPATION IN THE FORUM, THE SPA INVITED TWO AFRICAN FINANCE MINISTERS TO JOIN THE PRE-PLENARY DISCUSSION AND THE INITIAL DIALOGUE ON PRSPS. FINALLY, THE FORUM AGREED TO HAVE ONE PLENARY AND TWO TECHNICAL TEAM MEETINGS PER YEAR BEGINNING IN 2001. THIS CABLE CONCLUDES WITH ACTION REQUESTED AND IMPLICATIONS FOR USAID PROGRAMMING IN AFRICA. SPECIFICALLY, USAID MISSIONS ARE REQUESTED TO KEEP USAID/W INFORMED OF THEIR INVOLVEMENT WITH HOST COUNTRY DEVELOPMENT OF PRSPS. MISSIONS ARE ALSO



ENCOURAGED TO USE NON-PROJECT ASSISTANCE, WHERE APPROPRIATE. SEE PARAS 19 AND 20. END SUMMARY.

PRE-PLENARY AND PRSPS: AFRICAN PERSPECTIVE

3. THE MEETING OPENED WITH A DISCUSSION SESSION WITH THE TWO AFRICAN MINISTERS, TERTIUS ZONGO, THE MINISTER OF ECONOMY AND FINANCE FOR BURKINO FASO, AND KATELE

KALUMBA, THE MINISTER OF FINANCE AND DEVELOPMENT FOR ZAMBIA, ON QUOTE CAN AFRICA CLAIM THE 21ST CENTURY UNQUOTE AND MOVED INTO A DISCUSSION OF PRSPS THE FOLLOWING MORNING. FUNDED BY THE ECONOMIC COMMISSION FOR AFRICA (ECA), WB, THE AFRICAN DEVELOPMENT BANK, THE AFRICAN ECONOMIC RESEARCH CONSORTIUM, AND THE GLOBAL COALITION FOR AFRICA, QUOTE CAN AFRICA CLAIM THE 21ST CENTURY UNQUOTE, IS A COMPREHENSIVE ANALYSIS OF THE CHALLENGES TO AFRICAN DEVELOPMENT. IT CALLS FOR PROGRESS ON FOUR FRONTS: IMPROVING GOVERNANCE AND RESOLVING CONFLICT; INVESTING IN PEOPLE; INCREASING COMPETITIVENESS AND DIVERSIFYING ECONOMIES; REDUCING AID DEPENDENCE AND DEBT AND STRENGTHENING AID PARTNERSHIPS. IN PARTICULAR, THE AUTHORS ARGUE THAT AFRICA MUST BE BROUGHT INTO THE GLOBAL MARKET, CLAIMING AFRICA IS LOSING $70 BILLION A YEAR IN EXPORTS BECAUSE OF ITS FAILURE TO DIVERSITY AND MAINTAIN MARKET SHARES.

4. THE TWO AFRICAN MINISTERS EMPHASIZED THAT ECONOMIC GROWTH, INCLUDING PRIVATE SECTOR DEVELOPMENT, IS THE DRIVER FOR POVERTY REDUCTION, AND THAT FOREIGN DIRECT INVESTMENT IN SUB-SAHARAN AFRICA (SSA) IS CRITICAL.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 143759 281220Z

BOTH MINISTERS ALSO ARGUED THAT THE INTERNATIONAL FINANCIAL INSTITUTIONS (IFIS) NEED TO GIVE AFRICAN GOVERNMENTS THE FLEXIBILITY WITHIN THE STRUCTURE OF THE PRSP FRAMEWORK TO DEVELOP AND IMPLEMENT PRSPS AS THEY SEE FIT. THEY URGED THAT THE PACE OF THE PRSP PROCESS IS NOT CONSISTENT WITH MOST GOVERNMENT#S

CAPACITY, AND THAT AS LONG AS AFRICAN COUNTRIES LACK THE CAPACITY TO IMPLEMENT POVERTY REDUCTION PROGRAMS, THE POVERTY REDUCTION STRATEGY EMPHASIS WILL HAVE LIMITED IMPACT. FINALLY, THE UNDP AND AFDB CALLED UPON THE WB AND IMF TO 1) STRENGTHEN LINKAGES BETWEEN PRSPS AND MACROECONOMIC FRAMEWORKS; 2) BUILD OWNERSHIP AND CAPACITY TO IMPLEMENT AND MONITOR PROGRAMS; 3) URGE THAT PRSPS ADDRESS EFFICIENCY IN PUBLIC

EXPENDITURE AND GOVERNANCE ISSUES; AND 4) RECONCILE THE TIMEFRAMES BETWEEN HIPC AND THE PRSP PROCESS.

DONOR PERSPECTIVES ON PRSPS

5. THE SPA PARTNERS ECHOED THESE VOICES, EMPHASIZING THE IMPORTANCE OF ECONOMIC GROWTH IN REDUCING POVERTY; THE NEED TO BUILD AFRICAN CAPACITY TO DEVELOP, IMPLEMENT AND EVALUATE STRATEGIES TO REDUCE POVERTY; AND THE IMPORTANCE OF ADDRESSING GOVERNANCE AND CORRUPTION ISSUES IN PRSPS. DONORS COMPLAINED THAT BECAUSE THE PRSP PROCESS IS MOVING TOO FAST, THE INTEGRITY OF PRSPS IS BEING SACRIFICED. SOME DONORS EXPRESSED CONCERNS ABOUT THE OVEREMPHASIS ON INCREASING EXPENDITURES IN THE SOCIAL SECTORS AND LACK OF EMPHASIS ON FINANCIAL ACCOUNTABILITY AND CAPACITY



BUILDING. THE UNITED STATES HIGHLIGHTED THE IMPORTANCE OF BUILDING OWNERSHIP AND BROAD PARTICIPATION IN THE DEVELOPMENT AND IMPLEMENTATION OF STRATEGIES AND THE NEED TO FOSTER STEPS AND CONDITIONS THAT ARE NEEDED TO IMPLEMENT PRSPS.

6. THERE WAS GENERAL AGREEMENT AMONG DONORS THAT THEY NEED TO SUPPORT PRSPS AND HARMONIZE THEIR PROCEDURES. HOWEVER, DONORS# VIEWS ON THEIR ROLES IN PRSP DEVELOPMENT AND IMPLEMENTATION VARIED. THE UNITED STATES POINTED OUT THAT BILATERAL DONORS HAVE SUBSTANTIAL EXPERIENCE IN PROVIDING TECHNICAL ASSISTANCE AND CAPACITY BUILDING AND CAN HELP HOST GOVERNMENTS DEVELOP, IMPLEMENT AND MONITOR POVERTY REDUCTION STRATEGIES. IT ALSO URGED THAT, WITHIN THE PRSP FRAMEWORK, SECTOR PROGRAMS SHOULD INCLUDE MIXTURES OF ASSISTANCE MODALITIES, SUCH AS PROJECT SUPPORT AND BUDGET SUPPORT. JAPAN REFLECTED THAT THE STRONG EMPHASIS TO DATE ON THE PROCESS OF DEVELOPMENT ASSISTANCE HAS CONFUSED THE MEANS WITH THE ENDS: THE PRIMARY ISSUE IS WHAT IS ACCOMPLISHED, NOT HOW IT IS ACCOMPLISHED. ON THE OTHER HAND, THE UNITED KINGDOM

STATED THAT THEY ARE UNDER PRESSURE TO INCREASE THE SHARE OF THEIR RESOURCES GOING TOWARD BUDGET SUPPORT, AND THAT THEY EXPECT THE PRSPS TO PROVIDE THE OVERALL

FRAMEWORK UNDER WHICH ALL DONORS WILL OPERATE IN THE FUTURE.

7. KEMMAL DERVIES, THE NEW VICE PRESIDENT FOR POVERTY REDUCTION AND ECONOMIC MANAGEMENT AT THE WORLD BANK,



CALLED UPON DONORS TO RECOGNIZE THAT WE ARE AT AN IMPORTANT POINT IN HISTORY. COUNTRIES MUST LEAD AND OWN THEIR DEVELOPMENT, YET DONORS MUST CONTINUE TO SUPPORT COUNTRY-LED EFFORTS AND IN PARTICULAR MUST MAKE A REAL EFFORT TO HARMONIZE PROCEDURES. HE STATED QUOTE, IF WE FAIL, WE LET AFRICANS DOWN UNQUOTE. IN RESPONSE TO DONORS# CONCERNS ABOUT THE SPEED OF HIPC AND ITS EFFECT ON PRSPS, HE REMINDED THE AUDIENCE THAT ALMOST ALL COUNTRIES HAVE ONLY DEVELOPED INTERIM PRSPS SO FAR AND THESE SHOULD NOT BE SCRUTINIZED TOO CAREFULLY. THE IMF ECHOED THESE STATEMENTS, BUT ALSO ASKED FOR DONOR ASSISTANCE IN MONITORING THE PRSP PROCESS.

ECONOMIC OUTLOOK FOR AFRICA

8. ALAN GELB, CHIEF ECONOMIST FOR THE AFRICA REGION AT THE WORLD BANK, PROVIDED A BRIEF OVERVIEW OF THE ECONOMIC OUTLOOK FOR AFRICA. OF PARTICULAR NOTE, HE REPORTED THAT THE WEIGHTED AVERAGE OF GDP GROWTH OF SPA COUNTRIES IN 2000 HAS BEEN REVISED DOWNWARD FROM THAT PROJECTED AT THE LAST SPA PLENARY MEETING, FROM 5.4 PERCENT TO 3.9 PERCENT, DUE TO THREE PRIMARY FACTORS: CONFLICT, WEATHER AND TERMS OF TRADE (PRIMARILY FROM INCREASED OIL PRICES). IN PARTICULAR, GELB EMPHASIZED THE SIGNIFICANT IMPACT THAT CONFLICT CAN HAVE ON A COUNTRY#S ECONOMIC GROWTH, REFERRING TO RESEARCH THAT INDICATES THAT ONE YEAR OF CONFLICT REDUCES A COUNTRY#S GDP GROWTH, ON AVERAGE, BY AT

LEAST TWO PERCENT. SPA PARTNERS PICKED UP ON THIS,
RAISING THE QUESTION OF WHETHER THE SPA FORUM SHOULD
UNCLASSIFIED

UNCLASSIFIED

PAGE 07 STATE 143759 281220Z
FOCUS MORE ATTENTION ON CONFLICTS, GIVEN THEIR
TREMENDOUS IMPACT ON ECONOMIC GROWTH.

HIPC DEBT RELIEF

9. THE TOTAL EXPECTED HIPC RELIEF BETWEEN 2000 # 2002
IS PROJECTED AT ABOUT $19.4 BILLION. GELB REPORTED
THAT THE INCREASED FINANCING FROM ENHANCED HIPC IS
PROTECTING CONSUMPTION AND SUSTAINING INVESTMENTS IN
THE FACE OF NEGATIVE TERMS OF TRADE AND A SLOW DOWN IN
SAVINGS. HOWEVER, HE ALSO STATED THAT THE OVERALL
MACROECONOMIC EFFECT OF HIPC IS MINOR WHEN COMPARED TO
TRADE SHOCKS, AS SSA COUNTRIES ARE VERY VULNERABLE TO

TERMS OF TRADE SHOCKS. RESPONDENTS TO GELB#S
PRESENTATION NOTED THAT THE PROJECTED ECONOMIC GROWTH
IN SSA IS INSUFFICIENT TO REDUCE POVERTY. THE WB AND
IMF HAVE PROJECTED THAT SSA MUST GROW BY SEVEN PERCENT
PER ANNUM TO HALVE POVERTY BY 2015. THE UNITED STATES
ALSO POINTED OUT THAT THE PROJECTED FIGURES ASSUMED
THAT THE MAJORITY OF CONFLICTS IN AFRICA WOULD STOP.
IT ALSO RAISED THE RECENT GOVERNMENT ACCOUNTING OFFICE
REPORT THAT INDICATES THAT ENHANCED HIPC IS NOT LIKELY
TO PROVIDE A LASTING SOLUTION TO THE DEBT PROBLEM,
CALLING WB AND IMF ECONOMIC PROJECTIONS OPTIMISTIC.
THE WB ACKNOWLEDGED THAT THERE ARE PROJECTIONS THAT
SHOW A DEBT PROBLEM IN THE FUTURE, BUT REITERATED THAT
IF SSA COUNTRIES ADOPT GOOD ECONOMIC AND POVERTY
REDUCTION POLICIES, THE SCENARIO REMAINS BRIGHTER.
FINALLY, THE EUROPEAN COMMISSION ANNOUNCED ITS
INTENTION TO CONTRIBUTE 1 BILLION EURO TO THE HIPC
UNCLASSIFIED

UNCLASSIFIED

PAGE 08 STATE 143759 281220Z

TRUST FUND, OF WHICH 680 MILLION EURO IS EARMARKED FOR THE AFRICAN DEVELOPMENT BANK.

SPA-5 FINANCING

10. FOR THE FIRST TIME SPA PRODUCED FISCAL TABLES, IN ADDITION TO BALANCE OF PAYMENTS TABLES, FOR EACH SPA COUNTRY. FISCAL CHARTS SHOW A RESIDUAL FINANCING REQUIREMENT OF $4.4 BILLION FOR SPA COUNTRIES, WHILE BALANCE OF PAYMENT CHARTS SHOW A RESIDUAL FINANCING GAP OF $6.1 BILLION, WHICH HAS INCREASED BY 0.2 BILLION SINCE DECEMBER 1999 BECAUSE EXPORTS ARE NOT UP AS FAST AS EXPECTED AND IMPORTS HAVE NOT ADJUSTED DOWN TO COMPENSATE.

11. COMMENT. ALTHOUGH COUNTRY CONTRIBUTIONS WERE NOT DISCUSSED AT THE MEETING, A CHART OF DONOR CONTRIBUTIONS WAS CIRCULATED. U.S. CONTRIBUTIONS TO THE SPA ARE IN THE FORM OF NON-PROJECT ASSISTANCE (NPA) IN SECTOR PROGRAMS. THE UNITED STATES PLEDGED 100 MILLION DOLLARS, SIGNIFICANTLY DOWN FROM ITS PLEDGE AT THE BEGINNING OF SPA-4. MOREOVER, ITS PROJECTED OBLIGATIONS ARE ONLY $65 MILLION. IF THE UNITED STATES INTENDS TO MEET ITS PLEDGE BY THE END OF THE SPA-5 PERIOD, IT WILL HAVE TO SUBSTANTIALLY INCREASE INVESTMENTS IN NPA IN FY2001 AND 2002. SEE PARA 20. A POINT OF COMPARISON--NEW MEMBER IRELAND PLEDGED 66 MILLION IRISH POUNDS OR 80 MILLION US DOLLARS. END COMMENT.

SPA TECHNICAL TEAM

UNCLASSIFIED

UNCLASSIFIED

PAGE 09 STATE 143759 281220Z

12. IN DECEMBER 1999, THE SPA DISBANDED THE ECONOMIC MANAGEMENT AND POVERTY AND SOCIAL POLICY WORKING GROUPS AND REPLACED THEM WITH AN SPA TECHNICAL GROUP, LED BY THE UNITED KINGDOM AND THE EUROPEAN COMMISSION. THIS TECHNICAL GROUP OVERSEES THE WORK OF SEVEN NEWLY CREATED TASK TEAMS: 1) SECTOR PROGRAMS; 2) FISCAL

FRAMEWORKS; 3) BUDGET MANAGEMENT; 4) SELECTIVITY AND CONDITIONALITY; 5) PRSP PROCESS; 6) GROWTH AND EQUITY; AND 7) POVERTY MONITORING. TO DATE, IN AN EFFORT TO BE KEPT INFORMED OF TASK TEAM PRIORITIES AND PROGRESS, MOST SPA MEMBERS HAVE JOINED ALL TASK TEAMS, AS WELL AS THE OVERSIGHT TECHNICAL GROUP. THUS, THE TECHNICAL GROUP HAS BECOME A MINI-PLENARY, AND THE SPA IS STRUGGLING TO MAKE ITS NEW STRUCTURE FUNCTIONAL. FURTHERMORE, WHILE ALL TASK TEAMS AGREED UPON THEIR TERMS OF REFERENCE IN THE LATE SPRING, 2000, SOME TEAMS HAVE LAID OUT VERY BROAD AND UNMANAGEABLE AGENDAS.

13. COMMENT. USAID/W WILL CIRCULATE THE FINAL TERMS OF REFERENCE TO ALL INDIVIDUALS WHO VOLUNTEERED TO SERVE AS SPA POINT PEOPLE IN THEIR MISSIONS, AND SHOULD ANY ADDITIONAL INDIVIDUALS HAVE INTEREST IN PARTICIPATING IN ANY TASK TEAMS, CONTACT, AFR/DP; CATHERINE CORSON. THERE IS SUBSTANTIAL OPPORTUNITY TO INFLUENCE THE PRIORITIES OF THE TASK TEAMS AT THIS TIME, AND USAID/W IS EAGER TO INVOLVE FIELD REPRESENTATIVES IN PRSP, SECTOR PROGRAM AND FINANCIAL MANAGEMENT DISCUSSIONS IN PARTICULAR. END COMMENT.

UNCLASSIFIED

UNCLASSIFIED

PAGE 10 STATE 143759 281220Z

14. SEVERAL TASK TEAMS CONDUCTED A QUICK ANALYSIS OF EXPERIENCES TO DATE WITH PRSPS JUST BEFORE THE SPA PLENARY. BASED ON THESE REPORTS, THE TECHNICAL TEAM MADE SEVERAL RECOMMENDATIONS TO THE PLENARY, INCLUDING: 1) COUNTRIES NEED MORE TIME TO DEVELOP THEIR STRATEGIES; 2) IFIS SHOULD CLARIFY THE ROLE OF THE DONORS IN THE PROCESS; 3) IFIS SHOULD MAKE CLEAR TO GOVERNMENTS WHERE THERE IS FLEXIBILITY WITHIN THE CONFINES OF THE PRSP FRAMEWORK; 4) PRSPS SHOULD INCLUDE LINKAGES BETWEEN BUDGETS AND OUTCOMES, AS WELL AS ALTERNATIVE FISCAL SCENARIOS AND PUBLIC POLICIES.

15. THE PRSP PROCESS TASK TEAM MET FOR SEVERAL HOURS FOLLOWING THE CONCLUSION OF THE SPA PLENARY TO DISCUSS

NEXT STEPS IN THE TEAM#S WORK PROGRAM. THE TASK TEAM AGREED TO CONDUCT A FINAL REVIEW OF THE SYNTHESIS REPORT OF DONOR RESPONSES ON THE PRSP PROCESS TO DATE. THE SYNTHESIS REPORT WILL BE SHARED WITH THE IFIS AND ALL SPA MEMBER COUNTRIES ONCE THE FINAL REVIEW IS

COMPLETE (NOTE -- AFR/DP WILL BE FORWARDING THE SYNTHESIS REPORT TO ALL MISSIONS UNDER SEPARATE COVER). THE NEXT TASK FOR THE TEAM IS TO DEVELOP TERMS OF REFERENCE AND CONTRACT A STUDY TO INVESTIGATE THE EXTENT TO WHICH THE PRSP FRAMEWORK IS BEING INTEGRATED INTO NATIONAL POLICIES, AND PROGRAMS, AND CHANGING GOVERNMENT PRACTICES. THIS STUDY SHOULD BE COMPLETED BY THE NEXT TECHNICAL GROUP MEETING IN OCTOBER. FINALLY, THE TASK TEAM DISCUSSED WITH THE ECA THE POSSIBILITY OF EVENTUALLY JOINTLY HOSTING A PRSP WORKSHOP FOR DONORS AND AFRICAN COUNTRY

UNCLASSIFIED

UNCLASSIFIED

PAGE 11 STATE 143759 281220Z
REPRESENTATIVES WORKING ON PRSPS.

16. SECTOR PROGRAM TRACKING EXERCISE. THE SPA SECRETARIAT CONTINUES TO TRACK SECTOR PROGRAMS AND RECENTLY ASKED DONORS TO RE-EVALUATE WHETHER INDIVIDUAL SPA SECTOR PROGRAMS MEET THE SPA#S REVISED CRITERIA FOR INCLUDING A SECTOR PROGRAM IN ITS TRACKING EXERCISE. THE SPA WILL ANNOUNCE WHICH SECTOR PROGRAMS MEET THE THRESHOLD TEST BY THE END OF JULY, AND THEN WILL SEND THE QUALITATIVE QUESTIONNAIRE OUT TO TRACK IN DETAIL QUALIFYING SECTOR PROGRAMS. USAID/W ENCOURAGES MISSIONS TO RESPOND CAREFULLY TO QUESTIONNAIRES THAT THEY RECEIVE.

AID COORDINATION

17. THE WORLD BANK#S OPERATIONS EVALUATION DEPARTMENT PRESENTED THE RESULTS OF ITS STUDY ON THE EFFECTIVENESS OF AID COORDINATION, WHICH WAS COMPLETED IN OCTOBER 1999. IRONICALLY, GIVEN THE TONE OF THE SPA MEETING, THEIR PRIMARY CONCLUSION WAS THAT, WHILE

DONORS# HEADQUARTERS OFFICES CONTINUE TO EMPHASIZE HARMONIZING DONOR PROCEDURES AND BUILDING GOVERNMENT OWNERSHIP OF DEVELOPMENT ASSISTANCE, NEITHER PROCESS IS BEING IMPLEMENTED SATISFACTORILY, TO EITHER GOVERNMENTS OR DONORS, IN THE FIELD. AT THE SAME TIME, AID COORDINATION HAS BECOME MORE CHALLENGING: THE VOLUME OF AID HAS DECLINED, BUT THE NUMBER OF PLAYERS, PARTICULARLY NON-GOVERNMENTAL ORGANIZATIONS, THE NUMBER OF PROJECTS AND THE NUMBER OF VISITING MISSIONS HAS INCREASED. THIS TREND HAS OVERWHELMED GOVERNMENTS#

UNCLASSIFIED

UNCLASSIFIED

PAGE 12 STATE 143759 281220Z

CAPACITY TO PLAN, BUDGET, MANAGE, MONITOR AND EVALUATE. GOVERNMENTS REPORT LITTLE IMPROVEMENT IN COORDINATION, SELECTIVITY OR COHERENCE OF DONOR POLICIES. IN CONTRAST, DONORS EMPHASIZE THAT GOVERNMENTS NEED TO IMPROVE THEIR FINANCIAL ACCOUNTABILITY AND ADDRESS GOVERNANCE ISSUES IN ORDER TO EFFECTIVELY COORDINATE DEVELOPMENT ASSISTANCE.

SPA COMMUNICATIONS

18. INFORMATION ABOUT THE SPA IS AVAILABLE ON THE SPA WEBSITE: HTTP://WWW.SPA-PSA.ORG/INDEX.HTM. TO ACCESS THE RESTRICTED, MEMBER-ONLY PORTIONS OF THE SPA WEBSITE, CONTACT CATHERINE CORSON, AFR/DP/POSE, FOR THE PASSWORD. A BROCHURE, WHICH DETAILS THE SPA#S HISTORY, RECORD, AND FUTURE WORKPLAN, IS NOW AVAILABLE IN ENGLISH AND FRENCH, AND THE SPA HAS PUT ITS VISION PAPER FOR SPA-5 ON THE WEBSITE.

IMPLICATIONS FOR USAID PROGRAMMING IN AFRICA

19. COMMENT. MANY DONORS APPEAR, IN PRINCIPLE, TO BE PREPARED TO HARMONIZE PROCEDURES AND INCREASE THEIR LEVELS OF BUDGET SUPPORT. AT THE SAME TIME, THE IFIS AND HOST GOVERNMENTS ARE PUSHING DONOR ASSISTANCE PRIORITIES TO REFLECT HOST-COUNTRY PRIORITIES, AS IDENTIFIED IN PRSPS. HOWEVER, THE INSTITUTIONAL CAPACITY IN MOST AFRICAN GOVERNMENTS TO DEVELOP,

IMPLEMENT AND MONITOR PRSPS IS LIMITED. DONOR FIELD REPRESENTATIVES WILL LIKELY BE CALLED UPON TO PROVIDE TECHNICAL ASSISTANCE TO GOVERNMENTS AND EVENTUALLY TO

UNCLASSIFIED

UNCLASSIFIED

PAGE 13 STATE 143759 281220Z

SUPPORT PRSP IMPLEMENTATION. GIVEN THE SIGNIFICANT FOCUS BY ALL MULTILATERAL AND BILATERAL DONORS ON THE PRSP AS THE VEHICLE TO ADDRESS AFRICA#S DEVELOPMENT CHALLENGES, USAID/W IS VERY INTERESTED IN AFR MISSIONS# FEEDBACK ON THE PRSP PROCESS AND CONTENT. SEE PARA 20. END COMMENT.

ACTION REQUESTED

20. USAID MISSIONS ARE REQUESTED TO CONTINUE TO KEEP USAID/W: CATHERINE CORSON AND CURT GRIMM INFORMED OF THEIR INVOLVEMENT WITH HOST COUNTRY DEVELOPMENT OF PRSPS, AS WELL AS THEIR DONOR COORDINATION ACTIVITIES WITH RESPECT TO SECTOR PROGRAMS, PRSPS, AND DEVELOPMENT ASSISTANCE IN GENERAL. MISSIONS ARE ENCOURAGED TO CONTACT HOST GOVERNMENT OFFICIALS IN CHARGE OF DEVELOPING THE PRSPS AS SOON AS POSSIBLE, IF THEY HAVE NOT ALREADY DONE SO, AND TO PARTICIPATE IN DONOR COORDINATION EFFORTS TO THE GREATEST EXTENT POSSIBLE. MISSIONS ARE ALSO URGED TO PROVIDE TECHNICAL ASSISTANCE TO THE DEVELOPMENT AND IMPLEMENTATION OF PRSPS WHERE FEASIBLE AND PRODUCTIVE FOR USAID. FINALLY, MISSIONS ARE STRONGLY ENCOURAGED TO LOOK FOR OPPORTUNITIES TO USE NON-PROJECT ASSISTANCE, WHERE APPROPRIATE, AND TO SEEK USAID/W

GUIDANCE AS NEEDED TO DEVELOP AND IMPLEMENT THESE PROGRAMS AND, SPECIFICALLY, TO CONTACT CATHERINE CORSON REGARDING NPA ISSUES THAT ARISE.

PICKERING

UNCLASSIFIED

UNCLASSIFIED

PAGE 14 STATE 143759 281220Z

UNCLASSIFIED

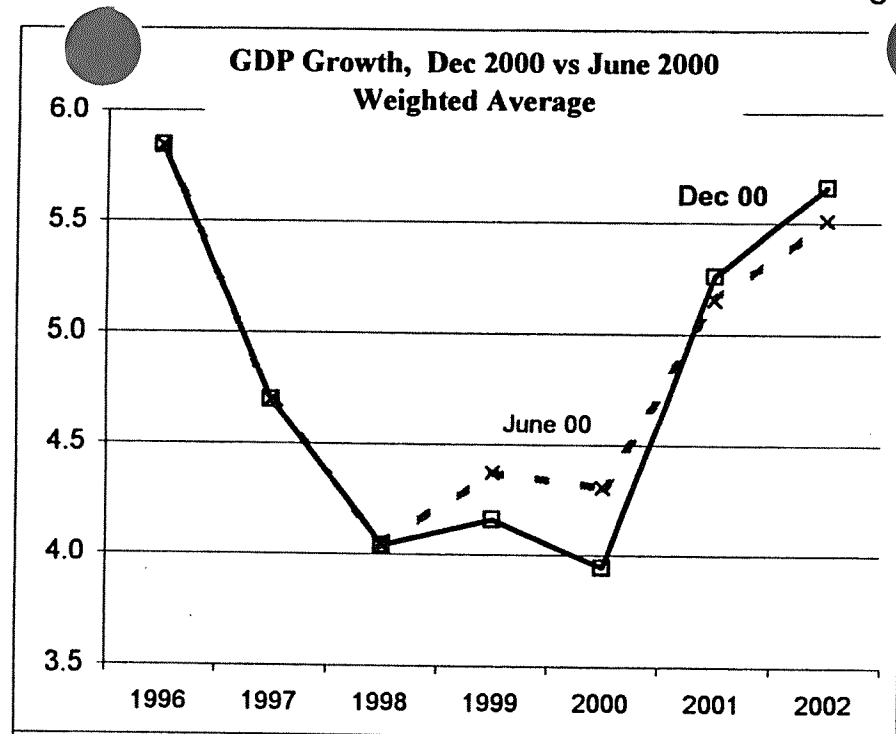
NNNN

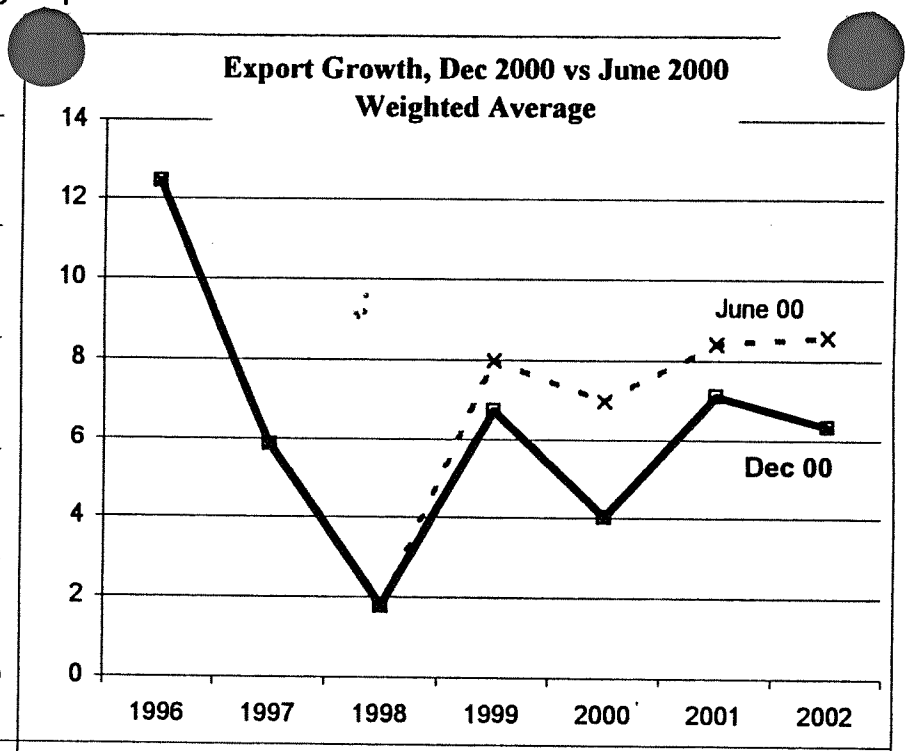
# Economic and Financing Tables
(prepared for the December 2000 SPA meeting)

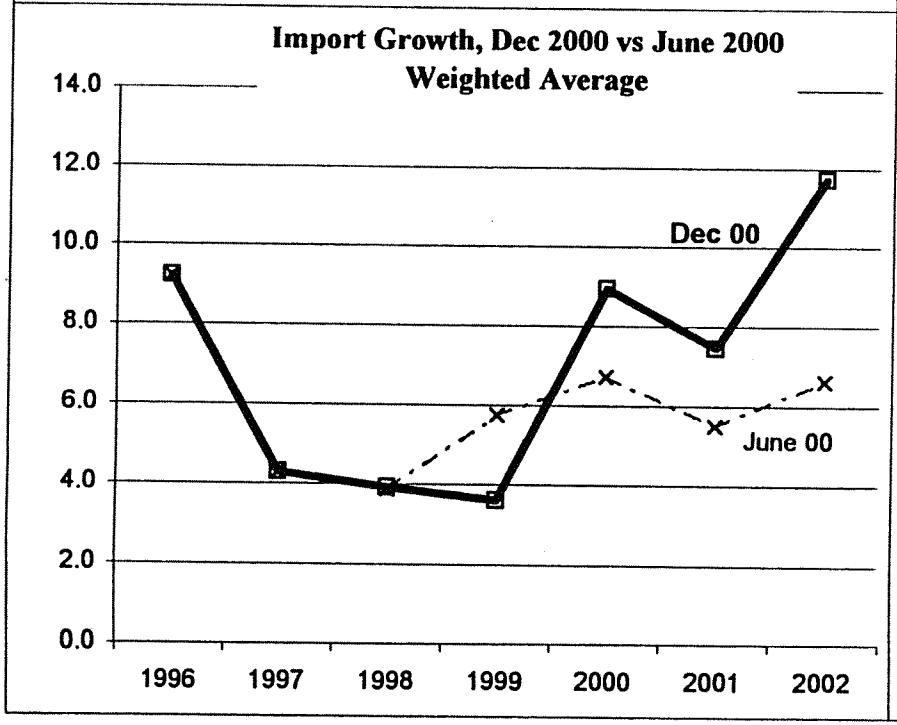
1 Selected Economic Indicators (4 pages) & (Chart1) **(WHITE)**.
2 Summary of SPA-4 and SPA5 Financing, (1997-2002) & (Chart 2) **(WHITE)**.
3 Financing Table for SPA Countries 2000-2002 (2 pages) **(PINK)**.
4 Financing Table for SPA Countries, 2000 (2 pages) **(BLUE)** & (Chart 3).
5 Financing Table for SPA Countries, 2001 (2 pages) **(GREY)**
6 SPA: Summary of Fiscal Financing (1997-2002)
7 IDA Adjustment Operations SPA-5 Commitments and Disbursements FY2000-02 (4 pages) **(GREEN)**
8 SPA-5 Donors Allocations and Disbursements (3 pages) **(YELLOW).**

* Note: Data for Eritrea and Ethiopia are from the SPA June 2000 meeting.

Chart 1


GDP Growth, Dec 2000 vs June 2000
Weighted Average
6.0
5.5
5.0
4.5
4.0
3.5
Dec 00
June 00
1996
1997
1998
1999
2000
2001
2002


Export Growth, Dec 2000 vs June 2000
Weighted Average
14
12
10
8
6
4
2
0
June 00
Dec 00
1996
1997
1998
1999
2000
2001
2002


Import Growth, Dec 2000 vs June 2000
Weighted Average
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Dec 00
June 00
1996
1997
1998
1999
2000
2001
2002

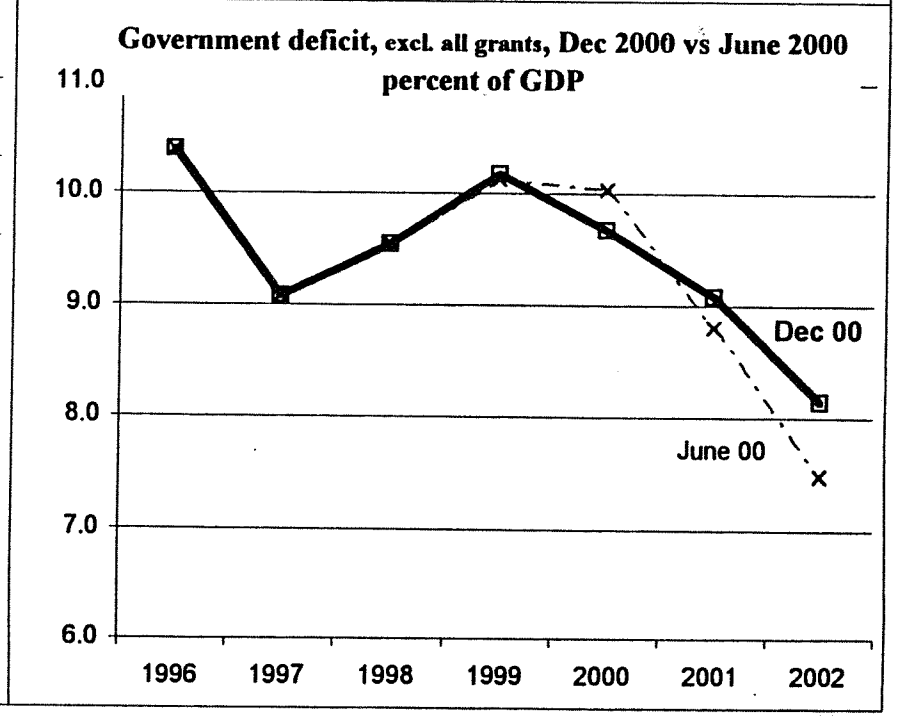
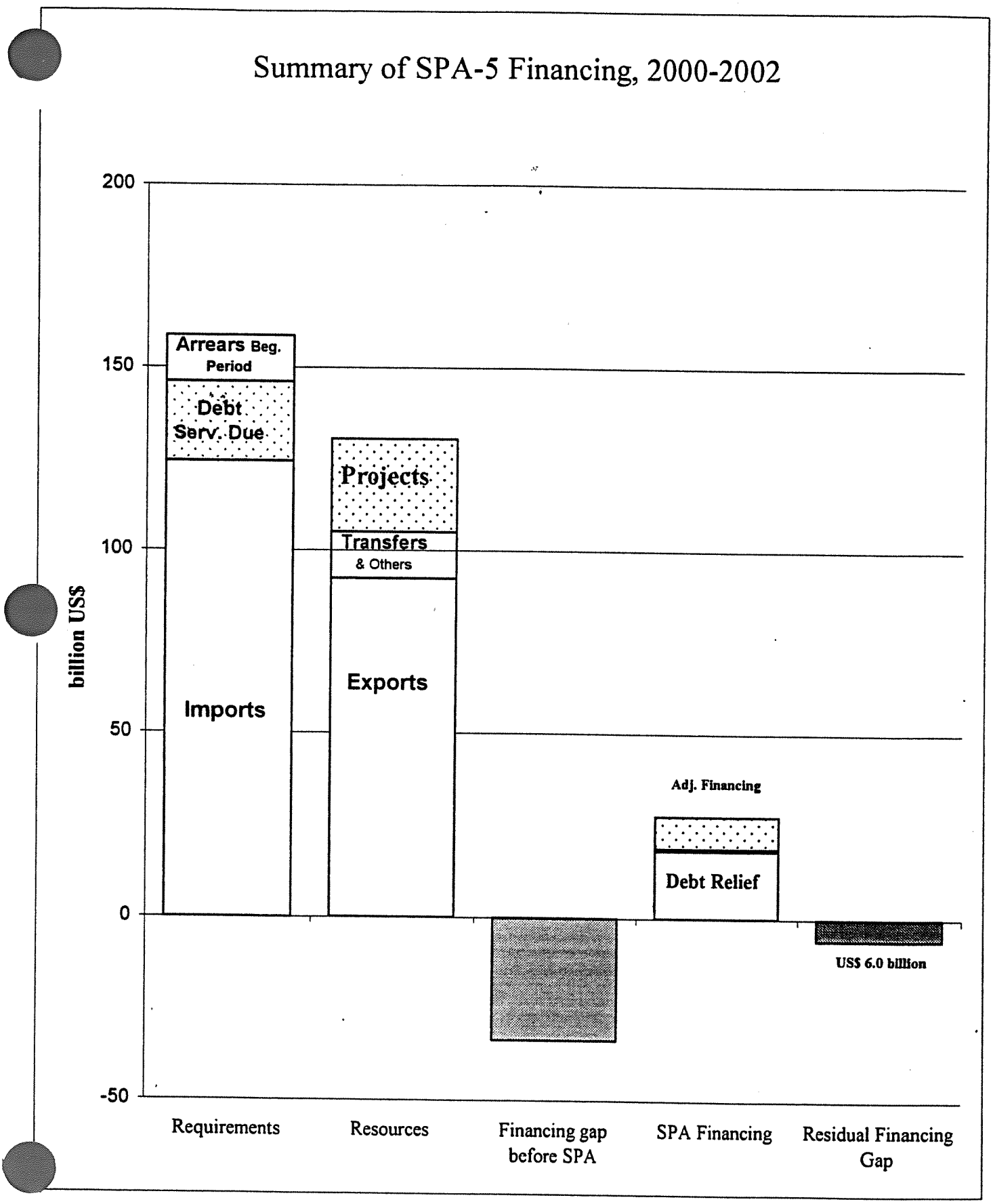

Government deficit, excl. all grants, Dec 2000 vs June 2000
percent of GDP
11.0
10.0
9.0
8.0
7.0
6.0
Dec 00
June 00
1996
1997
1998
1999
2000
2001
2002

Chart 2


Summary of SPA-5 Financing, 2000-2002
200
150
100
50
0
-50
billion US$
Arrears Beg. Period
Debt Serv. Due
Imports
Projects
Transfers & Others
Exports
Adj. Financing
Debt Relief
US$ 6.0 billion
Requirements
Resources
Financing gap before SPA
SPA Financing
Residual Financing Gap

# Selected Economic Indicators

(prepared for the December 2000 SPA meeting)



| | Gross External Reserves (in months' of imports) | | | | | | | GDP per capita growth (percent) | | | | | | | Consumption per capita growth (percent) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 BENIN | 3.7 | 3.6 | 4.7 | 4.5 | 4.6 | 4.3 | 4.1 | 1.9 | 2.7 | 1.5 | 1.9 | 2.5 | 2.7 | 2.6 | 0.7 | 1.5 | 1.6 | 3.0 | 0.1 | 0.5 | 0.9 |
| 2 BURKINA FASO | 6.2 | 6.1 | 5.4 | 6.2 | 6.6 | 5.6 | 4.6 | 0.9 | 1.9 | 3.3 | 2.9 | 2.8 | 3.7 | 3.7 | -1.2 | 1.0 | 3.7 | 3.6 | 0.6 | 1.7 | 2.8 |
| 3 BURUNDI | 9.6 | 9.0 | 7.0 | 7.9 | 7.5 | 9.5 | 8.9 | -8.9 | -2.0 | 1.7 | -3.9 | -2.9 | 1.9 | 2.9 | -14.7 | 10.6 | 15.7 | -1.5 | 8.8 | -8.0 | 10.3 |
| 4 CAMEROON | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1.0 | 2.1 | 1.9 | 1.6 | 1.4 | 2.4 | 2.8 | 1.5 | 1.7 | -0.1 | -2.2 | 7.4 | 2.6 | 2.0 |
| 5 CENTRAL AFRICAN REP | 9.7 | 8.3 | 6.3 | 6.1 | 7.0 | 7.3 | 7.2 | 0.6 | 3.1 | 2.5 | 1.2 | 1.9 | 2.8 | 2.8 | -3.0 | -4.6 | -1.7 | -9.5 | -4.8 | 2.0 | 2.5 |
| 6 CHAD | 0.0 | 4.2 | 3.1 | 3.7 | 2.5 | 0.9 | 0.9 | 1.9 | 2.0 | 4.1 | -3.1 | -1.4 | 1.5 | 1.5 | 1.0 | -3.4 | 3.9 | -1.2 | -0.4 | 1.6 | 2.8 |
| 7 COMOROS | 5.8 | 5.4 | 7.0 | 7.2 | 5.3 | 4.8 | 4.8 | -5.5 | -2.0 | -3.0 | -3.9 | -2.0 | -1.6 | -1.1 | -8.3 | -4.2 | -13.5 | 7.8 | -1.6 | -2.5 | -1.0 |
| 8 CONGO | 0.4 | 0.4 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | -4.6 | -3.5 | 1.1 | -5.8 | 0.8 | 1.2 | -0.3 | -4.3 | -16.8 | 4.8 | -14.3 | 8.1 | 6.8 | 14.0 |
| 9 COTE DIVOIRE | 1.2 | 1.5 | 1.9 | 1.9 | 1.7 | 1.8 | 1.9 | 2.4 | 4.2 | 2.5 | 1.1 | 0.9 | 3.0 | 3.4 | -0.7 | -0.8 | 1.4 | 2.7 | 0.8 | 0.9 | 1.3 |
| 11 ERITREA | 4.5 | 6.2 | 2.9 | 2.5 | 2.5 | 2.6 | 2.9 | 3.7 | 4.9 | 1.1 | 0.1 | 1.3 | 3.3 | 4.4 | .. | .. | .. | .. | .. | .. | .. |
| 12 ETHIOPIA | 5.6 | 4.0 | 2.6 | 2.7 | 3.4 | 4.0 | 4.5 | 3.7 | 3.2 | -3.5 | 4.4 | 4.2 | 4.1 | 4.0 | 3.9 | 9.2 | 4.7 | 4.8 | -10.9 | 2.1 | 1.5 |
| 13 GAMBIA, THE | 4.6 | 4.6 | 4.3 | 4.7 | 5.1 | 4.8 | 4.7 | -2.1 | 1.8 | 1.9 | 3.4 | .. | .. | .. | -1.9 | -2.5 | 2.8 | -4.4 | .. | .. | .. |
| 14 GHANA | 3.2 | 1.6 | 1.7 | 1.3 | 1.4 | 1.7 | 2.2 | 1.3 | 1.5 | 2.0 | 1.8 | 1.6 | 1.9 | 3.3 | -0.5 | 5.8 | 0.6 | 1.3 | 2.0 | 1.2 | 3.4 |
| 15 GUINEA | 2.2 | 3.1 | 3.5 | 3.1 | 2.3 | 2.8 | 3.4 | 1.7 | 2.3 | 2.0 | 0.9 | 1.1 | 1.6 | 2.0 | 0.2 | 0.9 | 1.1 | -0.6 | 0.1 | 0.8 | 0.9 |
| 16 GUINEA-BISSAU | 1.9 | 3.1 | 5.3 | 3.7 | 3.7 | 3.7 | 3.9 | 1.6 | 3.1 | -29.7 | 5.4 | 6.3 | 6.1 | 5.9 | 1.3 | 3.9 | -23.8 | 3.3 | 9.4 | 4.2 | 2.3 |
| 17 KENYA | 2.3 | 2.4 | 2.4 | 2.4 | 2.0 | 2.8 | 3.5 | 1.1 | -0.4 | -0.8 | -1.1 | -2.4 | 0.8 | 2.2 | 5.8 | -0.3 | -3.7 | 1.8 | 7.7 | 5.1 | -2.9 |
| 18 MADAGASCAR | 1.4 | 2.9 | 1.7 | 2.1 | 2.5 | 3.1 | 3.0 | -1.6 | 0.6 | 0.9 | 1.6 | 1.7 | 2.9 | 3.2 | -1.9 | 3.4 | 0.3 | 1.3 | -1.1 | 3.3 | 3.7 |
| 19 MALAWI | 3.2 | 4.0 | 7.8 | 3.4 | 3.4 | 4.5 | 4.6 | 1.8 | 1.2 | -0.6 | 1.4 | 0.8 | 0.7 | 1.7 | 0.6 | 6.5 | -11.3 | 9.8 | -2.6 | -1.5 | 1.6 |
| 20 MALI | 4.3 | 5.1 | 3.6 | 2.7 | 3.8 | 3.8 | 3.4 | 0.6 | 3.7 | 0.4 | 2.4 | 1.5 | 2.6 | 2.1 | 1.1 | -0.1 | 0.3 | 0.4 | -0.6 | 2.2 | -0.2 |
| 21 MAURITANIA | 1.7 | 4.3 | 4.1 | 5.4 | 6.2 | 5.7 | 5.8 | 2.0 | 0.4 | 0.4 | 1.5 | 2.2 | 2.8 | 3.2 | -2.3 | -1.9 | 10.4 | 0.6 | 4.1 | 1.7 | 2.4 |
| 22 MOZAMBIQUE | 2.7 | 5.4 | 5.7 | 4.4 | 4.6 | 4.2 | 4.0 | 4.0 | 8.6 | 9.4 | 5.1 | 2.0 | 8.0 | 5.0 | -5.3 | 5.2 | 3.8 | 6.4 | 0.3 | -0.8 | 5.6 |
| 23 NIGER | 2.1 | 1.4 | 1.6 | 1.3 | 1.2 | 1.1 | 1.1 | 0.5 | -0.7 | 6.8 | -3.8 | -0.3 | 0.4 | 0.8 | 0.3 | -2.3 | 5.5 | -1.4 | 3.2 | -0.5 | 0.2 |
| 24 RWANDA | 2.7 | 3.7 | 4.1 | 4.8 | 4.6 | 4.6 | 4.2 | 0.4 | -3.9 | 6.9 | 3.5 | 3.7 | 3.4 | 3.4 | -3.7 | 1.0 | 5.0 | -0.6 | 2.0 | 1.9 | 1.5 |
| 25 SAO TOME & PRINCIPE | .. | 3.2 | 3.4 | 2.9 | 3.9 | 5.0 | 5.5 | -0.7 | -1.4 | 0.2 | 0.3 | 0.8 | 1.8 | 1.7 | -1.2 | 1.6 | -14.4 | 4.1 | -2.1 | 0.9 | 1.2 |
| 26 SENEGAL | 1.6 | 2.7 | 2.7 | 2.7 | 2.6 | 2.9 | 3.0 | 1.7 | 2.2 | 2.9 | 2.4 | 2.3 | 2.4 | 2.8 | 0.3 | 2.5 | 2.6 | 2.5 | 0.7 | 1.4 | 3.0 |
| 27 SIERRA LEONE | 1.4 | 3.3 | 3.3 | 3.1 | 1.9 | 2.2 | 2.4 | -0.7 | -19.6 | -3.0 | -9.9 | 0.3 | 2.0 | 3.1 | -1.6 | -19.2 | -5.2 | -5.0 | 3.1 | 1.3 | 0.1 |
| 28 TANZANIA | 1.4 | 2.5 | 3.0 | 3.7 | 3.8 | 3.6 | 3.6 | 0.3 | 0.8 | 1.4 | 2.2 | 2.8 | 3.2 | 3.7 | -1.5 | -2.8 | 0.0 | 2.2 | 2.8 | 3.2 | 3.7 |
| 29 TOGO | 2.5 | 2.6 | 2.4 | 2.0 | 2.1 | 2.6 | 3.1 | 7.9 | 1.5 | -4.8 | -0.4 | 1.4 | 2.1 | 2.1 | 3.1 | 6.5 | -2.0 | -0.1 | 0.0 | 0.4 | 2.1 |
| 30 UGANDA | 3.2 | 4.4 | 4.7 | 4.7 | 5.1 | 5.0 | 5.0 | 5.8 | 1.8 | 2.6 | 4.4 | 2.3 | 3.0 | 4.0 | 6.3 | 0.1 | 3.9 | 0.8 | 3.1 | 2.3 | 2.6 |
| 31 ZAMBIA | 1.7 | 1.6 | 0.5 | 0.4 | 1.0 | 2.0 | 2.6 | -4.1 | 0.8 | -4.1 | 0.2 | 2.0 | 2.5 | 2.9 | -6.2 | -1.7 | -2.3 | 0.2 | 2.6 | 0.1 | 0.1 |
| **Average (unweighted)** | **3.1** | **3.7** | **3.6** | **3.4** | **3.4** | **3.6** | **3.6** | **0.6** | **0.7** | **0.3** | **0.6** | **1.3** | **2.5** | **2.8** | **-1.1** | **0.0** | **-0.2** | **0.5** | **1.5** | **1.3** | **2.4** |
| **Median** | **2.5** | **3.5** | **3.3** | **3.1** | **3.4** | **3.7** | **3.6** | **1.0** | **1.7** | **1.5** | **1.4** | **1.5** | **2.5** | **2.9** | **-0.7** | **0.9** | **1.1** | **0.8** | **0.7** | **1.5** | **2.0** |

9-Nov-00

WHITE

# Selected Economic Indicators

(prepared for the December 2000 SPA meeting)



| | GDP growth (percent) | | | | | | | Export growth (percent) | | | | | | | Import growth (percent) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 BENIN | 4.8 | 5.7 | 4.5 | 4.9 | 5.6 | 5.7 | 5.6 | -4.6 | 2.2 | -1.0 | 12.2 | 8.1 | 7.8 | 5.2 | 1.1 | 3.7 | 6.8 | 1.7 | 7.4 | 5.6 | 7.0 |
| 2 BURKINA FASO | 3.7 | 4.8 | 6.2 | 5.8 | 5.7 | 6.6 | 6.6 | -8.5 | 5.7 | 44.7 | -11.1 | 0.8 | 11.0 | 5.9 | -0.2 | -1.0 | 32.1 | -5.7 | -6.8 | 4.1 | 5.1 |
| 3 BURUNDI | -6.6 | 0.4 | 4.8 | -1.0 | 0.0 | 5.0 | 6.0 | -12.7 | 210.2 | -4.0 | 35.9 | 31.7 | 20.0 | 6.4 | -18.3 | 152.7 | 60.2 | 27.9 | 40.3 | -5.7 | 22.6 |
| 4 CAMEROON | 2.0 | 5.1 | 5.0 | 4.4 | 4.2 | 5.3 | 5.7 | 3.0 | 14.1 | 11.1 | 12.9 | -5.4 | 4.1 | 7.3 | 5.4 | 16.5 | 13.2 | 3.1 | 10.6 | 21.6 | 84.0 |
| 5 CENTRAL AFRICAN REP. | 3.0 | 5.3 | 4.7 | 3.4 | 4.1 | 5.0 | 5.0 | 23.6 | 38.9 | 1.8 | 22.9 | 19.7 | 5.1 | 3.0 | 4.1 | 31.6 | 2.3 | -3.2 | 7.9 | 4.5 | 3.9 |
| 6 CHAD | 4.1 | 4.5 | 6.7 | -0.7 | 1.0 | 4.0 | 4.0 | 2.5 | 13.3 | 4.8 | -9.6 | -6.0 | 16.3 | 2.9 | -7.3 | 13.2 | 2.8 | -0.7 | -0.7 | 97.6 | 19.5 |
| 7 COMOROS | -3.2 | 0.5 | -0.5 | -1.4 | 0.5 | 1.0 | 1.5 | 4.9 | 8.8 | 27.5 | -22.1 | -1.0 | 3.0 | 3.0 | -3.9 | 2.5 | -1.5 | 1.0 | 1.5 | 2.0 | 4.0 |
| 8 CONGO | -1.4 | -0.6 | 3.7 | -3.0 | 3.8 | 4.2 | 2.7 | 7.9 | 10.9 | -16.0 | 19.0 | 20.0 | 3.1 | -8.3 | 12.4 | -29.0 | -12.8 | 14.5 | 37.5 | 11.1 | 11.0 |
| 9 COTE D'IVOIRE | 5.5 | 6.6 | 4.5 | 2.8 | 2.2 | 4.5 | 5.1 | 12.7 | 4.6 | -0.7 | 2.4 | 0.6 | 4.1 | 6.1 | 9.7 | 6.8 | -1.3 | 3.9 | 6.8 | 2.3 | 4.1 |
| 10 ERITREA | 6.1 | 7.9 | 3.9 | 3.0 | 4.0 | 6.0 | 7.0 | .. | 5.7 | -45.0 | 17.5 | -12.8 | 13.4 | 12.2 | .. | 6.2 | 3.6 | 6.7 | 11.9 | 8.7 | 8.0 |
| 11 ETHIOPIA | 6.7 | 5.9 | -1.0 | 7.0 | 6.7 | 6.3 | 6.2 | 10.9 | 51.0 | -9.4 | -1.0 | 13.7 | 4.5 | 6.3 | 5.4 | 1.8 | 11.7 | 0.8 | 2.6 | 3.8 | 6.7 |
| 12 GAMBIA, THE | 1.1 | 4.9 | 4.9 | 6.4 | 5.3 | 5.5 | 5.6 | -5.7 | 2.2 | 16.6 | -7.4 | 5.3 | 17.4 | 6.2 | -1.8 | -7.5 | 15.8 | -6.3 | 4.4 | 13.1 | 3.9 |
| 13 GHANA | 4.0 | 4.2 | 4.7 | 4.4 | 4.0 | 4.5 | 5.9 | 13.5 | 4.1 | 8.4 | 12.8 | 10.7 | 7.1 | 6.2 | 3.2 | 35.6 | 2.3 | 12.0 | 11.3 | 4.1 | 5.4 |
| 14 GUINEA | 4.4 | 4.8 | 4.4 | 3.2 | 4.0 | 4.5 | 5.0 | 7.3 | 3.5 | 12.8 | 3.2 | 3.0 | 4.2 | 5.8 | 2.1 | 0.2 | 8.6 | -1.0 | 0.6 | 2.6 | 2.6 |
| 15 GUINEA-BISSAU | 4.1 | 5.4 | -28.1 | 7.8 | 8.7 | 8.5 | 8.3 | 9.2 | 98.0 | -35.8 | 63.5 | 18.9 | 8.5 | 7.0 | -5.2 | 24.3 | -24.6 | 27.0 | 31.1 | 26.4 | 6.5 |
| 16 KENYA | 3.8 | 2.1 | 1.6 | 1.3 | -0.2 | 3.1 | 4.5 | -2.2 | -13.5 | -5.8 | -5.2 | -1.2 | 0.5 | 8.1 | 12.4 | 2.6 | -4.4 | -6.5 | 10.8 | 12.6 | -5.4 |
| 17 MADAGASCAR | 1.3 | 3.7 | 3.9 | 4.7 | 4.8 | 6.0 | 6.3 | 1.3 | 6.8 | 2.1 | 19.2 | 6.9 | 10.2 | 6.3 | 2.5 | 8.6 | 1.6 | 15.4 | 13.0 | 7.3 | 7.2 |
| 18 MALAWI | 5.2 | 3.8 | 2.0 | 4.0 | 3.2 | 3.0 | 4.0 | 7.6 | 8.0 | 21.8 | -18.6 | -4.8 | 8.5 | 3.1 | -4.8 | 20.0 | -12.4 | 8.1 | -8.6 | 1.4 | 3.5 |
| 19 MALI | 3.7 | 6.8 | 3.4 | 5.5 | 4.5 | 5.6 | 5.1 | 5.5 | 44.9 | -1.2 | 14.6 | -0.8 | -9.2 | 28.2 | 2.9 | 10.2 | 2.1 | 5.6 | 3.7 | -2.9 | 3.5 |
| 20 MAURITANIA | 4.9 | 3.2 | 3.2 | 4.3 | 5.0 | 5.5 | 6.0 | 17.1 | -18.3 | 4.8 | 4.8 | 3.5 | 1.7 | 2.7 | 8.2 | -11.6 | 13.7 | -1.1 | 14.4 | -4.6 | 1.7 |
| 21 MOZAMBIQUE | 6.1 | 11.1 | 11.9 | 7.3 | 3.8 | 10.4 | 7.4 | 8.5 | 10.7 | 10.7 | 16.4 | 17.3 | 52.6 | 4.3 | -11.6 | -3.2 | 10.2 | 43.3 | -0.4 | -2.9 | -0.7 |
| 22 NIGER | 3.8 | 2.8 | 10.4 | -0.6 | 3.0 | 3.7 | 4.2 | 12.7 | -1.7 | 17.0 | -10.3 | -0.1 | 5.1 | 5.3 | -2.8 | -2.0 | 17.1 | -19.2 | 4.8 | 5.1 | 6.6 |
| 23 RWANDA | -4.6 | 12.8 | 9.5 | 6.1 | 6.3 | 6.0 | 6.0 | -13.5 | 30.4 | 1.9 | 14.4 | 16.0 | 11.1 | 11.2 | -11.4 | 43.0 | 8.0 | -11.2 | 5.3 | 4.3 | 2.2 |
| 24 SAO TOME & PRINCIPE | 1.9 | 1.0 | 2.5 | 2.5 | 3.0 | 4.0 | 4.0 | -9.3 | 13.8 | 22.6 | 37.0 | 8.3 | 3.8 | 4.8 | -3.3 | 4.9 | -19.1 | 25.7 | -1.1 | 23.8 | 7.1 |
| 25 SENEGAL | 4.5 | 5.0 | 5.7 | 5.1 | 5.0 | 5.0 | 5.5 | 5.7 | 1.3 | 5.8 | 6.0 | 11.6 | 8.1 | 6.0 | 0.9 | 2.2 | 10.8 | 4.4 | 6.4 | 6.6 | 6.0 |
| 26 SIERRA LEONE | -3.7 | -17.6 | -0.8 | -8.1 | 3.0 | 4.8 | 5.9 | -15.7 | -37.7 | 5.7 | -6.6 | 23.7 | 11.7 | 16.6 | 7.9 | -61.4 | 40.0 | -5.0 | 66.1 | 6.5 | 2.2 |
| 27 TANZANIA | 3.3 | 3.5 | 4.0 | 4.7 | 5.2 | 5.6 | 6.0 | 15.8 | -24.9 | 9.8 | 4.7 | 5.2 | 5.6 | 6.0 | -1.5 | -28.2 | -0.3 | 4.7 | 5.2 | 5.6 | 6.0 |
| 28 TOGO | 10.6 | 4.3 | -2.3 | 2.1 | 3.9 | 4.7 | 4.7 | 18.6 | 10.8 | -6.4 | -1.6 | 6.3 | 4.5 | 1.4 | 17.8 | 28.6 | 1.6 | -2.5 | 1.4 | 5.8 | -0.2 |
| 29 UGANDA | 9.2 | 4.7 | 5.6 | 7.4 | 5.1 | 6.0 | 7.0 | 29.1 | 29.5 | -14.9 | 33.0 | -10.8 | 10.1 | 14.2 | 27.9 | 2.0 | 3.1 | 2.8 | -0.1 | 6.6 | 6.7 |
| 30 ZAMBIA | -1.8 | 3.3 | -1.9 | 2.4 | 4.0 | 4.5 | 5.0 | -2.7 | 19.2 | 5.0 | 4.9 | 5.6 | 10.5 | 12.2 | 7.6 | 4.8 | 4.6 | 1.6 | 9.4 | 8.4 | 6.3 |
| **Total weighted average** | **4.1** | **4.7** | **4.0** | **4.2** | **3.9** | **5.3** | **5.7** | **7.3** | **5.9** | **1.8** | **6.8** | **4.0** | **7.1** | **6.4** | **5.1** | **4.3** | **3.9** | **3.6** | **9.0** | **7.5** | **11.7** |
| **Unweighted average** | **2.9** | **3.9** | **2.9** | **3.2** | **4.0** | **5.2** | **5.4** | **4.9** | **18.4** | **3.2** | **8.8** | **6.5** | **8.8** | **6.9** | **2.1** | **9.3** | **6.5** | **4.9** | **9.9** | **9.5** | **8.2** |
| **Median** | **3.8** | **4.6** | **4.2** | **4.1** | **4.0** | **5.0** | **5.6** | **5.7** | **8.4** | **4.8** | **5.5** | **5.5** | **7.5** | **6.0** | **2.1** | **4.2** | **3.3** | **2.2** | **5.9** | **5.6** | **5.7** |

Note: GDP averages were weighted by GDP; Exports were weighted by exports of goods and nonfactor services, and Imports by imports of goods and nonfactor services.

Period averages are calculated using the least squared method.

9-Nov-00

# Selected Economic Indicators

(prepared for the December 2000 SPA meeting)



| | Gross Domestic Savings (as a percentage of GDP) | | | | | | | Investment (as a percentage of GDP) | | | | | | | Private Investment (as a percentage of GDP) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 BENIN | 9.2 | 9.8 | 8.3 | 6.6 | 8.7 | 10.5 | 11.8 | 17.5 | 18.5 | 17.1 | 18.9 | 19.3 | 19.5 | 20.0 | 7.4 | 11.0 | 10.7 | 12.2 | 13.0 | 13.0 | 12.2 |
| 2 BURKINA FASO | 8.4 | 10.9 | 12.7 | 9.8 | 11.7 | 13.0 | 13.4 | 23.7 | 27.3 | 29.6 | 27.8 | 28.6 | 27.9 | 27.3 | 13.6 | 13.8 | 16.0 | 11.9 | 14.3 | 14.2 | 14.3 |
| 3 BURUNDI | -3.3 | 3.9 | -2.9 | -1.6 | -5.2 | -2.8 | -3.8 | 10.7 | 8.1 | 8.8 | 9.1 | 8.4 | 6.6 | 7.9 | 1.6 | 2.2 | 2.3 | 1.8 | 2.2 | 2.2 | 2.3 |
| 4 CAMEROON | 18.3 | 19.1 | 19.9 | 18.9 | 21.1 | 20.2 | 19.2 | 15.1 | 16.2 | 18.4 | 19.5 | 16.8 | 17.4 | 18.2 | 14.1 | 15.2 | 16.4 | 17.1 | 15.4 | 15.5 | 15.6 |
| 5 CENTRAL AFRICAN REP. | 4.3 | 3.6 | 4.5 | 7.2 | 7.4 | 8.6 | 9.5 | 9.9 | 9.0 | 13.5 | 14.3 | 14.1 | 14.4 | 15.2 | 3.2 | 5.0 | 6.3 | 7.5 | 7.0 | 7.0 | 7.6 |
| 6 CHAD | 0.1 | 2.3 | 4.3 | -3.0 | 1.0 | 1.7 | 1.6 | 14.0 | 14.8 | 16.0 | 10.3 | 15.0 | 40.8 | 49.3 | 5.2 | 7.0 | 6.6 | 7.0 | 6.8 | 28.7 | 36.3 |
| 7 COMOROS | -8.9 | -12.1 | 1.6 | 0.0 | -0.3 | -0.4 | 0.1 | 17.4 | 15.5 | 16.6 | 14.6 | 15.0 | 15.2 | 15.3 | 8.7 | 8.9 | 8.1 | 7.4 | 7.4 | 7.5 | 7.6 |
| 8 CONGO | 49.4 | 49.1 | 36.1 | 29.7 | 52.4 | 54.3 | 49.1 | 48.5 | 22.4 | 26.7 | 22.3 | 22.4 | 24.6 | 26.2 | 36.5 | 17.9 | 20.7 | 15.0 | 14.2 | 17.5 | 21.6 |
| 9 COTE D'IVOIRE | 20.8 | 22.5 | 24.8 | 23.1 | 22.8 | 24.4 | 26.0 | 13.2 | 16.0 | 18.2 | 16.3 | 17.6 | 18.1 | 18.7 | 8.4 | 11.4 | 12.9 | 12.7 | 13.5 | 13.8 | 14.3 |
| 10 ERITREA | -35.0 | -17.4 | -24.5 | -20.1 | -22.6 | -21.3 | -18.9 | 22.1 | 40.9 | 47.2 | 44.6 | 43.1 | 42.1 | 41.3 | 9.8 | 26.4 | 24.0 | 18.0 | 25.0 | 28.0 | 30.0 |
| 11 ETHIOPIA | 6.0 | 8.6 | 6.3 | 4.5 | 4.7 | 6.1 | 8.3 | 16.9 | 19.1 | 18.2 | 18.6 | 19.4 | 20.8 | 22.8 | 9.7 | 14.5 | 10.9 | 13.8 | 16.0 | 16.0 | 17.5 |
| 12 GAMBIA, THE | 1.8 | 4.5 | 2.8 | 1.7 | 4.1 | 6.3 | 9.2 | 20.0 | 17.2 | 18.4 | 17.8 | 19.1 | 20.2 | 21.4 | 10.0 | 8.8 | 12.5 | 12.0 | 12.1 | 12.4 | 13.1 |
| 13 GHANA | 12.9 | 4.4 | 10.7 | 6.2 | 1.0 | 4.8 | 8.7 | 22.0 | 24.8 | 23.6 | 23.2 | 24.4 | 21.9 | 20.8 | 8.1 | 11.6 | 11.3 | 12.1 | 11.6 | 11.8 | 12.2 |
| 14 GUINEA | 12.6 | 15.0 | 15.3 | 15.2 | 16.0 | 18.7 | 20.0 | 16.2 | 17.1 | 17.1 | 17.0 | 18.4 | 19.9 | 20.4 | 11.0 | 11.2 | 13.1 | 13.0 | 13.9 | 14.9 | 14.4 |
| 15 GUINEA-BISSAU | 1.5 | 2.8 | -9.3 | -2.2 | -4.9 | -3.4 | 0.5 | 22.4 | 21.7 | 11.3 | 16.3 | 19.2 | 23.4 | 23.2 | 5.6 | 6.1 | 5.2 | 5.2 | 5.3 | 5.3 | 5.7 |
| 16 KENYA | 14.7 | 7.8 | 6.8 | 6.8 | 10.3 | 10.1 | 10.5 | 16.9 | 15.4 | 14.6 | 13.5 | 12.8 | 13.6 | 14.8 | 8.8 | 8.1 | 8.1 | 7.6 | 7.8 | 7.8 | 7.9 |
| 17 MADAGASCAR | 4.5 | 3.7 | 4.6 | 4.9 | 5.9 | 5.9 | 7.2 | 11.2 | 11.9 | 12.5 | 12.9 | 16.1 | 16.4 | 16.8 | 4.9 | 6.3 | 6.9 | 6.8 | 8.2 | 8.3 | 8.5 |
| 18 MALAWI | -0.1 | 0.9 | 6.1 | -0.6 | 3.4 | 5.2 | 4.9 | 19.2 | 12.2 | 13.5 | 14.8 | 16.8 | 17.0 | 17.1 | 6.6 | 2.7 | 2.4 | 2.3 | 5.8 | 5.6 | 5.6 |
| 19 MALI | 7.5 | 10.0 | 11.2 | 10.1 | 6.4 | 9.7 | 12.6 | 24.4 | 20.6 | 20.9 | 21.2 | 21.3 | 21.7 | 21.5 | 13.6 | 12.4 | 11.4 | 11.8 | 11.6 | 12.4 | 12.9 |
| 20 MAURITANIA | 10.7 | 7.9 | 5.1 | 7.2 | 11.8 | 11.8 | 11.9 | 19.5 | 17.6 | 19.0 | 17.8 | 23.7 | 22.6 | 22.6 | 14.8 | 12.0 | 13.3 | 11.8 | 17.5 | 16.3 | 16.3 |
| 21 MOZAMBIQUE | -5.9 | 0.9 | 7.2 | 6.7 | 6.5 | 10.7 | 10.2 | 21.2 | 18.3 | 23.5 | 32.6 | 31.1 | 26.0 | 23.5 | 9.1 | 7.8 | 14.4 | 21.8 | 18.3 | 12.9 | 16.0 |
| 22 NIGER | 1.2 | 3.2 | 2.7 | 3.8 | 1.8 | 2.8 | 3.6 | 9.2 | 10.9 | 11.3 | 10.2 | 10.4 | 11.8 | 12.7 | 3.0 | 4.8 | 4.6 | 3.6 | 4.5 | 4.8 | 5.2 |
| 23 RWANDA | -19.0 | -2.8 | -1.7 | -1.3 | 0.3 | 1.9 | 3.6 | 14.1 | 14.9 | 15.7 | 14.3 | 16.7 | 17.1 | 17.8 | 7.4 | 6.7 | 9.0 | 8.0 | 9.0 | 9.4 | 9.8 |
| 24 SAO TOME & PRINCIPE | -47.3 | -53.3 | 2.2 | -9.3 | -4.6 | 3.6 | 3.1 | 45.9 | 47.3 | 44.7 | 40.0 | 43.6 | 56.2 | 52.9 | 11.9 | 20.6 | 25.0 | 14.0 | 16.5 | 30.3 | 29.6 |
| 25 SENEGAL | 11.9 | 12.3 | 12.8 | 12.4 | 11.5 | 13.6 | 14.6 | 17.9 | 18.0 | 18.6 | 18.8 | 19.0 | 19.3 | 19.6 | 10.4 | 11.6 | 11.7 | 12.3 | 12.4 | 12.6 | 13.0 |
| 26 SIERRA LEONE | -3.1 | -4.3 | -1.9 | -6.0 | -8.5 | -8.3 | -5.4 | 6.0 | -2.4 | 5.3 | 0.3 | 7.8 | 8.1 | 8.2 | 3.7 | -2.6 | 0.4 | -1.7 | 1.3 | 2.2 | 2.6 |
| 27 TANZANIA | 2.1 | 5.0 | 6.4 | 2.2 | 4.9 | 6.4 | 7.6 | 20.2 | 14.9 | 16.5 | 17.0 | 18.0 | 19.0 | 19.5 | 15.8 | 11.8 | 13.3 | 14.0 | 15.2 | 16.3 | 17.0 |
| 28 TOGO | 10.1 | 6.6 | 2.5 | 3.9 | 4.6 | 5.9 | 6.8 | 15.9 | 14.9 | 13.6 | 13.4 | 14.5 | 13.8 | 14.2 | 9.1 | 8.8 | 7.5 | 7.3 | 8.5 | 8.3 | 8.5 |
| 29 UGANDA | 5.4 | 8.0 | 5.6 | 4.9 | 3.7 | 2.3 | 4.0 | 15.7 | 16.1 | 15.0 | 16.4 | 17.2 | 17.6 | 18.1 | 10.3 | 11.6 | 10.5 | 11.7 | 10.3 | 10.3 | 11.0 |
| 30 ZAMBIA | 8.3 | 9.4 | 3.9 | -1.1 | 7.7 | 11.0 | 14.5 | 12.3 | 14.6 | 16.3 | 17.5 | 19.2 | 21.5 | 22.1 | 6.6 | 7.7 | 5.2 | 5.4 | 9.3 | 11.1 | 11.4 |
| **Total weighted average** | **10.3** | **10.2** | **10.5** | **9.0** | **10.3** | **11.4** | **12.4** | **17.4** | **16.9** | **17.9** | **18.0** | **18.6** | **19.3** | **19.9** | **9.6** | **10.0** | **10.7** | **10.1** | **11.1** | **12.5** | **13.3** |
| **Unweighted average** | **3.3** | **4.7** | **6.1** | **4.7** | **6.1** | **7.8** | **8.8** | **18.6** | **17.8** | **18.7** | **18.4** | **19.6** | **21.2** | **21.6** | **9.6** | **10.0** | **10.7** | **10.1** | **11.1** | **12.5** | **13.3** |
| **Median** | **4.9** | **4.7** | **5.3** | **4.7** | **4.8** | **6.2** | **8.5** | **17.2** | **16.1** | **16.8** | **17.0** | **18.2** | **19.4** | **19.8** | **8.9** | **10.0** | **10.8** | **11.8** | **11.6** | **12.4** | **12.5** |

# Selected Economic Indicators

(prepared for the December 2000 SPA meeting)



| | Government revenue, excl. grants (as a percentage of GDP) | | | | | | | Government deficit, excl. all grants (as a percentage of GDP) | | | | | | | Government deficit, incl. all grants (as a percentage of GDP) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1994-96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 BENIN | 12.5 | 13.4 | 14.9 | 14.9 | 14.9 | 16.0 | 16.3 | -7.9 | -5.3 | -1.8 | -2.3 | -4.3 | -2.9 | -2.4 | -3.7 | -0.8 | 1.5 | 2.9 | -0.8 | 0.1 | 0.5 |
| 2 BURKINA FASO | 11.4 | 13.0 | 13.1 | 15.0 | 14.4 | 14.5 | 14.8 | -9.9 | -10.2 | -9.7 | -12.3 | -11.0 | -9.7 | -8.5 | -2.5 | -3.2 | -2.9 | -3.4 | -3.0 | -3.5 | -2.7 |
| 3 BURUNDI | 19.3 | 15.1 | 18.0 | 19.5 | 18.5 | 18.8 | 19.1 | -6.7 | -7.1 | -5.3 | -7.6 | -1.9 | -2.5 | -1.7 | -3.9 | -4.1 | -4.7 | -6.4 | -1.2 | -1.3 | -0.8 |
| 4 CAMEROON | 12.4 | 15.1 | 15.6 | 15.1 | 19.2 | 20.6 | 19.1 | -4.8 | -1.0 | -2.3 | -3.8 | 1.6 | 2.0 | -0.4 | -4.7 | -0.9 | -2.0 | -3.6 | 1.6 | 2.8 | 1.0 |
| 5 CENTRAL AFRICAN REP. | 7.6 | 7.7 | 9.1 | 9.2 | 9.4 | 10.2 | 10.8 | -10.4 | -6.3 | -8.6 | -8.7 | -9.0 | -7.5 | -7.0 | -6.2 | -2.3 | -0.8 | -1.9 | -1.9 | -0.2 | 0.3 |
| 6 CHAD | 6.1 | 7.8 | 7.7 | 8.3 | 9.0 | 10.3 | 10.9 | -12.4 | -10.3 | -7.8 | -10.7 | -10.0 | -12.2 | -12.0 | -4.7 | -3.9 | -2.6 | -6.0 | -5.6 | -6.7 | -6.7 |
| 7 COMOROS | 10.8 | 15.1 | 11.9 | 13.7 | 15.5 | 13.3 | 13.3 | -22.8 | -12.1 | -12.2 | -8.4 | -8.1 | -10.2 | -10.0 | -10.5 | -2.4 | -4.2 | -0.7 | -2.4 | -4.5 | -4.4 |
| 8 CONGO | 23.3 | 28.5 | 22.6 | 28.1 | 31.2 | 30.7 | 30.0 | -9.1 | -9.2 | -20.3 | -6.7 | 3.8 | 3.3 | 1.5 | -8.4 | -9.1 | -20.0 | -6.3 | 4.4 | 3.5 | 1.8 |
| 9 COTE D'IVOIRE | 21.5 | 21.5 | 20.9 | 18.4 | 18.9 | 19.2 | 19.7 | -2.4 | -0.7 | -0.7 | -1.4 | 0.3 | 0.9 | 2.0 | -1.7 | 0.7 | 0.7 | -0.3 | 1.5 | 1.9 | 2.9 |
| 10 ERITREA | 31.5 | 41.7 | 34.8 | 29.2 | 29.6 | 29.3 | 29.6 | -32.7 | -13.2 | -41.4 | -50.2 | -40.1 | -31.8 | -25.4 | -18.3 | -7.0 | -32.3 | -43.8 | -32.1 | -23.9 | -17.6 |
| 11 ETHIOPIA | 16.6 | 19.0 | 18.7 | 19.2 | 19.7 | 19.5 | 19.3 | -9.0 | -5.2 | -6.5 | -7.3 | -9.8 | -7.0 | -7.5 | -5.7 | -1.5 | -3.6 | -5.0 | -8.2 | -4.0 | -4.2 |
| 12 GAMBIA, THE | 19.4 | 19.1 | 18.8 | 19.6 | 22.7 | 21.9 | 22.0 | -8.5 | -7.8 | -4.4 | -5.3 | -2.9 | -3.7 | -3.4 | -6.0 | -6.5 | -2.4 | -3.6 | -0.3 | -0.3 | -0.1 |
| 13 GHANA | 18.9 | 17.7 | 20.0 | 16.4 | 18.0 | 18.9 | 19.4 | -11.5 | -11.0 | -8.6 | -9.8 | -3.5 | 0.6 | -2.9 | -8.2 | -9.7 | -6.5 | -7.4 | 3.1 | 8.1 | 3.1 |
| 14 GUINEA | 10.4 | 11.2 | 10.6 | 10.3 | 11.5 | 11.8 | 12.0 | -6.6 | -6.1 | -6.0 | -5.2 | -4.8 | -6.3 | -6.0 | -3.1 | -3.2 | -3.3 | -3.0 | -2.6 | -3.6 | -3.4 |
| 15 GUINEA-BISSAU | 12.5 | 15.3 | 5.4 | 17.8 | 15.9 | 16.4 | 16.4 | -20.7 | -30.9 | -19.5 | -14.4 | -18.0 | -22.9 | -21.1 | -7.4 | -18.2 | -16.3 | -10.0 | -7.5 | -13.5 | -10.4 |
| 16 KENYA | 28.0 | 26.1 | 26.0 | 24.1 | 24.5 | 24.3 | 24.3 | -4.7 | -3.0 | -3.2 | -1.7 | -3.9 | -0.9 | 0.2 | -2.7 | -2.0 | -2.6 | -1.5 | -2.0 | -0.8 | 0.4 |
| 17 MADAGASCAR | 8.5 | 9.7 | 10.6 | 11.4 | 12.6 | 12.7 | 13.5 | -9.9 | -7.7 | -8.1 | -4.8 | -5.5 | -7.6 | -6.6 | -6.5 | -2.4 | -4.7 | -1.2 | -0.8 | -3.4 | -1.9 |
| 18 MALAWI | 15.5 | 12.9 | 19.6 | 16.6 | 15.6 | 15.7 | 16.0 | -20.4 | -13.3 | -10.7 | -11.1 | -10.1 | -9.7 | -9.0 | -12.1 | -9.5 | -2.3 | -4.0 | -4.2 | -5.6 | -4.9 |
| 19 MALI | 13.6 | 16.0 | 16.4 | 17.0 | 17.0 | 17.3 | 17.7 | -11.1 | -7.9 | -8.3 | -9.0 | -9.0 | -8.1 | -6.6 | -2.9 | -2.1 | -2.5 | -3.8 | -4.6 | -4.2 | -3.0 |
| 20 MAURITANIA | 26.0 | 27.0 | 27.1 | 27.9 | 26.5 | 25.4 | 24.9 | 0.5 | 4.3 | 2.2 | 2.1 | -4.4 | -0.6 | 0.8 | 2.7 | 5.1 | 3.6 | 4.7 | -2.6 | 1.1 | 2.4 |
| 21 MOZAMBIQUE | 11.2 | 11.4 | 11.5 | 12.2 | 12.7 | 12.3 | 13.0 | -14.0 | -11.7 | -10.6 | -13.4 | -16.7 | -18.3 | -14.8 | -3.8 | -2.5 | -2.4 | -1.6 | -6.0 | -7.4 | -6.6 |
| 22 NIGER | 7.0 | 8.4 | 8.9 | 8.5 | 8.2 | 9.0 | 9.5 | -8.4 | -7.3 | -8.5 | -9.7 | -7.4 | -8.1 | -7.7 | -3.4 | -2.7 | -3.2 | -5.9 | -3.7 | -4.2 | -3.7 |
| 23 RWANDA | 6.5 | 10.3 | 10.4 | 9.7 | 10.1 | 10.6 | 11.4 | -13.0 | -9.2 | -8.1 | -9.8 | -10.3 | -10.1 | -9.6 | -6.5 | -2.4 | -2.9 | -3.8 | -5.4 | -5.1 | -4.6 |
| 24 SAO TOME & PRINCIPE | 14.4 | 15.6 | 25.0 | 19.3 | 20.8 | 20.9 | 21.5 | -59.1 | -54.5 | -34.6 | -50.4 | -47.3 | -48.7 | -42.6 | -37.6 | -26.7 | -24.9 | -25.8 | -19.6 | -17.0 | -12.3 |
| 25 SENEGAL | 16.0 | 16.9 | 16.7 | 17.1 | 17.3 | 17.5 | 17.5 | -4.7 | -2.0 | -3.3 | -3.5 | -4.7 | -3.4 | -2.2 | 0.0 | 0.5 | -0.3 | -1.4 | -2.0 | -1.4 | -0.2 |
| 26 SIERRA LEONE | 10.8 | 5.4 | 7.3 | 7.1 | 16.4 | 15.9 | 16.8 | -7.5 | -7.5 | -12.8 | -14.9 | -19.1 | -14.2 | -10.7 | -6.9 | -7.0 | -10.4 | -9.5 | -13.8 | -9.9 | -8.0 |
| 27 TANZANIA | 12.3 | 12.2 | 10.8 | 10.6 | 10.6 | 10.8 | 11.2 | -3.6 | -1.4 | -2.6 | -3.3 | -5.4 | -4.9 | -5.2 | -1.2 | 1.8 | 0.2 | 0.4 | -1.6 | -0.4 | -0.9 |
| 28 TOGO | 13.8 | 14.7 | 15.3 | 15.3 | 13.4 | 12.5 | 12.7 | -9.0 | -3.5 | -7.2 | -5.8 | -5.9 | -4.7 | -4.5 | -7.9 | -2.1 | -5.5 | -4.6 | -4.8 | -3.7 | -3.6 |
| 29 UGANDA | 9.4 | 11.0 | 10.3 | 10.9 | 10.6 | 10.6 | 10.8 | -7.7 | -5.8 | -5.6 | -5.9 | -9.6 | -9.5 | -9.0 | -2.7 | -1.4 | -0.4 | -1.2 | -3.6 | -2.3 | -2.5 |
| 30 ZAMBIA | 20.2 | 19.9 | 18.7 | 17.6 | 18.8 | 17.8 | 18.1 | -9.3 | -5.3 | -9.8 | -10.0 | -13.1 | -13.5 | -11.9 | -3.8 | -0.2 | -3.2 | -2.0 | -3.8 | -6.3 | -6.6 |
| **Average (unweighted)** | **15.9** | **16.7** | **16.6** | **16.0** | **16.9** | **17.1** | **17.2** | **-11.9** | **-9.1** | **-9.5** | **-10.2** | **-9.7** | **-9.1** | **-8.1** | **-6.3** | **-4.2** | **-5.4** | **-5.3** | **-4.4** | **-3.9** | **-3.2** |
| **Median** | **14.9** | **16.0** | **15.9** | **16.0** | **16.8** | **16.8** | **17.1** | **-9.1** | **-7.4** | **-8.1** | **-8.0** | **-7.8** | **-7.6** | **-6.8** | **-4.7** | **-2.4** | **-2.9** | **-3.6** | **-2.8** | **-3.5** | **-2.8** |

* Imports of goods and services.

9-Nov-00
10:29 PM

# SUMMARY OF SPA-4 and SPA-5 FINANCING, (1997-2002)

(prepared for the December 2000 SPA meeting)
(billions of dollars)

| | 1997 | 1998 | 1999 | SPA-4 1997-99 | 2000 | Difference 2000* | 2001 | Difference 2001* | 2002 | SPA-5 2000-02 | Difference SPA-5* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Requirements:** | 69.2 | 64.0 | 58.2 | 158.0 | 60.7 | -1.4 | 56.3 | 3.0 | 54.0 | 166.0 | -2.3 |
| Imports of goods & non interest services | 35.0 | 35.3 | 36.1 | 106.4 | 38.8 | -0.8 | 41.7 | -0.3 | 43.8 | 124.3 | -2.4 |
| Debt service due | 7.7 | 7.8 | 7.5 | 23.0 | 7.5 | -0.3 | 7.3 | -0.1 | 6.9 | 21.7 | -0.6 |
| Stock of arrears (beginning of period) | 25.0 | 19.9 | 13.6 | 25.0 | 12.8 | -0.1 | 4.5 | 2.8 | 0.6 | 12.8 | -0.1 |
| Reserves build-up | 0.6 | 0.0 | -0.1 | 0.6 | 0.6 | -0.3 | 1.7 | 0.6 | 1.5 | 3.8 | 0.7 |
| Current transfer payments | 1.0 | 1.0 | 1.0 | 3.0 | 1.0 | 0.0 | 1.1 | 0.1 | 1.2 | 3.3 | 0.2 |
| **Resources:** | 39.7 | 38.7 | 39.2 | 117.6 | 41.0 | -1.7 | 44.0 | -0.9 | 47.3 | 132.3 | -4.0 |
| Exports of goods & services | 26.9 | 26.2 | 26.2 | 79.3 | 28.1 | -0.7 | 30.9 | -0.3 | 33.3 | 92.3 | -2.0 |
| Current transfer receipts | 3.8 | 4.2 | 4.0 | 12.0 | 4.1 | 0.2 | 4.3 | 0.2 | 4.4 | 12.7 | 0.5 |
| Project financing | 7.5 | 7.2 | 7.7 | 22.4 | 8.0 | -1.1 | 8.4 | -0.7 | 9.0 | 25.4 | -2.5 |
| o.w. IDA | 1.4 | 1.5 | 1.5 | 4.4 | 1.5 | 0.0 | 1.7 | -0.1 | 1.9 | 5.2 | 0.0 |
| Other ODA | 3.9 | 3.6 | 3.6 | 11.1 | 3.9 | -0.5 | 4.2 | -0.2 | 4.3 | 12.5 | -0.8 |
| Non-adjustment non-proj financing | 0.2 | 0.2 | 0.2 | 0.6 | 0.2 | 0.0 | 0.1 | 0.0 | 0.1 | 0.4 | 0.0 |
| Net short-term borrowing & other capital flow | 1.2 | 0.9 | 1.1 | 3.3 | 0.6 | 0.0 | 0.3 | -0.1 | 0.5 | 1.4 | -0.1 |
| **Financing gap before SPA** | 29.6 | 25.3 | 19.0 | 40.4 | 19.7 | 0.3 | 12.3 | 3.9 | 6.7 | 33.7 | 1.7 |
| *Financed by:* | | | | | | | | | | | |
| [illegible]lief (excluding arrears) | 1.3 | 1.7 | 1.7 | 4.6 | 2.3 | 0.1 | 1.8 | 3.2 | 1.6 | 5.7 | 0.4 |
| [illegible]lief on arrears | 6.3 | 7.2 | 2.2 | 15.7 | 8.9 | -1.1 | 3.9 | 0.0 | 0.0 | 12.8 | 2.0 |
| Arrears: stock end-period | 19.9 | 13.6 | 12.8 | 12.8 | 4.5 | 1.6 | 0.6 | -0.3 | 0.6 | 0.6 | -1.5 |
| Adjustment financing: | 2.1 | 2.8 | 2.3 | 7.3 | 3.3 | 0.4 | 3.3 | 0.7 | 2.0 | 8.5 | 1.0 |
| IDA[a] | 0.6 | 0.7 | 0.7 | 2.0 | 1.0 | -0.1 | 1.4 | 0.5 | 0.9 | 3.3 | 0.3 |
| IMF[a] | 0.5 | 0.7 | 0.5 | 1.7 | 0.7 | 0.0 | 0.9 | 0.1 | 0.5 | 2.1 | 0.0 |
| 5th Dimension | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.2 | 0.0 |
| SPA-4 carryover & Other[b] | 1.0 | 1.3 | 1.1 | 3.3 | 0.9 | 0.5 | 0.1 | 0.0 | 0.1 | 1.1 | 0.5 |
| Donor disbursements from SPA-5 allocations | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0<br>36.8 | 0.7 | 0.1<br>36.8 | 0.4 | 1.7 | 0.2 |
| **Residual Financing Gap** | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | -0.5 | 2.9 | 0.4 | 2.5 | 6.2 | -0.1 |

* Difference is equal to December 2000 less June 2000.

[a] Includes disbursements from identified operations only. Additional disbursements are expected from operations still to be identified.

[b] Includes 6th Dimension, SPA-3, and other disbursements.

9-Nov-00

SPA-5 PINK

# FINANCING TABLE FOR SPA COUNTRIES, 2000-02

(prepared for the December 2000 SPA meeting)

( millions of US dollars )

SPA-5 PINK

(page 1 of 2)

9-Nov-00

| SPA-ELIGIBLE COUNTRIES | FINANCING GAP BEFORE SPA (before debt relief and adjustment support) (column 17 minus column 24) | NET REDUCTION IN DEBT SERVICE a/ (including arrears) | | | | POTENTIAL ADJUSTMENT FINANCING | | | | | | | | End-2002 Stock of Arrears | RESIDUAL FINANCING GAP 2000-02 Column 1 minus columns 2 through 9 | ADDITIONAL COMMITMENTS REQUIRED 2000-02 | MEMO ITEM c/ SPA-5 allocations for 2000-02 | MEMO ITEM Net Reduction in Debt service HIPC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | ------ of which ------ Official bilateral concessional | noncon-cessional | Commer-cial debt | IDA | IMF ESAF | Cofinancing and coordinated financing for SPA DISBURSEMENTS \b from agreements signed during 1997-99 | 2000-02 | Supplemental IDA credits and donor's contribution - " Fifth Dimension " - Total | -of which- donors' contri-bution | Debt reduction facility grants "Sixth Dimension" | Non-con-cessional disburse-ments and other con-cessional financing | | | | | |
| | (1) | (2) | (2a) | (2b) | (2c) | (3) | (4) | (5) | (6) | (7) | (7a) | (8) | (9) | (9) | (10) | (11) | (A) | (B) |
| 1 BENIN* | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33 | 0 |
| 2 BURKINA FASO* | 94 | 0 | 0 | 0 | 0 | 20 | 48 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 14 | 17 | 79 | .. |
| 3 BURUNDI | 171 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38 | 0 | 0 | 0 | 0 | 109 | 24 | 30 | 10 | .. |
| 4 CAMEROON fy* | 2,181 | 1,309 | 0 | 459 | 669 | 104 | 156 | 21 | 135 | 21 | 0 | 0 | 0 | 0 | 435 | 543 | 54 | 181 |
| 5 CENTRAL AFRICAN REP.* | 221 | 59 | 59 | 0 | 0 | 0 | 44 | 17 | 0 | 0 | 0 | 0 | 0 | 26 | 75 | 94 | 20 | 0 |
| 6 CHAD * | 244 | 0 | 0 | 0 | 0 | 60 | 41 | 30 | 0 | 0 | 0 | 0 | 0 | 53 | 59 | 74 | 45 | 0 |
| 7 COMOROS | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 67 | 14 | 17 | | 0 |
| 8 CONGO | 3,654 | 2,699 | 2,359 | 0 | 340 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 955 | 1,193 | 4 | .. |
| 9 COTE DIVOIRE | 2,787 | 991 | 991 | 0 | 0 | 415 | 176 | 0 | 106 | 52 | 0 | 0 | 45 | 0 | 1,002 | 1,253 | 106 | .. |
| 10 ERITREA | 235 | 0 | 0 | 0 | 0 | 60 | 0 | 0 | 24 | 0 | 0 | 0 | 0 | 0 | 151 | 189 | 24 | .. |
| 11 ETHIOPIA fy | 7,284 | 6,601 | 6,601 | 0 | 0 | 70 | 81 | 0 | 189 | 0 | 0 | 0 | 0 | 0 | 343 | 429 | 185 | .. |
| 12 GAMBIA, THE* | 23 | 0 | 0 | 0 | 0 | 0 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 | 14 | .. |
| 13 GHANA* | 1,090 | 0 | 0 | 0 | 0 | 270 | 200 | 0 | 207 | 0 | 0 | 0 | 0 | 0 | 413 | 516 | 173 | .. |
| 14 GUINEA* | 754 | 478 | 478 | 0 | 0 | 45 | 22 | 0 | 33 | 0 | 0 | 0 | 0 | 0 | 177 | 221 | 52 | .. |
| 15 GUINEA-BISSAU* | 346 | 309 | 216 | 0 | 0 | 25 | 12 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 31 | 47 | 21 | 94 |
| 16 KENYA | 1,685 | 250 | 250 | 0 | 0 | 400 | 229 | 56 | 0 | 0 | 0 | 0 | 484 | 0 | 267 | 333 | 62 | 0 |
| 17 MADAGASCAR* | 1,658 | 1,130 | 1,130 | 0 | 0 | 100 | 80 | 121 | 0 | 20 | 0 | 0 | 0 | 0 | 207 | 259 | 38 | .. |
| 18 MALAWI* | 407 | 0 | 0 | 0 | 0 | 145 | 0 | 85 | 76 | 0 | 0 | 0 | 0 | 0 | 101 | 126 | 77 | .. |
| 19 MALI* | 116 | 51 | 0 | 0 | 0 | 9 | 45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 14 | 89 | 51 |
| 20 MAURITANIA* | 402 | 61 | 45 | 0 | 0 | 70 | 54 | 0 | 0 | 0 | 0 | 0 | 0 | 104 | 112 | 140 | 19 | 16 |
| 21 MOZAMBIQUE* | 1,866 | 1,306 | 965 | 0 | 0 | 130 | 105 | 70 | 253 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 343 | 341 |
| 22 NIGER* | 711 | 0 | 0 | 0 | 0 | 95 | 56 | 9 | 44 | 0 | 0 | 0 | 0 | 182 | 325 | 406 | 46 | .. |
| 23 RWANDA * | 320 | 8 | 8 | 0 | 0 | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 167 | 208 | 89 | .. |
| 24 SAO TOME AND PRINCIPE* | 105 | 82 | 82 | 0 | 0 | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 8 | 5 | 0 |
| 25 SENEGAL* | 294 | 36 | 0 | 0 | 0 | 100 | 57 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 101 | 126 | 52 | 36 |
| 26 SIERRA LEONE fy* | 586 | 217 | 217 | 0 | 0 | 90 | 96 | 0 | 0 | 100 | 100 | 0 | 5 | 0 | 77 | 97 | 37 | 0 |
| 27 TANZANIA fy* | 2,635 | 1,718 | 0 | 1,558 | 0 | 330 | 168 | 0 | 348 | 11 | 7 | 52 | 0 | 7 | 2 | 3 | 248 | 160 |
| 28 TOGO | 484 | 89 | 89 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 395 | 494 | 26 | 0 |
| 29 UGANDA fy* | 1,444 | 505 | 64 | 172 | 44 | 397 | 61 | 49 | 178 | 0 | 0 | 0 | 0 | 0 | 256 | 320 | 208 | 225 |
| 30 ZAMBIA* | 1,768 | 514 | 514 | 0 | 0 | 303 | 302 | 2 | 88 | 10 | 10 | 0 | 45 | 0 | 504 | 630 | 83 | 0 |
| TOTAL | 33,693 | 18,414 | 14,068 | 2,188 | 1,053 | 3,526 | 2,060 | 466 | 1,719 | 214 | 117 | 52 | 592 | 563 | 6,235 | 7,794 | 2,242 | 1,104 |
| Memo: | | | | | | | | | | | | | | | | | | |
| Countries with a Program* | 17,312 | 7,784 | 3,779 | 2,188 | 713 | 2,381 | 1,574 | 410 | 1,362 | 162 | 117 | 52 | 63 | 387 | 3,085 | 3,856 | 1,874 | 1,104 |
| Countries with no Program | 16,381 | 10,630 | 10,290 | 0 | 340 | 945 | 486 | 56 | 357 | 52 | 0 | 0 | 529 | 176 | 3,150 | 3,938 | 418 | 0 |

* Countries with a program. fy indicates countries reporting on a fiscal year basis.

a/ The total in column 2 includes net reduction in scheduled debt service and in the stock of arrears resulting from signed and possible future debt relief agreements.

b/ In some countries, disbursements might exceed the allocations reported by donors, as they reflect more recent information.

c/ SPA-5 allocations as shown in "Yellow" table.

# FINANCING TABLE FOR SPA COUNTRIES, 2000-02

(prepared for the December 2000 SPA meeting)

( millions of US dollars )



| SPA-ELIGIBLE COUNTRIES | REQUIREMENTS (2000-02) | | | | | | | | | | | | RESOURCES (2000-02) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Imports of goods and non-interest services | Total scheduled debt service obligations before debt relief | | | | | | End-1999 arrears | | Reserves build-up | Current transfer payments | TOTAL | Exports of goods and services | Current transfer receipts | Project financing | | | | | | | Non-adjustment non-project financing | Net short-term borrowing & other capital flows | Errors and omissions | TOTAL before SPA and reduction in debt service |
| | | Total | Multilateral creditors | | | | Bilateral creditors | Total stock | of which cash payment on arrears | | | | | | Total | of which | | | | | | | | | |
| | | | Total | IBRD | IDA | IMF | | | | | | | | | | IDA | Other ODA | IBRD | Direct foreign invest. | Commercial banks | Other | | | | |
| | (12) | (13) | (13a) | (13b) | (13c) | (13d) | (13e) | (14) | (14a) | (15) | (16) | (17) | (18) | (19) | (20) | (20a) | (20b) | (20c) | (20d) | (20e) | (20f) | (21) | (22) | (23) | (24) |
| 1 BENIN* | 2,178 | 202 | 43 | 0 | 38 | 43 | 0 | 0 | 0 | 15 | 36 | 2,430 | 1,265 | 493 | 665 | 68 | 506 | 0 | 91 | 0 | 0 | 0 | 0 | 0 | 2,423 |
| 2 BURKINA FASO* | 2,348 | 232 | 169 | 0 | 0 | 40 | 63 | 13 | 0 | 72 | 162 | 2,827 | 1,042 | 753 | 911 | 60 | 793 | 0 | 58 | 0 | 0 | 0 | 27 | 0 | 2,733 |
| 3 BURUNDI | 440 | 142 | 103 | 0 | 52 | 6 | 39 | 91 | 0 | -12 | 6 | 667 | 196 | 173 | 128 | 34 | 76 | 0 | 18 | 0 | 0 | 0 | 0 | 0 | 497 |
| 4 CAMEROON fy* | 9,024 | 2,374 | 32 | 224 | 44 | 32 | 781 | 683 | 0 | 702 | 50 | 12,833 | 9,070 | 535 | 1,049 | 58 | 318 | 0 | 673 | 0 | 0 | 0 | 0 | -2 | 10,652 |
| 5 CENTRAL AFRICAN REP.* | 802 | 111 | 55 | 0 | 46 | 2 | 46 | 55 | 0 | 25 | 47 | 1,040 | 599 | 101 | 120 | 0 | 102 | 0 | 18 | 0 | 0 | 0 | -5 | 4 | 819 |
| 6 CHAD * | 2,552 | 109 | 11 | 0 | 0 | 11 | 0 | 53 | 0 | 2 | 51 | 2,767 | 846 | 145 | 1,435 | 75 | 395 | 0 | 966 | 0 | 0 | 0 | 97 | 0 | 2,523 |
| 8 COMOROS | 199 | 27 | 3 | 0 | 4 | 3 | 18 | 67 | 0 | -10 | 0 | 283 | 112 | 48 | 44 | 13 | 30 | 0 | 1 | 0 | 1 | 0 | 1 | -2 | 203 |
| 8 CONGO | 7,619 | 1,516 | 209 | 33 | 9 | 50 | 1,307 | 2,145 | 0 | 250 | 83 | 11,613 | 7,694 | 30 | 270 | 0 | 0 | 0 | 176 | 0 | 94 | 0 | -956 | 921 | 7,959 |
| 9 COTE DIVOIRE | 14,783 | 3,768 | 1,269 | 394 | 58 | 194 | 1,552 | 0 | 0 | 224 | 1,956 | 20,731 | 16,358 | 395 | 1,404 | 286 | 439 | 0 | 552 | 0 | 126 | 0 | -212 | 0 | 17,944 |
| 10 ERITREA | 1,842 | 49 | 6 | 0 | 4 | 0 | 0 | 0 | 0 | 28 | 8 | 1,927 | 474 | 847 | 371 | 63 | 247 | 0 | 61 | 0 | 0 | 0 | 0 | 0 | 1,692 |
| 11 ETHIOPIA fy | 5,979 | 1,346 | 351 | 0 | 139 | 45 | 945 | 5,772 | 0 | 0 | 26 | 13,122 | 3,179 | 1,387 | 1,426 | 543 | 729 | 0 | 155 | 0 | 0 | 55 | -209 | 0 | 5,838 |
| 12 GAMBIA, THE* | 942 | 57 | 52 | 0 | 12 | 5 | 21 | 0 | 0 | 22 | 11 | 1,032 | 747 | 69 | 188 | 68 | 103 | 0 | 17 | 0 | 0 | 0 | 6 | 0 | 1,009 |
| 13 GHANA* | 11,891 | 1,385 | 487 | 19 | 208 | 99 | 874 | 18 | 18 | 498 | 0 | 13,792 | 8,948 | 2,290 | 1,389 | 420 | 742 | 0 | 227 | 0 | 0 | 0 | 0 | 75 | 12,702 |
| 14 GUINEA* | 2,969 | 559 | 311 | 0 | 68 | 34 | 290 | 478 | 0 | 53 | 249 | 4,308 | 2,828 | 24 | 747 | 210 | 430 | 0 | 107 | 0 | 0 | 0 | 0 | -46 | 3,553 |
| 15 GUINEA-BISSAU* | 438 | 114 | 44 | 0 | 14 | 5 | 62 | 216 | 0 | 40 | 0 | 808 | 250 | 72 | 100 | 25 | 75 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 422 |
| 16 KENYA | 12,489 | 1,768 | 545 | 90 | 172 | 103 | 745 | 166 | 0 | 464 | 139 | 15,026 | 8,817 | 1,783 | 1,134 | 302 | 710 | 0 | 122 | 0 | 0 | 0 | 1,622 | -15 | 13,341 |
| 17 MADAGASCAR* | 4,446 | 556 | 193 | 1 | 91 | 4 | 328 | 1,044 | 0 | 179 | 0 | 6,226 | 3,189 | 481 | 917 | 289 | 460 | 0 | 168 | 0 | 0 | 21 | -3 | -37 | 4,568 |
| 18 MALAWI* | 2,311 | 301 | 202 | 17 | 95 | 25 | 77 | 0 | 0 | 82 | 40 | 2,734 | 1,537 | 67 | 723 | 246 | 304 | 0 | 173 | 0 | 0 | 18 | -41 | 24 | 2,328 |
| 19 MALI* | 3,273 | 327 | 201 | 0 | 42 | 74 | 63 | 0 | 0 | -80 | 0 | 3,521 | 2,195 | 313 | 833 | 248 | 445 | 0 | 140 | 0 | 0 | 0 | 63 | 0 | 3,405 |
| 20 MAURITANIA* | 1,617 | 390 | 271 | 2 | 25 | 47 | 141 | 121 | 0 | 92 | 17 | 2,227 | 1,240 | 398 | 202 | 47 | 111 | 0 | 44 | 0 | 0 | 0 | -13 | 0 | 1,925 |
| 21 MOZAMBIQUE* | 5,074 | 1,853 | 80 | 0 | 54 | 80 | 999 | 0 | 0 | -28 | 0 | 6,899 | 2,854 | 0 | 2,024 | 210 | 1,034 | 0 | 270 | 510 | 0 | 156 | 0 | 0 | 5,034 |
| 22 NIGER* | 1,444 | 304 | 50 | 0 | 12 | 7 | 45 | 113 | 0 | 50 | 65 | 1,977 | 934 | 43 | 280 | 90 | 182 | 0 | 9 | 0 | 0 | 7 | 2 | 0 | 1,266 |
| 23 RWANDA * | 1,398 | 93 | 118 | 0 | 44 | 33 | 40 | 0 | 0 | 1 | 32 | 1,525 | 465 | 312 | 187 | 90 | 77 | 0 | 20 | 0 | 0 | 0 | 0 | 240 | 1,205 |
| 24 SAO TOME AND PRINCIPE* | 145 | 25 | 4 | 0 | 4 | 0 | 3 | 77 | 0 | 16 | 0 | 263 | 61 | 20 | 78 | 0 | 59 | 0 | 19 | 0 | 0 | 0 | 0 | 0 | 158 |
| 25 SENEGAL* | 6,016 | 523 | 369 | 4 | 98 | 48 | 594 | 0 | 0 | 98 | 244 | 6,881 | 5,099 | 317 | 1,000 | 240 | 522 | 0 | 238 | 0 | 0 | 171 | 0 | 0 | 6,587 |
| 26 SIERRA LEONE fy* | 696 | 270 | 159 | 0 | 22 | 112 | 88 | 195 | 0 | 16 | 0 | 1,177 | 377 | 23 | 191 | 71 | 95 | 0 | 25 | 0 | 0 | 0 | 0 | 0 | 591 |
| 27 TANZANIA fy* | 8,762 | 961 | .. | .. | .. | 73 | .. | 1,175 | 0 | 273 | 62 | 11,233 | 4,479 | 177 | 3,889 | 642 | 2,448 | 0 | 666 | 0 | 132 | 0 | 0 | 54 | 8,598 |
| 28 TOGO | 2,067 | 227 | 33 | .. | .. | 33 | .. | 89 | 0 | 32 | 0 | 2,415 | 1,639 | 141 | 151 | 69 | 82 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,931 |
| 29 UGANDA fy* | 6,056 | 527 | 349 | 0 | 110 | 149 | 156 | 228 | 13 | 146 | 0 | 6,957 | 2,324 | 1,279 | 1,967 | 487 | 791 | 0 | 689 | 0 | 0 | 0 | -57 | 0 | 5,513 |
| 30 ZAMBIA* | 4,492 | 1,588 | 765 | 27 | 73 | 496 | 895 | 10 | 0 | 571 | 61 | 6,722 | 3,413 | 0 | 1,612 | 210 | 150 | 0 | 600 | 0 | 652 | 0 | -141 | 0 | 4,954 |
| TOTAL | 124,291 | 21,895 | 6,472 | 812 | 1,537 | 1,892 | 2,773 | 12,889 | 31 | 4,825 | 1,344 | 165,963 | 92,300 | 12,712 | 25,433 | 5,163 | 17,453 | 0 | 6,362 | 510 | 1,005 | 328 | 181 | 1,217 | 132,276 |
| Memo: | | | | | | | | | | | | | | | | | | | | | | | | | |
| Countries with a Program* | 78,874 | 12,852 | 3,965 | 294 | 1,099 | 1,457 | 4,167 | 4,479 | 31 | 2,847 | 1,126 | 100,179 | 53,832 | 7,969 | 20,505 | 3,853 | 10,140 | 0 | 5,218 | 510 | 784 | 373 | -64 | 312 | 82,867 |
| Countries with no Program | 45,417 | 8,843 | 2,514 | 518 | 439 | 436 | 4,606 | 8,330 | 0 | 978 | 2,217 | 65,785 | 38,468 | 4,808 | 4,928 | 1,310 | 2,313 | 0 | 1,084 | 0 | 221 | 55 | 245 | 904 | 49,409 |

Note: * indicates Countries with a Program, fy indicates countries reporting on a fiscal year basis.

0 BLUE

# FINANCING TAB SPA COUNTRIES, 2000

(prepared for the December 2000 SPA meeting)

( millions of US dollars )

2000 1

(page 1 of 2)

9-Nov-00

| SPA-ELIGIBLE COUNTRIES | FINANCING GAP BEFORE SPA (before debt relief and adjustment support) (column 19 minus column 26) | NET REDUCTION IN DEBT SERVICE a/ (including arrears) | | | | POTENTIAL ADJUSTMENT FINANCING | | | | | | | | | End-2000 Stock of Arrears | RESIDUAL FINANCING GAP 2000 Column 1 minus columns 2 through 11 | ADDITIONAL COMMITMENTS REQUIRED 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | ------ of which ------ Official bilateral concessional | Official bilateral nonconcessional | Commercial debt | IDA | IMF support SAF/ESAF | IMF support Non-concessional | Cofinancing and coordinated financing for SPA DISBURSEMENTS from agreements signed during 1997-99 | 2000-02 | Supplemental IDA credits and donor's contribution - " Fifth Dimension " - Total | -of which- donors' contribution | Debt reduction facility grants "Sixth Dimension" | Non-concessional disbursements and other concessional financing | | | |
| | (1) | (2) | (2a) | (2b) | (2c) | (3) | (4) | (5) | (6) | (7) | (8) | (8a) | (9) | (10) | (11) | (12) | (13) |
| 1 BENIN* | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 BURKINA FASO* | 49 | 0 | 0 | 0 | 0 | 20 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 0 |
| 3 BURUNDI | 142 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21 | 0 | 0 | 0 | 0 | 109 | 12 | 15 |
| 4 CAMEROON fy* | 1,254 | 459 | 0 | 459 | 0 | 26 | 48 | 0 | 21 | 19 | 12 | 0 | 0 | 0 | 670 | 0 | 0 |
| 5 CENTRAL AFRICAN REP.* | 94 | 17 | 17 | 0 | 0 | 0 | 0 | 0 | 17 | 9 | 0 | 0 | 0 | 0 | 61 | 0 | 0 |
| 6 CHAD * | 92 | 0 | 0 | 0 | 0 | 0 | 14 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 53 | 11 | 14 |
| 7 COMOROS | 67 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 67 | 0 | 0 |
| 8 CONGO | 2,508 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,485 | 23 | 29 |
| 9 COTE DIVOIRE | 662 | 345 | 345 | 0 | 0 | 170 | 42 | 0 | 0 | 34 | 21 | 0 | 0 | 13 | 0 | 37 | 46 |
| 10 ERITREA | 47 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 34 | 43 |
| 11 ETHIOPIA fy | 6,585 | 6,220 | 6,220 | 0 | 0 | 0 | 51 | 0 | 0 | 45 | 0 | 0 | 0 | 0 | 0 | 270 | 337 |
| 12 GAMBIA, THE* | 9 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 GHANA* | 432 | 0 | 0 | 0 | 0 | 130 | 72 | 0 | 0 | 130 | 0 | 0 | 0 | 0 | 0 | 100 | 126 |
| 14 GUINEA* | 500 | 478 | 478 | 0 | 0 | 0 | 22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 GUINEA-BISSAU* | 274 | 245 | 216 | 0 | 0 | 12 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 12 | 15 |
| 16 KENYA | 951 | 250 | 250 | 0 | 0 | 100 | 85 | 0 | 32 | 0 | 0 | 0 | 0 | 484 | 0 | 0 | 0 |
| 17 MADAGASCAR* | 1,197 | 579 | 579 | 0 | 0 | 28 | 50 | 0 | 64 | 0 | 10 | 0 | 0 | 0 | 465 | 0 | 0 |
| 18 MALAWI* | 121 | 0 | 0 | 0 | 0 | 30 | 0 | 0 | 72 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | -1 |
| 19 MALI* | 23 | 5 | 0 | 0 | 0 | 9 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 MAURITANIA* | 216 | 23 | 20 | 0 | 0 | 30 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 114 | 27 | 33 |
| 21 MOZAMBIQUE* | 638 | 478 | 357 | 0 | 0 | 15 | 60 | 0 | 48 | 35 | 0 | 0 | 0 | 0 | 0 | 2 | 3 |
| 22 NIGER* | 290 | 0 | 0 | 0 | 0 | 35 | 11 | 0 | 9 | 17 | 0 | 0 | 0 | 0 | 182 | 36 | 44 |
| 23 RWANDA * | 146 | 6 | 6 | 0 | 0 | 40 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 61 | 77 |
| 24 SAO TOME AND PRINCIPE* | 86 | 63 | 63 | 0 | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 0 | 0 |
| 25 SENEGAL* | 99 | 7 | 0 | 0 | 0 | 30 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24 | 29 |
| 26 SIERRA LEONE fy* | 317 | 0 | 0 | 0 | 0 | 35 | 14 | 0 | 0 | 0 | 41 | 41 | 0 | 5 | 217 | 5 | 6 |
| 27 TANZANIA fy* | 1,620 | 1,323 | 0 | 1,288 | 0 | 30 | 56 | 0 | 0 | 173 | 8 | 4 | 24 | 0 | 7 | 0 | -1 |
| 28 TOGO | 233 | 89 | 89 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 145 | 181 |
| 29 UGANDA fy* | 560 | 298 | 26 | 172 | 44 | 124 | 37 | 0 | 36 | 66 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 ZAMBIA* | 483 | 229 | 229 | 0 | 0 | 108 | 27 | 0 | 2 | 12 | 10 | 10 | 0 | 32 | 0 | 63 | 79 |
| TOTAL | 19,701 | 11,114 | 8,894 | 1,918 | 44 | 925 | 668 | 26 | 321 | 553 | 102 | 55 | 24 | 547 | 4,460 | 860 | 1,075 |

Note: * indicates Countries witNote: * indicates Countries with a Program, fy indicates countries reporting on a fiscal year basis.

| Memo: | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Countries with a Program* | 8,506 | 4,210 | 1,990 | 1,918 | 44 | 725 | 491 | 26 | 289 | 470 | 81 | 55 | 24 | 51 | 1,799 | 340 | 425 |
| Countries with no Program | 11,195 | 6,904 | 6,904 | 0 | 0 | 270 | 177 | 0 | 32 | 113 | 21 | 0 | 0 | 497 | 2,661 | 520 | 650 |

# FINANCING TA[illegible]R SPA COUNTRIES, 2000

(prepared fo[illegible] December 2000 SPA meeting)

( millions of US dollars )

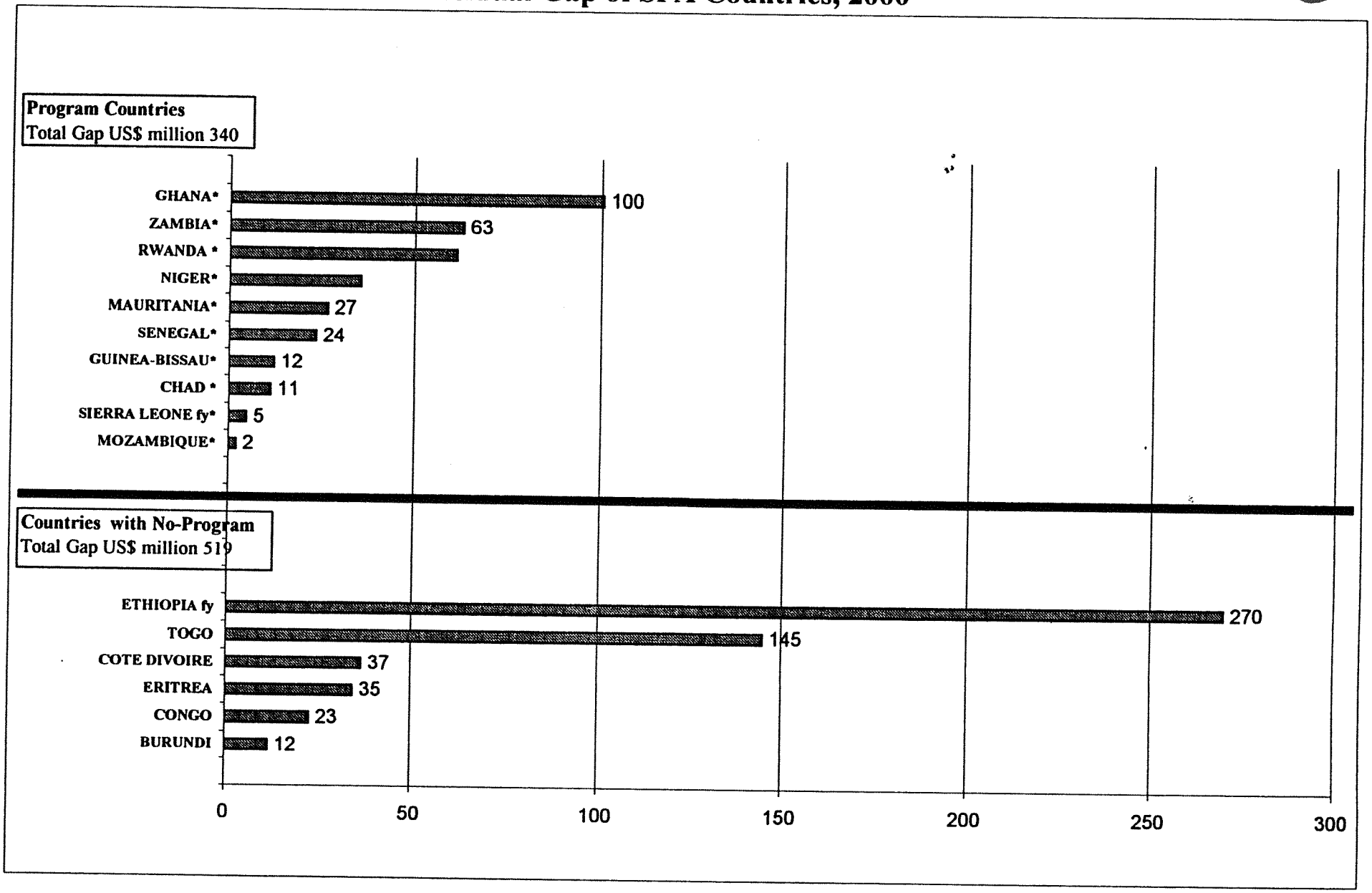


| SPA-ELIGIBLE COUNTRIES | REQUIREMENTS (2000) | | | | | | | | | | | | RESOURCES (2000) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Imports of goods and non-interest services | Total scheduled debt service obligations before debt relief | | | | | | End-1999 arrears | | Reserves build-up | Current transfer payments | Total | Exports of goods and services | Current transfer receipts | Project financing | | | | | | | Non-adjustment non-project financing | Net short-term borrowing & other capital flows | Errors and omissions | Total before SPA and reduction in debt service |
| | | Total | Multilateral creditors | | | | Bilateral creditors | Total stock | of which cash payment on arrears | | | | | | Total | of which | | | | | | | | | |
| | | | Total | IBRD | IDA | IMF | | | | | | | | | | IDA | Other ODA | IBRD | Direct foreign invest. | Commercial banks | Other | | | | |
| | (14) | (15) | (16a) | (16b) | (16c) | (16d) | (16e) | (16) | (17a) | (17) | (18) | (19) | (20) | (21) | (22) | (23a) | (23b) | (23c) | (23d) | (23e) | (23f) | (23) | (24) | (25) | (26) |
| 1 BENIN* | 678 | 70 | 13 | 0 | 11 | 13 | 0 | 0 | 0 | -20 | 12 | 739 | 374 | 165 | 193 | 20 | 147 | 0 | 25 | 0 | 0 | 0 | 0 | 0 | 732 |
| 2 BURKINA FASO* | 745 | 83 | 53 | 0 | 0 | 10 | 21 | 13 | 0 | 11 | 52 | 904 | 307 | 242 | 296 | 20 | 259 | 0 | 17 | 0 | 0 | 0 | 10 | 0 | 855 |
| 3 BURUNDI | 153 | 48 | 35 | 0 | 16 | 3 | 13 | 91 | 0 | -22 | 2 | 272 | 51 | 64 | 16 | 10 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 131 |
| 4 CAMEROON fy* | 2,612 | 867 | 20 | 83 | 14 | 20 | 277 | 683 | 0 | 272 | 17 | 4,451 | 2,749 | 114 | 336 | 36 | 42 | 0 | 258 | 0 | 0 | 0 | 0 | -2 | 3,197 |
| 5 CENTRAL AFRICAN REP.* | 251 | 38 | 20 | 0 | 14 | 2 | 16 | 55 | 0 | 11 | 16 | 371 | 181 | 35 | 60 | 0 | 58 | 0 | 3 | 0 | 0 | 0 | -4 | 4 | 277 |
| 6 CHAD * | 448 | 35 | 1 | 0 | 0 | 1 | 0 | 53 | 0 | 20 | 16 | 573 | 238 | 67 | 162 | 19 | 105 | 0 | 38 | 0 | 0 | 0 | 15 | 0 | 481 |
| 7 COMOROS | 64 | 10 | 1 | 0 | 1 | 1 | 7 | 67 | 0 | -8 | 0 | 133 | 36 | 16 | 15 | 3 | 11 | 0 | 0 | 0 | 1 | 0 | 1 | -1 | 66 |
| 8 CONGO | 2,581 | 569 | 66 | 16 | 3 | 6 | 480 | 2,145 | 0 | 73 | 19 | 5,387 | 2,619 | 16 | 145 | 0 | 0 | 0 | 59 | 0 | 86 | 0 | -435 | 533 | 2,878 |
| 9 COTE DIVOIRE | 4,490 | 1,237 | 432 | 158 | 18 | 40 | 512 | 0 | 0 | -143 | 564 | 6,149 | 4,976 | 161 | 415 | 82 | 153 | 0 | 124 | 0 | 55 | 0 | -65 | 0 | 5,487 |
| 10 ERITREA | 582 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 589 | 132 | 262 | 147 | 11 | 121 | 0 | 15 | 0 | 0 | 0 | 0 | 0 | 542 |
| 11 ETHIOPIA fy | 1,876 | 615 | 110 | 0 | 40 | 13 | 482 | 5,772 | 0 | 0 | 8 | 8,271 | 969 | 442 | 279 | 64 | 165 | 0 | 50 | 0 | 0 | 55 | -61 | 0 | 1,686 |
| 12 GAMBIA, THE* | 282 | 17 | 15 | 0 | 4 | 3 | 4 | 0 | 0 | 5 | 3 | 307 | 216 | 22 | 61 | 25 | 32 | 0 | 3 | 0 | 0 | 0 | -1 | 0 | 297 |
| 13 GHANA* | 3,768 | 533 | 162 | 8 | 60 | 42 | 385 | 18 | 18 | 84 | 0 | 4,403 | 2,714 | 705 | 476 | 140 | 279 | 0 | 57 | 0 | 0 | 0 | 0 | 75 | 3,970 |
| 14 GUINEA* | 974 | 179 | 102 | 0 | 22 | 9 | 102 | 478 | 0 | -47 | 57 | 1,641 | 884 | 8 | 249 | 70 | 149 | 0 | 30 | 0 | 0 | 0 | 0 | 0 | 1,141 |
| 15 GUINEA-BISSAU* | 129 | 35 | 12 | 0 | 4 | 1 | 24 | 216 | 0 | 20 | 0 | 400 | 74 | 23 | 27 | 20 | 7 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 126 |
| 16 KENYA | 4,192 | 721 | 210 | 47 | 49 | 47 | 287 | 166 | 0 | 37 | 45 | 5,161 | 2,796 | 567 | 342 | 100 | 200 | 0 | 42 | 0 | 0 | 0 | 513 | -8 | 4,210 |
| 17 MADAGASCAR* | 1,384 | 162 | 65 | 1 | 28 | 2 | 90 | 1,044 | 0 | 74 | 0 | 2,664 | 983 | 163 | 302 | 84 | 146 | 0 | 72 | 0 | 0 | 7 | -3 | 15 | 1,467 |
| 18 MALAWI* | 736 | 102 | 67 | 9 | 28 | 9 | 24 | 0 | 0 | -27 | 13 | 824 | 472 | 22 | 227 | 80 | 90 | 0 | 57 | 0 | 0 | 6 | -21 | -2 | 704 |
| 19 MALI* | 1,052 | 89 | 63 | 0 | 16 | 19 | 18 | 0 | 0 | -102 | 0 | 1,039 | 642 | 93 | 255 | 80 | 130 | 0 | 45 | 0 | 0 | 0 | 26 | 0 | 1,015 |
| 20 MAURITANIA* | 515 | 126 | 89 | 2 | 7 | 12 | 45 | 121 | 0 | 53 | 6 | 820 | 398 | 126 | 88 | 16 | 40 | 0 | 32 | 0 | 0 | 0 | -8 | 0 | 604 |
| 21 MOZAMBIQUE* | 1,659 | 624 | 29 | 0 | 16 | 29 | 278 | 0 | 0 | 67 | 0 | 2,349 | 694 | 0 | 936 | 65 | 338 | 0 | 102 | 430 | 0 | 81 | 0 | 0 | 1,711 |
| 22 NIGER* | 451 | 89 | 45 | 0 | 12 | 2 | 45 | 113 | 0 | 9 | 21 | 683 | 297 | 10 | 78 | 30 | 48 | 0 | 0 | 0 | 0 | 4 | 4 | 0 | 393 |
| 23 RWANDA * | 446 | 53 | 38 | 0 | 13 | 13 | 14 | 0 | 0 | 1 | 11 | 510 | 135 | 114 | 57 | 20 | 34 | 0 | 3 | 0 | 0 | 0 | -15 | 72 | 364 |
| 24 SAO TOME AND PRINCIPE* | 42 | 6 | 1 | 0 | 1 | 0 | 1 | 77 | 0 | 4 | 0 | 130 | 18 | 3 | 23 | 0 | 19 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 44 |
| 25 SENEGAL* | 1,894 | 171 | 110 | 3 | 30 | 26 | 131 | 0 | 0 | 14 | 77 | 2,128 | 1,545 | 116 | 310 | 30 | 149 | 0 | 72 | 0 | 0 | 57 | 0 | 0 | 2,029 |
| 26 SIERRA LEONE fy* | 215 | 92 | 54 | 0 | 6 | 40 | 27 | 195 | 0 | -2 | 0 | 499 | 107 | 7 | 69 | 26 | 42 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 182 |
| 27 TANZANIA fy* | 2,633 | 317 | #N/A | .. | .. | 26 | .. | 1,175 | 0 | 130 | 20 | 4,275 | 1,303 | 56 | 1,242 | 162 | 837 | 0 | 201 | 0 | 42 | 0 | 0 | 0 | 2,655 |
| 28 TOGO | 712 | 75 | 11 | .. | .. | 11 | .. | 89 | 0 | -3 | 0 | 872 | 550 | 41 | 48 | 21 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 639 |
| 29 UGANDA fy* | 1,876 | 180 | 116 | 0 | 32 | 54 | 57 | 228 | 13 | 22 | 0 | 2,306 | 687 | 424 | 647 | 187 | 246 | 0 | 215 | 0 | 0 | 0 | -12 | 0 | 1,747 |
| 30 ZAMBIA* | 1,373 | 288 | 94 | 10 | 17 | 7 | 213 | 10 | 0 | 79 | 18 | 1,848 | 991 | 0 | 620 | 70 | 54 | 0 | 150 | 0 | 346 | 0 | -125 | 0 | 1,386 |
| TOTAL | 38,812 | 7,537 | #N/A | 337 | 461 | 457 | 3,553 | 12,802 | 31 | 579 | 979 | 60,716 | 28,138 | 4,086 | 8,022 | 1,539 | 3,940 | 0 | 1,683 | 430 | 479 | 210 | 180 | 740 | 41,015 |

Note: * indicates Countries with a Program, fy indicates countries reporting on a fiscal year basis.

| | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | | | | | | | | | | | | | | | |
| [illegible]ntries with a Program* | 24,162 | 4,255 | #N/A | 116 | 334 | 337 | 1,772 | 4,479 | 31 | 617 | 339 | 33,882 | 16,008 | 2,516 | 6,613 | 1,249 | 3,262 | 0 | 1,586 | 430 | 287 | 155 | 184 | 216 | 26,376 |
| [illegible]ntries with a Program | 14,650 | 3,282 | #N/A | 221 | 126 | 120 | 1,780 | 8,330 | 0 | 38 | 641 | 26,834 | 12,129 | 1,570 | 1,407 | 290 | 678 | 0 | 297 | 0 | 192 | 55 | -6 | 524 | 14,639 |

# Residual Gap of SPA Countries, 2000




Total Residual Financing Gap = US$ million 860

# FINANCING TABL[illegible] SPA COUNTRIES, 2001

(prepared for the December 2000 SPA meeting)

( millions of US dollars )



9-Nov-00

| SPA-ELIGIBLE COUNTRIES | FINANCING GAP BEFORE SPA (before debt relief and adjustment support) (column 19 minus column 26) | NET REDUCTION IN DEBT SERVICE a/ (including arrears) | | | | POTENTIAL ADJUSTMENT FINANCING | | | | | | | | | End-2001 Stock of Arrears | RESIDUAL FINANCING GAP 2001 Column 1 minus columns 2 through 11 | ADDITIONAL COMMITMENTS REQUIRED 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | ------ of which ------ Official bilateral concessional | noncon-cessional | Com-mercial debt | IDA | IMF support SAF/ ESAF | Non-concessional | Cofinancing and coordinated financing for SPA DISBURSEMENTS from agreements signed during 1997-99 | 2000-02 | Supplemental IDA credits and donor's contribution - " Fifth Dimension " - Total | -of which- donors' contribution | Debt reduction facility grants "Sixth Dimension" | Non-concessional disbursements and other concessional financing | | | |
| | (1) | (2) | (2a) | (2b) | (2c) | (3) | (4) | (5) | (6) | (7) | (8) | (8a) | (9) | (10) | (11) | (12) | (13) |
| 1 BENIN* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 BURKINA FASO* | 38 | 0 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 9 | 12 |
| 3 BURUNDI | 126 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | 0 | 109 | 0 | 0 |
| 4 CAMEROON fy* | 1,242 | 760 | 0 | 0 | 669 | 52 | 65 | 0 | 0 | 36 | 9 | 0 | 0 | 0 | 0 | 320 | 400 |
| 5 CENTRAL AFRICAN REP.* | 143 | 42 | 42 | 0 | 0 | 0 | 22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 53 | 66 |
| 6 CHAD * | 130 | 0 | 0 | 0 | 0 | 30 | 14 | 0 | 11 | 0 | 0 | 0 | 0 | 0 | 53 | 22 | 28 |
| 7 COMOROS | 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 67 | 6 | 7 |
| 8 CONGO | 3,299 | 2,485 | 2,145 | 0 | 340 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 814 | 1,017 |
| 9 COTE DIVOIRE | 1,154 | 324 | 324 | 0 | 0 | 235 | 114 | 0 | 0 | 56 | 17 | 0 | 0 | 18 | 0 | 390 | 488 |
| 10 ERITREA | 92 | 0 | 0 | 0 | 0 | 28 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 57 | 72 |
| 11 ETHIOPIA fy | 455 | 274 | 274 | 0 | 0 | 40 | 31 | 0 | 0 | 81 | 0 | 0 | 0 | 0 | 0 | 29 | 37 |
| 12 GAMBIA, THE* | 10 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| 13 GHANA* | 319 | 0 | 0 | 0 | 0 | 70 | 98 | 0 | 0 | 77 | 0 | 0 | 0 | 0 | 0 | 74 | 92 |
| 14 GUINEA* | 164 | 0 | 0 | 0 | 0 | 45 | 0 | 0 | 0 | 33 | 0 | 0 | 0 | 0 | 0 | 87 | 108 |
| 15 GUINEA-BISSAU* | 60 | 32 | 0 | 0 | 0 | 13 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 14 |
| 16 KENYA | 422 | 0 | 0 | 0 | 0 | 150 | 85 | 0 | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 175 | 219 |
| 17 MADAGASCAR* | 737 | 492 | 492 | 0 | 0 | 72 | 30 | 0 | 56 | 0 | 10 | 0 | 0 | 0 | 0 | 77 | 97 |
| 18 MALAWI* | 154 | 0 | 0 | 0 | 0 | 55 | 0 | 0 | 8 | 29 | 0 | 0 | 0 | 0 | 0 | 63 | 79 |
| 19 MALI* | 50 | 21 | 0 | 0 | 0 | 0 | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 14 |
| 20 MAURITANIA* | 202 | 25 | 20 | 0 | 0 | 20 | 17 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 109 | 30 | 38 |
| 21 MOZAMBIQUE* | 650 | 428 | 310 | 0 | 0 | 65 | 22 | 0 | 8 | 126 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 NIGER* | 398 | 0 | 0 | 0 | 0 | 30 | 22 | 0 | 0 | 25 | 0 | 0 | 0 | 0 | 182 | 138 | 173 |
| 23 RWANDA * | 105 | 2 | 2 | 0 | 0 | 40 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 36 | 45 |
| 24 SAO TOME AND PRINCIPE* | 25 | 16 | 16 | 0 | 0 | 2 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 6 |
| 25 SENEGAL* | 131 | 14 | 0 | 0 | 0 | 50 | 38 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 29 | 36 |
| 26 SIERRA LEONE fy* | 348 | 217 | 217 | 0 | 0 | 30 | 41 | 0 | 0 | 0 | 30 | 30 | 0 | 0 | 0 | 30 | 37 |
| 27 TANZANIA fy* | 499 | 200 | 0 | 140 | 0 | 140 | 56 | 0 | 0 | 85 | 3 | 3 | 14 | 0 | 0 | 2 | 2 |
| 28 TOGO | 126 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 126 | 157 |
| 29 UGANDA fy* | 467 | 107 | 20 | 0 | 0 | 136 | 24 | 0 | 3 | 62 | 0 | 0 | 0 | 0 | 0 | 135 | 169 |
| 30 ZAMBIA* | 717 | 225 | 225 | 0 | 0 | 146 | 137 | 0 | 0 | 65 | 0 | 0 | 0 | 13 | 0 | 131 | 164 |
| TOTAL | 12,338 | 5,663 | 4,087 | 140 | 1,009 | 1,449 | 867 | 26 | 98 | 699 | 68 | 32 | 14 | 30 | 561 | 2,862 | 3,577 |
| Memo: | | | | | | | | | | | | | | | | | |
| Countries with a Program* | 6,591 | 2,580 | 1,344 | 140 | 669 | 995 | 637 | 26 | 86 | 538 | 51 | 32 | 14 | 13 | 385 | 1,264 | 1,580 |
| Countries with no Program | 5,747 | 3,083 | 2,743 | 0 | 340 | 453 | 229 | 0 | 12 | 161 | 17 | 0 | 0 | 18 | 176 | 1,598 | 1,997 |

Note: * indicates Countries witNote: * indicates Countries with a Program, fy indicates countries reporting on a fiscal year basis.

# FINANCING TA[illegible]R SPA COUNTRIES, 2001

(prepared for the December 2000 SPA meeting)

( millions of US dollars )



| SPA-ELIGIBLE COUNTRIES | REQUIREMENTS (2001) | | | | | | | | | | | | RESOURCES (2001) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Imports of goods and non-interest services | Total scheduled debt service obligations before debt relief | | | | | | End-2000 arrears | | Reserves build-up | Current transfer payments | Total | Exports of goods and services | Current transfer receipts | Project financing | | | | | | | Non-adjustment non-project financing | Net short-term borrowing & other capital flows | Errors and omissions | Total before SPA and reduction in debt service |
| | | Total | Multilateral creditors | | | | Bilateral creditors | Total stock | of which cash payment on arrears | | | | | | Total | of which | | | | | | | | | |
| | | | Total | IBRD | IDA | IMF | | | | | | | | | | IDA | Other ODA | IBRD | Direct foreign invest. | Com-mercial banks | Other | | | | |
| | (14) | (15) | (16a) | (16b) | (16c) | (16d) | (16e) | (16) | (17a) | (17) | (18) | (19) | (20) | (21) | (22) | (23a) | (23b) | (23c) | (23d) | (23e) | (23f) | (23) | (24) | (25) | (26) |
| 1 BENIN* | 725 | 68 | 15 | 0 | 13 | 15 | 0 | 0 | 0 | 17 | 12 | 822 | 424 | 167 | 230 | 23 | 177 | 0 | 30 | 0 | 0 | 0 | 0 | 0 | 822 |
| 2 BURKINA FASO* | 783 | 72 | 57 | 0 | 0 | 14 | 21 | 13 | 0 | 29 | 54 | 952 | 353 | 249 | 304 | 20 | 265 | 0 | 19 | 0 | 0 | 0 | 9 | 0 | 914 |
| 3 BURUNDI | 131 | 50 | 35 | 0 | 17 | 3 | 16 | 109 | 0 | 3 | 2 | 295 | 70 | 55 | 45 | 17 | 22 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 169 |
| 4 CAMEROON fy* | 3,126 | 801 | 12 | 75 | 14 | 12 | 260 | 670 | 0 | 224 | 16 | 4,837 | 3,119 | 173 | 302 | 16 | 78 | 0 | 208 | 0 | 0 | 0 | 0 | 0 | 3,594 |
| 5 CENTRAL AFRICAN REP.* | 265 | 36 | 17 | 0 | 16 | 0 | 15 | 61 | 0 | 7 | 16 | 385 | 201 | 32 | 13 | 0 | 4 | 0 | 9 | 0 | 0 | 0 | -4 | 0 | 242 |
| 6 CHAD * | 927 | 35 | 3 | 0 | 0 | 3 | 0 | 53 | 0 | 8 | 17 | 1,039 | 291 | 38 | 549 | 33 | 134 | 0 | 382 | 0 | 0 | 0 | 32 | 0 | 909 |
| 7 COMOROS | 67 | 9 | 1 | 0 | 1 | 1 | 6 | 67 | 0 | -2 | 0 | 140 | 37 | 16 | 14 | 5 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 67 |
| 8 CONGO | 2,661 | 497 | 69 | 9 | 3 | 20 | 428 | 2,485 | 0 | 150 | 30 | 5,823 | 2,670 | 7 | 61 | 0 | 0 | 0 | 57 | 0 | 4 | 0 | -339 | 125 | 2,524 |
| 9 COTE DIVOIRE | 4,944 | 1,235 | 410 | 120 | 19 | 68 | 523 | 0 | 0 | 223 | 665 | 7,066 | 5,410 | 113 | 468 | 114 | 127 | 0 | 207 | 0 | 20 | 0 | -78 | 0 | 5,913 |
| 10 ERITREA | 614 | 13 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 10 | 3 | 640 | 157 | 283 | 107 | 25 | 62 | 0 | 20 | 0 | 0 | 0 | 0 | 0 | 548 |
| 11 ETHIOPIA fy | 1,971 | 446 | 117 | 0 | 46 | 15 | 315 | 0 | 0 | 0 | 9 | 2,425 | 1,050 | 461 | 536 | 216 | 268 | 0 | 52 | 0 | 0 | 0 | -77 | 0 | 1,970 |
| 12 GAMBIA, THE* | 322 | 20 | 18 | 0 | 4 | 1 | 8 | 0 | 0 | 8 | 4 | 354 | 256 | 23 | 60 | 19 | 35 | 0 | 6 | 0 | 0 | 0 | 4 | 0 | 343 |
| 13 GHANA* | 3,923 | 451 | 167 | 6 | 69 | 38 | 262 | 0 | 0 | 183 | 0 | 4,557 | 2,940 | 807 | 491 | 140 | 277 | 0 | 74 | 0 | 0 | 0 | 0 | 0 | 4,238 |
| 14 GUINEA* | 992 | 181 | 105 | 0 | 23 | 13 | 97 | 0 | 0 | 50 | 98 | 1,321 | 950 | 8 | 244 | 70 | 137 | 0 | 37 | 0 | 0 | 0 | 0 | -46 | 1,156 |
| 15 GUINEA-BISSAU* | 152 | 38 | 15 | 0 | 5 | 2 | 20 | 0 | 0 | 10 | 0 | 200 | 84 | 24 | 52 | 5 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 140 |
| 16 KENYA | 4,181 | 606 | 174 | 28 | 58 | 29 | 295 | 0 | 0 | 196 | 46 | 5,029 | 2,905 | 622 | 385 | 100 | 245 | 0 | 40 | 0 | 0 | 0 | 702 | -7 | 4,607 |
| 17 MADAGASCAR* | 1,488 | 179 | 62 | .. | 30 | 1 | 98 | 465 | 0 | 95 | 0 | 2,227 | 1,058 | 151 | 334 | 95 | 167 | 0 | 71 | 0 | 0 | 7 | 0 | -60 | 1,490 |
| 18 MALAWI* | 765 | 99 | 67 | 6 | 31 | 8 | 27 | 0 | 0 | 81 | 13 | 958 | 521 | 22 | 236 | 82 | 96 | 0 | 58 | 0 | 0 | 6 | -10 | 28 | 803 |
| 19 MALI* | 1,093 | 112 | 66 | 0 | 17 | 25 | 22 | 0 | 0 | -20 | 0 | 1,185 | 725 | 107 | 281 | 83 | 151 | 0 | 47 | 0 | 0 | 0 | 21 | 0 | 1,135 |
| 20 MAURITANIA* | 538 | 127 | 89 | .. | 9 | 16 | 43 | 114 | 0 | 20 | 5 | 804 | 414 | 133 | 55 | 16 | 35 | 0 | 4 | 0 | 0 | 0 | 1 | 0 | 603 |
| 21 MOZAMBIQUE* | 1,701 | 613 | 28 | 0 | 19 | 28 | 365 | 0 | 0 | -56 | 0 | 2,259 | 1,043 | 0 | 560 | 65 | 351 | 0 | 105 | 40 | 0 | 5 | 0 | 0 | 1,609 |
| 22 NIGER* | 480 | 110 | 1 | 0 | 0 | 1 | 0 | 182 | 0 | 21 | 23 | 816 | 309 | 16 | 93 | 30 | 59 | 0 | 4 | 0 | 0 | 2 | -1 | 0 | 418 |
| 23 RWANDA * | 464 | 19 | 40 | 0 | 15 | 12 | 13 | 0 | 0 | 6 | 11 | 499 | 149 | 103 | 57 | 35 | 17 | 0 | 5 | 0 | 0 | 0 | 5 | 80 | 395 |
| 24 SAO TOME AND PRINCIPE* | 50 | 8 | 1 | 0 | 1 | 0 | 1 | 17 | 0 | 8 | 0 | 83 | 20 | 11 | 26 | 0 | 19 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 57 |
| 25 SENEGAL* | 1,991 | 174 | 122 | 1 | 33 | 31 | 106 | 0 | 0 | 75 | 80 | 2,321 | 1,700 | 98 | 335 | 80 | 177 | 0 | 78 | 0 | 0 | 57 | 0 | 0 | 2,190 |
| 26 SIERRA LEONE fy* | 234 | 77 | 45 | 0 | 7 | 30 | 29 | 217 | 0 | 11 | 0 | 539 | 123 | 8 | 60 | 25 | 28 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 191 |
| 27 TANZANIA fy* | 2,908 | 340 | #N/A | .. | .. | 23 | .. | 0 | 0 | 54 | 21 | 3,323 | 1,474 | 59 | 1,290 | 175 | 850 | 0 | 221 | 0 | 44 | 0 | 0 | 0 | 2,824 |
| 28 TOGO | 666 | 78 | 12 | .. | .. | 12 | .. | 0 | 0 | 13 | 0 | 758 | 534 | 51 | 48 | 23 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 632 |
| 29 UGANDA fy* | 2,014 | 173 | 114 | 0 | 36 | 50 | 51 | 0 | 0 | 78 | 0 | 2,265 | 753 | 428 | 645 | 150 | 267 | 0 | 229 | 0 | 0 | 0 | -29 | 0 | 1,798 |
| 30 ZAMBIA* | 1,305 | 608 | 333 | 9 | 25 | 241 | 210 | 0 | 0 | 249 | 20 | 2,381 | 1,147 | 0 | 533 | 70 | 38 | 0 | 200 | 0 | 205 | 0 | 516 | 0 | 1,663 |
| TOTAL | 41,682 | 7,273 | #N/A | 254 | 511 | 711 | 3,231 | 4,454 | 0 | 1,750 | 1,114 | 56,307 | 30,892 | 4,262 | 8,394 | 1,731 | 4,167 | 0 | 2,185 | 40 | 773 | 77 | 719 | 120 | 43,364 |
| Memo: | | | | | | | | | | | | | | | | | | | | | | | | | |
| Countries with a Program* | 26,446 | 4,339 | #N/A | 97 | 365 | 563 | 1,649 | 1,793 | 0 | 1,558 | 969 | 34,125 | 18,057 | 2,656 | 6,731 | 1,282 | 3,408 | 0 | 1,302 | 40 | 249 | 77 | 12 | 2 | 27,534 |
| Countries with no Program | 15,236 | 2,934 | #N/A | 157 | 146 | 148 | 1,583 | 2,661 | 0 | 192 | 144 | 22,172 | 12,834 | 1,607 | 1,663 | 499 | 759 | 0 | 882 | 0 | 24 | 0 | 208 | 118 | 16,430 |

Note: * indicates Countries with a Program, fy indicates countries reporting on a fiscal year basis.

# SPA: Summary of Fiscal Financing (1997-2002)

(prepared for the December 2000 SPA meeting)

(millions of US$)

| | SPA-4 | | | | SPA-5 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 1997-99 | 2000 | 2001 | 2002 | 2000-02 |
| I REQUIREMENTS for external financing: | 26.6 | 27.9 | 26.8 | **81.3** | 27.8 | 27.8 | 29.4 | **85.0** |
| 1. Total current expenditures (excl. interest payments) | 11.7 | 12.4 | 11.8 | **36.0** | 12.6 | 12.4 | 14.0 | **38.9** |
| a. - Wages and salaries | 5.5 | 5.7 | 5.7 | **16.8** | 5.6 | 6.0 | 6.4 | **18.0** |
| b. - Operation, maintenance, and other expenditures. | 4.7 | 5.1 | 4.6 | **14.5** | 5.0 | 4.6 | 5.7 | **15.3** |
| c. - Subsidies | 0.5 | 0.6 | 0.5 | **1.6** | 0.5 | 0.6 | 0.6 | **1.7** |
| d. - Other current transfer payment | 1.0 | 1.0 | 1.1 | **3.1** | 1.5 | 1.2 | 1.3 | **4.0** |
| 2. Total capital expenditures and net lending | 6.4 | 7.0 | 6.6 | **19.9** | 6.9 | 7.7 | 8.0 | **22.6** |
| a. - Capital transfers | 2.6 | 2.8 | 2.5 | **7.9** | 2.6 | 2.6 | 2.8 | **8.0** |
| b. - Public investment | 3.7 | 4.1 | 4.1 | **12.0** | 4.3 | 5.1 | 5.3 | **14.6** |
| 3. Interest due on domestic debt | 1.4 | 1.3 | 1.4 | **4.1** | 1.4 | 1.3 | 1.2 | **3.9** |
| 4. External debt service (before debt relief, and excl. IMF) | 7.1 | 7.2 | 7.0 | **21.3** | 7.0 | 6.4 | 6.1 | **19.5** |
| II RESOURCES: | 23.2 | 23.6 | 22.1 | **68.9** | 22.8 | 21.7 | 24.5 | **69.0** |
| 1. Total current revenues, excl. current grants | 16.5 | 16.6 | 15.8 | **49.0** | 16.4 | 17.5 | 19.0 | **53.0** |
| a. - Direct taxes | 4.5 | 4.3 | 4.4 | **13.2** | 4.7 | 4.9 | 5.3 | **14.8** |
| b. - Indirect taxes | 10.0 | 10.2 | 10.0 | **30.2** | 10.5 | 11.5 | 12.6 | **34.6** |
| c. - Non tax revenue, excl. current grants | 2.1 | 2.1 | 1.4 | **5.5** | 1.3 | 1.1 | 1.1 | **3.5** |
| 2. Total capital revenues | 0.1 | 0.1 | 0.1 | **0.2** | 0.1 | 0.1 | 0.1 | **0.2** |
| 3. Net domestic financing, excl. change in domestic arrears | 1.1 | 1.5 | 1.4 | **4.0** | 1.1 | -1.1 | -0.6 | **-0.6** |
| a. - Credit from the Banking system | 0.2 | 1.0 | 1.1 | **2.3** | 0.9 | -0.5 | -0.7 | **-0.4** |
| b. - Other domestic borrowing, incl. Private sector | 0.9 | 0.5 | 0.3 | **1.7** | 0.2 | -0.6 | 0.1 | **-0.2** |
| 4. Gross external financing | 4.9 | 5.2 | 4.9 | **15.0** | 5.2 | 5.2 | 5.9 | **16.3** |
| a. - Non-adjust., non-project financing - (incl. food aid/STAB | 0.2 | 0.2 | 0.2 | **0.6** | 0.2 | 0.1 | 0.1 | **0.4** |
| b. - Project financing | 4.6 | 5.0 | 4.8 | **14.4** | 5.0 | 5.1 | 5.8 | **15.9** |
| i. - Grants | 2.2 | 2.5 | 2.4 | **7.0** | 2.2 | 2.4 | 2.7 | **7.2** |
| ii. - Loans | 2.5 | 2.5 | 2.4 | **7.4** | 2.8 | 2.8 | 3.2 | **8.8** |
| 5. Errors and omissions | 0.6 | 0.0 | -0.0 | **0.6** | 0.0 | 0.0 | 0.0 | **0.1** |
| III TOTAL CHANGE IN ARREARS | -5.9 | -6.6 | -1.0 | **-13.4** | -9.0 | -4.7 | -0.5 | **-14.3** |
| 1. Domestic | -0.7 | -0.4 | -0.1 | **-1.2** | -0.7 | -0.8 | -0.5 | **-2.0** |
| 2. External | -5.1 | -6.3 | -0.8 | **-12.2** | -8.3 | -3.9 | 0.0 | **-12.2** |
| IV FINANCING REQUIREMENTS BEFORE SPA (I - II - III) | 9.2 | 10.9 | 5.7 | **25.8** | 14.1 | 10.9 | 5.5 | **30.5** |
| V TOTAL DEBT RELIEF | 7.5 | 8.8 | 3.9 | **20.3** | 10.9 | 5.7 | 1.6 | **18.2** |
| of which a. debt relief on arrears | 6.3 | 7.2 | 2.2 | **15.7** | 8.9 | 3.9 | 0.0 | **12.8** |
| b. HIPC | 0.0 | 0.0 | 0.1 | **0.1** | 0.3 | 0.4 | 0.4 | **1.1** |
| VI ADJUSTMENT SUPPORT (excl. IMF): | 1.6 | 2.1 | 1.8 | **5.5** | 2.6 | 2.3 | 1.4 | **6.3** |
| 1. Official Development Assistance (ODA) disbursements | 1.6 | 2.1 | 1.8 | **5.5** | 2.6 | 2.4 | 1.4 | **6.4** |
| a. - IDA | 0.6 | 0.7 | 0.7 | **2.0** | 1.0 | 1.4 | 0.9 | **3.3** |
| 2. Official non-concessional disbursements | 0.0 | 0.0 | 0.0 | **0.0** | 0.0 | 0.0 | 0.0 | **0.0** |
| VII RESIDUAL FINANCING REQUIREMENTS (IV - V - VI): | 0.0 | 0.0 | 0.0 | **0.0** | 0.7 | 3.0 | 2.5 | **6.1** |
| Memo Items: | | | | | | | | |
| Net IMF disbursements (a - b) | -0.1 | 0.2 | 0.0 | **0.0** | 0.2 | 0.2 | -0.2 | **0.2** |
| a. - Disbursements | 0.5 | 0.7 | 0.5 | **1.7** | 0.7 | 0.9 | 0.5 | **2.1** |
| b. - Debt Service Due | 0.6 | 0.6 | 0.5 | **1.7** | 0.5 | 0.7 | 0.7 | **1.9** |

12-Jun-00

# IDA ADJUSTMENT OPERATIONS
## SPA-5
## COMMITMENTS AND DISBURSEMENTS FY2000-FY2002

*(IN US$ MILLIONS)*

| IDA ADJUSTMENT LENDING | | | | AMOUNT | | IDA | TRANCHE RELEASES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NB: For the purpose of SPA donor's reporting, credits approved in 3-yr period from July 1999 through June 2002 will be counted as IDA's contribution to SPA-5. | | | | SPA-5 | | SOURCE | FIRST TRANCHE | | NO. OF SUBSEQUENT TRANCHES | | FY00-FY02 Disbursements |
| ELIGIBLE COUNTRY | OPERATION | APPRAISAL | BOARD APPROVAL | ALLOCATED | APPROVED | IDA-12 or Fifth Dim. | EFFECTIVE DATE | AMT. | FIXED | FLOATING | (Funds Released) to date |
| BENIN | PERC | Jul-00 | Feb-01 | 30.0 | | IDA12 | | | | | |
| BENIN | PERC II | Oct-01 | Dec-01 | 40.0 | | IDA12 | | | | | |
| **BENIN Total** | | | | 70.0 | | | | | | | |
| BRUKINA FASO | SAC III | | Dec-99 | 25.0 | 25.0 | IDA12 | Jan-00 | 25.0 | | | 25.0 |
| BRUKINA FASO | SAC IV | Mar-01 | Apr-01 | 30.0 | 30.0 | IDA12 | | | | | |
| **BRUKINA FASO Total** | | | | 55.0 | 55.0 | | | | | | 25.0 |
| BURUNDI | ECONOMIC RECOVERY CREDIT | Mar-01 | Dec-01 | 100.0 | | IDA12 | | | | | |
| **BURUNDI Total** | | | | 100.0 | | | | | | | |
| CAMEROON | SAC III SUPPLEMENT | Apr-00 | Jun-00 | 11.0 | 11.0 | FIFTH | | 11.0 | | | 11.0 |
| **CAMEROON Total** | | | | 11.0 | 11.0 | | | | | | 11.0 |
| CAR | FCC | Oct-99 | Dec-99 | 20.0 | 20.0 | IDA12 | Feb-00 | 9.0 | 2 | | 9.0 |
| **CAR Total** | | | | 20.0 | 20.0 | | | | | | 9.0 |
| CHAD | PRSC | Jan-01 | Mar-01 | 30.0 | | IDA12 | | | | | |
| CHAD | PRSC II | Jan-02 | Mar-02 | 30.0 | | IDA12 | | | | | |
| **CHAD Total** | | | | 60.0 | | | | | | | |
| COMOROS | NIL | | | | | | | | | | |
| **COMOROS Total** | | | | | | | | | | | |
| CONGO (Republic of) | NIL | | | | | | | | | | |
| **CONGO (Republic of) Total** | | | | | | | | | | | |

# IDA ADJUSTMENT OPERATIONS
## SPA-5
## COMMITMENTS AND DISBURSEMENTS FY2000-FY2002

| IDA ADJUSTMENT LENDING (IN US$ MILLIONS) | | | | AMOUNT | | IDA | TRANCHE RELEASES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NB: For the purpose of SPA donor's reporting, credits approved in 3-yr period from July 1999 through June 2002 will be counted as IDA's contribution to SPA-5. | | | | SPA-5 | | SOURCE | FIRST TRANCHE | | NO. OF SUBSEQUENT TRANCHES | | FY00-FY02 Disbursements |
| ELIGIBLE COUNTRY | OPERATION | APPRAISAL | BOARD APPROVAL | ALLOCATED | APPROVED | IDA-12 or Fifth Dim. | EFFECTIVE DATE | AMT. | FIXED | FLOAT-ING | (Funds Released) to date |
| COTE D'IVOIRE | TRANSPORT SECTOR ADJ. SUPPLEMENT | | Mar-00 | 21.2 | 21.2 | FIFTH | Apr-00 | 21.2 | | | 21.2 |
| COTE D'IVOIRE | RURAL DPOVERTY RELIEF | | Apr-01 | 50.0 | | IDA12 | Apr-01 | 50.0 | | | |
| COTE D'IVOIRE | FIFTH DIMENSION FY01 | | Jun-01 | 17.2 | | FIFTH | Jun-01 | 17.2 | | | |
| COTE D'IVOIRE | SAG | | Jun-01 | 315.0 | | IDA12 | Jun-01 | 100.0 | 1 | 2 | |
| **COTE D'IVOIRE Total** | | | | 403.4 | 21.2 | | | | | | 21.2 |
| ERITREA | NIL | | | | | | | | | | |
| **ERITREA Total** | | | | | | | | | | | |
| ETHIOPIA | EMERGENCY SUPPORT CREDIT | Jan-01 | Feb-01 | 200.0 | | IDA12 | | | | | |
| **ETHIOPIA Total** | | | | 200.0 | | | | | | | |
| GAMBIA | ECONOMIC REFORMS | Mar-01 | Jul-01 | 15.0 | | IDA12 | | | | | |
| **GAMBIA Total** | | | | 15.0 | | | | | | | |
| GHANA | ERSO II SUPPLEMENT | Jun-00 | Jun-00 | 1.2 | 1.2 | FIFTH | Jun-00 | 1.2 | | | 1.2 |
| GHANA | ERSO II SUPPLEMENT | Jul-00 | Sep-00 | 49.0 | 49.0 | IDA12 | Oct-00 | 49.0 | | | 49.0 |
| GHANA | ERSO III | Mar-01 | May-01 | 75.0 | | IDA12 | | | | | |
| **GHANA Total** | | | | 125.2 | 50.2 | | | | | | 50.2 |
| GUINEA | SAC IV | Nov-00 | Mar-01 | 65.0 | | IDA12 | | 25.0 | 2 | | |
| **GUINEA Total** | | | | 65.0 | | | | | | | |
| GUINEA BISSAU | ERRC | Nov-99 | May-00 | 25.0 | 25.0 | IDA12 | Aug-00 | 12.0 | | 2 | 12.0 |
| **GUINEA BISSAU Total** | | | | 25.0 | 25.0 | | | | | | 12.0 |
| KENYA | ECONOMIC & PUBLIC SECTOR REFORM | May-00 | Aug-00 | 150.0 | 150.0 | IDA12 | Aug-00 | 50.0 | | 2 | 50.0 |
| KENYA | ECONOMIC & PUBLIC SECTOR REFORM | Jul-01 | Dec-01 | 200.0 | | IDA12 | | | | | |
| **KENYA Total** | | | | 350.0 | 150.0 | | | | | | 50.0 |

# IDA ADJUSTMENT OPERATIONS
## SPA-5
## COMMITMENTS AND DISBURSEMENTS FY2000-FY2002

*(IN US$ MILLIONS)*

| IDA ADJUSTMENT LENDING | | | | AMOUNT | | IDA | TRANCHE RELEASES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NB: For the purpose of SPA donor's reporting, credits approved in 3-yr period from July 1999 through June 2002 will be counted as IDA's contribution to SPA-5. | | | | SPA-5 | | SOURCE | FIRST TRANCHE | | NO. OF SUBSEQUENT TRANCHES | | FY00-FY02 Disbursements |
| ELIGIBLE COUNTRY | OPERATION | APPRAISAL | BOARD APPROVAL | ALLOCATED | APPROVED | IDA-12 or Fifth Dim. | EFFECTIVE DATE | AMT. | FIXED | FLOAT-ING | (Funds Released) to date |
| MADAGASCAR | CYCLONE EMREGENCY SUPPORT | May-00 | Jul-00 | 20.1 | 20.1 | IDA12 | Jul-00 | 20.1 | | | 20.1 |
| **MADAGASCAR Total** | | | | 20.1 | 20.1 | | | | | | 20.1 |
| MALAWI | FRDP III | Sep-00 | Dec-00 | 55.0 | | IDA12 | | | | | |
| MALAWI | FRDP IV | Nov-01 | Mar-02 | 40.0 | | IDA12 | | | | | |
| **MALAWI Total** | | | | 95.0 | | | | | | | |
| MALI | SAC III | Jan-01 | Apr-01 | 150.0 | | IDA12 | | | | | |
| **MALI Total** | | | | 150.0 | | | | | | | |
| MAURITANIA | FIFTH DIMENSION FY01 | | Nov-99 | 0.1 | 0.1 | FIFTH | Nov-99 | 0.1 | | | 0.1 |
| MAURITANIA | FISCAL REROM SUPPORT | | May-00 | 30.0 | 30.0 | IDA12 | Sep-00 | 30.0 | | | 30.0 |
| **MAURITANIA Total** | | | | 30.1 | 30.1 | | | | | | 30.1 |
| MOZAMBIQUE | EMPSO | Feb-01 | Jul-01 | 100.0 | | IDA12 | Nov-00 | 100.0 | | | |
| **MOZAMBIQUE Total** | | | | 100.0 | | | | | | | |
| NIGER | PUBLIC FINANCE RECOVERY | Jul-00 | Sep-00 | 35.0 | 35.0 | IDA12 | Oct-00 | 35.0 | | | 35.0 |
| NIGER | REFORM II | Jan-02 | May-02 | 30.0 | | IDA12 | | | | | |
| **NIGER Total** | | | | 65.0 | 35.0 | | | | | | 35.0 |
| RWANDA | INSTITUTIONAL REFORM CREDIT | Mar-01 | Mar-02 | 50.0 | | IDA12 | | | | | |
| **RWANDA Total** | | | | 50.0 | | | | | | | |
| SAO TOME & PRINCIPE | PUBLIC RECOURCE MGT | Jun-00 | Nov-00 | 10.0 | | IDA12 | | | | | |
| **SAO TOME & PRINCIPE Total** | | | | 10.0 | | | | | | | |
| SENEGAL | TRADE REFORM | Jun-00 | Sep-00 | 100.0 | 100.0 | IDA12 | Dec-00 | 50.0 | 1 | | |
| **SENEGAL Total** | | | | 100.0 | 100.0 | | | | | | |

# IDA ADJUSTMENT OPERATIONS
## SPA-5
## COMMITMENTS AND DISBURSEMENTS FY2000-FY2002

*(IN US$ MILLIONS)*

| IDA ADJUSTMENT LENDING | | | | AMOUNT | | IDA | TRANCHE RELEASES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NB: For the purpose of SPA donor's reporting, credits approved in 3-yr period from July 1999 through June 2002 will be counted as IDA's contribution to SPA-5. | | | | SPA-5 | | SOURCE | FIRST TRANCHE | | NO. OF SUBSEQUENT TRANCHES | | FY00-FY02 Disbursements |
| ELIGIBLE COUNTRY | OPERATION | APPRAISAL | BOARD APPROVAL | ALLOCATED | APPROVED | IDA-12 or Fifth Dim. | EFFECTIVE DATE | AMT. | FIXED | FLOAT-ING | (Funds Released) to date |
| SIERRA LEONE | ECONOMIC REHAB. | | Feb-00 | 30.0 | 30.0 | IDA12 | Mar-00 | 15.0 | 1 | | 15.0 |
| **SIERRA LEONE Total** | | | | 30.0 | 30.0 | | | | | | 15.0 |
| TANZANIA | FIFTH DIMENSION FY00 | | Dec-99 | 1.1 | 1.1 | FIFTH | Dec-99 | 1.1 | | | 1.1 |
| TANZANIA | PSAC I | | Jun-00 | 190.0 | 190.0 | IDA12 | Aug-00 | 30.0 | 4 | | 30.0 |
| **TANZANIA Total** | | | | 191.1 | 191.1 | | | | | | 31.1 |
| TOGO | NIL | | | | | | | | | | |
| **TOGO Total** | | | | | | | | | | | |
| UGANDA | PRSC I - SERVICE DELIVERY | Sep-00 | Apr-01 | 250.0 | | IDA12 | | | | | |
| **UGANDA Total** | | | | 250.0 | | | | | | | |
| ZAMBIA | FISCAL SUSTAINABILITY | May-00 | Jun-00 | 140.0 | 140.0 | IDA12 | Aug-00 | 45.0 | 2 | | 45.0 |
| ZAMBIA | FISCAL SUSTAINABILITY II | Jun-01 | Oct-01 | 100.0 | | IDA12 | | | | | |
| **ZAMBIA Total** | | | | 240.0 | 140.0 | | | | | | 45.0 |
| **Grand Total** | | | | 2,830.9 | 878.7 | | | | | | 354.7 |

# SPA-5 DONORS ALLOCATIONS AND DISBURSEMENTS

**(As of September, 2000)**

(in Millions) /a

| | | SPA-5 PLEDGES | | | AMOUNT ALLOCATED TO SPA COUNTRIES | AMOUNT DISBURSED | |
|---|---|---|---|---|---|---|---|
| | | DONOR CURRENCY ($ MILLION) | | | ($ MILLION) | ($ MILLION) | (% OF ALLOCATIONS) |
| | | Rate /b | (millions) | | | | |
| AFDF | c/ | 1.37 | 394 | $541 | $797 | $41 | 5% |
| BELGIUM | | 39.33 | 1,500 | $38 | $0 | $0 | |
| CANADA | | 1.47 | 50 | $34 | $43 | $2 | 5% |
| DENMARK | | 7.27 | 410 | $56 | $0 | $0 | |
| EC | | 0.98 | 1,000 | $1,024 | $768 | $0 | 0% |
| FINLAND | | 5.80 | 10 | $2 | $5 | $2 | 31% |
| FRANCE | | 6.40 | 2,500 | $391 | $0 | $0 | |
| GERMANY | | 1.91 | To be confirmed | | $11 | $0 | 0% |
| IRELAND | | 0.91 | 66 | $73 | | | |
| ITALY | | 1.89 | | $90 | $5 | $0 | 0% |
| JAPAN | d/ | 103.1 | 9,000 | $87 | $10 | $10 | 100% |
| NETHERLANDS | | 2.15 | 500 | $233 | $296 | $14 | 5% |
| NORWAY | | 7.92 | | $40 | $29 | $0 | 0% |
| PORTUGAL | | 195.5 | To be confirmed | | $0 | $0 | |
| SWEDEN | | 8.40 | | $300 | $115 | $0 | 0% |
| SWITZERLAND | | 1.56 | 160 | $102 | $41 | $12 | 30% |
| UK | | 0.62 | 435 | $706 | $65 | $0 | 0% |
| USA | | | | $100 | $64 | $0 | 0% |
| TOTAL DONORS | | | | $3,818 /b | $2,247 | $80 | 4% |
| As percent of pledges | | | | | 59% | 2% | |
| IDA | | (FY 00-02) | | | $2,831 | $355 | 13% |

a/ Unless shown with $ sign, numbers are in the donor currency.

b/ Reflects exchange rates at the time of pledging.

c/ ADF VIII; 2 yrs.

d/ 1st yr pledge, reflects grants only.

# SUMMARY OF DONOR DETAILED REPORTING
## SPA-5 ALLOCATIONS BY COUNTRY
**[As of September 2000]**

(US$ Millions)

| | AFDF | BLGM | CAND | DNMK | EC | FNLD | FRNC | GRNY | IRLD | ITLY | JAPN | NETH | NRWY | PRGL | SWED | SWISS | UK | USA | TOTAL | IDA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BENIN | 19.9 | | | | 13.4 | | | | | | | | | | | | | | 33.3 | 70.0 |
| BURKINA FASO | 31.6 | | | | 22.3 | | | | | | | 16.7 | | | | 8.3 | | | 78.9 | 55.0 |
| BURUNDI | 10.0 | | | | | | | | | | | | | | | | | | 10.0 | 100.0 |
| CAMEROON | 34.0 | | | | 20.4 | | | | | | | | | | | | | | 54.4 | 11.0 |
| CAR | 4.9 | | | | 14.7 | | | | | | | | | | | | | | 19.7 | 20.0 |
| CHAD | 18.5 | | | | 26.0 | | | | | | | | | | | | | | 44.6 | 60.0 |
| CONGO | 4.5 | | | | | | | | | | | | | | | | | | 4.5 | |
| COTE D'IVOIRE | 77.4 | | | | 28.8 | | | | | | | | | | | | | | 106.2 | 403.4 |
| ERITREA | 11.0 | | | | 12.9 | | | | | 5.3 | | 0.4 | | | | | | | 29.6 | |
| ETHIOPIA | 82.4 | | | | 95.2 | 3.5 | | | | | | 3.6 | | | | | | | 184.7 | 200.0 |
| GAMBIA | 5.4 | | | | 8.2 | | | | | | | | | | | | | | 13.6 | 15.0 |
| GHANA | 53.6 | | 11.6 | | 15.4 | | | | | | | 22.7 | | | | | 65.0 | 4.5 | 172.7 | 125.2 |
| GUINEA | 12.8 | | 12.3 | | 22.1 | | | 5.2 | | | | | | | | | | | 52.4 | 65.0 |
| GUINEA BISSAU | 3.8 | | | | 15.7 | | | | | | | 1.2 | | | | | | | 20.6 | 25.0 |
| KENYA | 39.2 | | | | 23.3 | | | | | | | | | | | | | | 62.5 | 350.0 |
| MADAGASCAR | 23.5 | | | | 14.8 | | | | | | | | | | | | | | 38.4 | 20.1 |
| MALAWI | 32.7 | | 3.4 | | 17.5 | | | 1.3 | | | | | 6.6 | | 4.8 | | | 11.0 | 77.3 | 95.0 |
| MALI | 30.2 | | 8.8 | | 17.0 | | | | | | | 33.0 | | | | | | | 89.1 | 150.0 |
| MAURITANIA | 6.6 | | | | 12.3 | | | | | | | | | | | | | | 18.9 | 30.1 |
| MOZAMBIQUE | 69.2 | | | | 74.8 | | | 4.2 | | | | 87.5 | 15.2 | | 44.7 | 21.1 | | 26.0 | 342.7 | 100.0 |
| NIGER | 19.2 | | 2.6 | | 23.9 | | | | | | | | | | | | | | 45.7 | 65.0 |
| RWANDA | 15.1 | | 3.4 | | 51.3 | | | | | | | 14.0 | | | 4.8 | | | | 88.5 | 50.0 |
| SAO TOME | 2.2 | | | | 3.3 | | | | | | | | | | | | | | 5.5 | 10.0 |
| SENEGAL | 34.7 | | 0.6 | | 16.5 | | | | | | | | | | | | | | 51.8 | 100.0 |
| SIERRA LEONE | 10.7 | | | | 26.5 | | | | | | | | | | | | | | 37.3 | 30.0 |
| TANZANIA | 58.5 | | | | 77.9 | 1.6 | | | | | 9.7 | 43.4 | 6.9 | | 38.1 | 11.8 | | | 247.9 | 191.1 |
| TOGO | 8.9 | | | | 16.6 | | | | | | | | | | | | | | 25.5 | |
| UGANDA | 69.0 | | | | 43.5 | | | | | | | 57.9 | | | 21.4 | | | 16.0 | 207.9 | 250.0 |
| ZAMBIA | 6.8 | | | | 53.7 | | | | | | | 16.0 | | | 0.7 | | | 6.0 | 83.2 | 240.0 |
| TOTAL | 796.6 | | 42.6 | | 768.0 | 5.0 | | 10.8 | | 5.3 | 9.7 | 296.4 | 28.7 | | 114.5 | 41.2 | 65.0 | 63.5 | 2,247.3 | 2,830.9 |

NB Details may not add up to totals due to rounding.

# SUMMARY OF DONOR DETAILED REPORTING
## SPA-5 DISBURSEMENTS BY COUNTRY
## [As of September 2000]

(US$ Millions)

| | AFDF | BLGM | CAND | DNMK | EC | FNLD | FRNC | GRNY | IRLD | ITLY | JAPN | NETH | NRWY | PRGL | SWED | SWISS | UK | USA | TOTAL | IDA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BENIN | | | | | | | | | | | | | | | | | | | | |
| BURKINA FASO | | | | | | | | | | | | | | | | 3.8 | | | 3.8 | 25.0 |
| BURUNDI | | | | | | | | | | | | | | | | | | | | |
| CAMEROON | | | | | | | | | | | | | | | | | | | | 11.0 |
| CAR | | | | | | | | | | | | | | | | | | | | 9.0 |
| CHAD | | | | | | | | | | | | | | | | | | | | |
| CONGO | | | | | | | | | | | | | | | | | | | | |
| COTE D'IVOIRE | 33.8 | | | | | | | | | | | | | | | | | | 33.8 | 21.2 |
| ERITREA | | | | | | | | | | | | | | | | | | | | |
| ETHIOPIA | | | | | | | | | | | | | | | | | | | | |
| GAMBIA | | | | | | | | | | | | | | | | | | | | |
| GHANA | | | 0.3 | | | | | | | | | | | | | | | | 0.3 | 50.2 |
| GUINEA | | | | | | | | | | | | | | | | | | | | |
| GUINEA BISSAU | | | | | | | | | | | | | | | | | | | | 12.0 |
| KENYA | | | | | | | | | | | | | | | | | | | | 50.0 |
| MADAGASCAR | | | | | | | | | | | | | | | | | | | | 20.1 |
| MALAWI | | | | | | | | | | | | | | | | | | | | |
| MALI | | | | | | | | | | | | | | | | | | | | |
| MAURITANIA | | | | | | | | | | | | | | | | | | | | 30.1 |
| MOZAMBIQUE | | | | | | | | | | | | | | | | 3.2 | | | 3.2 | |
| NIGER | | | | | | | | | | | | | | | | | | | | 35.0 |
| RWANDA | | | 1.4 | | | | | | | | | | | | | | | | 1.4 | |
| SAO TOME | | | | | | | | | | | | | | | | | | | | |
| SENEGAL | 6.8 | | 0.4 | | | | | | | | | | | | | | | | 7.2 | |
| SIERRA LEONE | | | | | | | | | | | | | | | | | | | | 15.0 |
| TANZANIA | | | | | | 1.6 | | | | | 9.7 | 14.0 | | | | 5.4 | | | 30.6 | 31.1 |
| TOGO | | | | | | | | | | | | | | | | | | | | |
| UGANDA | | | | | | | | | | | | | | | | | | | | |
| ZAMBIA | | | | | | | | | | | | | | | | | | | | 45.0 |
| TOTAL | 40.6 | | 2.1 | | | 1.6 | | | | | 9.7 | 14.0 | | | | 12.5 | | | 80.3 | 354.7 |

NB Details may not add up to totals due to rounding.

# SPA-5 BIANNUAL DETA REPORT BY DONOR

000

| | | | | | Donor Currency in Millions | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | SPA5 Allocatio | Agreements Signed | | Disbursements | | | | | |
| | Eligible | | | | | | | Actual | Projected | | | | |
| Donor | Recipient | | | | 2000-2002 | Date | Amount | 2000 | 2000 | 2001 | 2002 | 2003 | Total |
| | Country | Operations | Type | X | | | | | | | | | |
| USA | Ghana | Trade and Investment | Coord | | 1.0 | | | | | 1.0 | | | 1.0 |
| USA | Malawi | Environment | Coord | | 11.0 | | | | 5.5 | 5.5 | | | 11.0 |
| USA | Mozambique | Economic Growth/Ag | Coord | | 15.0 | | | | 5.0 | 5.0 | 5.0 | | 15.0 |
| USA | Mozambique | Trade and Investment | Coord | | 11.0 | | | | | 5.0 | 3.0 | 3.0 | 11.0 |
| USA | Mozambique | Emergency Reconstruction | Coord | | 32.5 | | | | 16.5 | 16.0 | | | 32.5 |
| USA | Uganda | Primary Education Reform | Coord | | 16.0 | | | | 8.0 | 8.0 | | | 16.0 |
| USA | Zambia | Health Sector Assistance | Coord | | 6.0 | | | | 2.0 | 2.0 | 2.0 | | 6.0 |
| | | TOTAL | Total | | 92.5 | | | | 37.0 | 42.5 | 10.0 | 3.0 | 92.5 |

"X" includes donors' **UNOFFICIAL** allocations that have not been communicated by donors to recipient countries, which should be treated as confidential.

# SPA-4 BIANNUAL DETA[illegible]D REPORT BY DONOR

[illegible]/2000

U.S. $ Million

| Donor | Eligible Recipient Country | Operations | Type | X | Admini-tration of Funds | Pro-cure-ment | Fin. Terms | SPA-3 Alloc. Disbursed SPA-4/5 | SPA-4 Allocations 1997-99 | Agreements Signed Date | Agreements Signed Amount | Disbursements Actual 1997 | Disbursements Actual 1998 | Disbursements Actual 1999 | Disbursements Actual TOTAL | Disbursements Projected 2000 | Disbursements Projected 2001 | Disbursements Projected 2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | ETHIOPIA | BASIC EDU. SY | COORD | | DONOR | UNTIED | GRANT | | 15.0 | SPA-4 | 15.0 | | 8.0 | | 8.0 | | | |
| USA | ETHIOPIA | ESSENTIAL SYS | COORD | | DONOR | UNTIED | GRANT | 2.5 | 10.0 | SPA-4 | 10.0 | | 5.0 | | 5.0 | | | |
| USA | GHANA | PRIMARY EDU | COORD | | DONOR | UNTIED | GRANT | 2.5 | 8.0 | SPA-4 | 8.0 | 2.5 | | | 2.5 | 3.0 | 3.0 | 2.0 |
| USA | GHANA | TRADE & INVE | COORD | | DONOR | UNTIED | GRANT | 5.8 | 10.2 | SPA-4 | 10.2 | 12.0 | | 2.0 | 14.0 | | 2.0 | |
| USA | GHANA | FAMILY PLANN | COORD | | DONOR | UNTIED | GRANT | 1.5 | 1.5 | SPA-4 | 1.5 | 3.0 | | | 3.0 | | | |
| USA | MALAWI | AG. SECTOR AS | COORD | | DONOR | UNTIED | GRANT | 10.0 | 4.0 | SPA-4 | 4.0 | | | | | 3.0 | 3.0 | 8.0 |
| USA | MALAWI | GIRLS BASIC LI | COORD | | DONOR | UNTIED | GRANT | 10.4 | 3.6 | SPA-4 | 3.6 | | 7.0 | | 7.0 | 7.0 | | |
| USA | MALAWI | NATURAL RS. S | COORD | | DONOR | UNTIED | GRANT | 5.0 | 12.0 | SPA-4 | 12.0 | 5.0 | | 5.0 | 10.0 | | 7.0 | |
| USA | MALAWI | TRANSPORTATI | COORD | | DONOR | UNTIED | GRANT | 8.0 | | | | | | | | 8.0 | | |
| USA | MOZAMBIQUE | AG/ENV | COORD | | DONOR | UNTIED | GRANT | | 15.0 | SPA-4 | 15.0 | | | 5.0 | 5.0 | 5.0 | 5.0 | |
| USA | MOZAMBIQUE | ELECTORAL CH | COORD | | DONOR | UNTIED | GRANT | | 1.0 | SPA-4 | 1.0 | | | 1.0 | 1.0 | | | |
| USA | MOZAMBIQUE | TRADE AND IN | COORD | | DONOR | UNTIED | GRANT | 2.7 | 4.0 | SPA-4 | 4.0 | | | 2.7 | 2.7 | 4.0 | | |
| USA | UGANDA | PRIMARY EDU | COORD | | DONOR | UNTIED | GRANT | | 24.0 | SPA-4 | 24.0 | 8.0 | 8.0 | 8.0 | 24.0 | | | |
| USA | ZAMBIA | HEALTH | COORD | | DONOR | UNTIED | GRANT | | 2.0 | SPA-4 | 2.0 | | | 1.5 | 1.5 | 0.5 | | |
| | | | | | | SPA-3 CARRYOVER TO | | 48.4 | | | | | | | | | | |
| | | | | | | SPA-4 TOTAL | | | 110.3 | | 110.3 | 30.5 | 28.0 | 25.2 | 83.7 | 30.5 | 20.0 | 10.0 |

"X" includes donors' **UNOFFICIAL** allocations that have not been communicated by donors to recipient countries, which should be treated as confidential.

## Total Outstanding Debt to Sub-Saharan Africa

(Millions of Dollars, End-1998 Data)

| | Eligible HIPC | Bilateral | *of which* U.S. | Multilateral | Private | Short Term | Total |
|---|---|---|---|---|---|---|---|
| Angola | No | 2,952 | 45 | 279 | 7,386 | 1,556 | 12,218 |
| Benin | Yes | 533 | 0 | 933 | 4 | 85 | 1,647 |
| Botswana | No | 113 | 23 | 372 | 24 | 40 | 548 |
| Burkina Faso | Yes | 130 | 0 | 1,094 | 4 | 59 | 1,399 |
| Burundi | Yes | 157 | 0 | 921 | 1 | 20 | 1,119 |
| Cameroon | Yes | 6,128 | 62 | 1,487 | 659 | 1,398 | 9,829 |
| Cape Verde | No | 47 | 0 | 180 | 11 | 6 | 244 |
| CAR | Yes | 196 | 9 | 623 | 11 | 74 | 921 |
| Chad | Yes | 174 | 0 | 814 | 17 | 23 | 1,091 |
| Comoros | No | 28 | 0 | 161 | 0 | 12 | 203 |
| Congo (DR) | Yes | 5,835 | 2,136 | 2,268 | 846 | 3,557 | 12,929 |
| Congo, Rep. | Yes | 2,812 | 60 | 625 | 814 | 834 | 5,119 |
| Cote d'Ivoire | Yes | 4,812 | 356 | 3,491 | 4,330 | 1,576 | 14,852 |
| Eq. Guinea | No | 104 | 0 | 98 | 15 | 79 | 306 |
| Eritrea | No | 68 | 10 | 76 | 0 | 5 | 149 |
| Ethiopia | Yes | 6,639 | 94 | 2,629 | 350 | 626 | 10,352 |
| Gabon | No | 3,154 | 79 | 554 | 125 | 478 | 4,425 |
| Gambia | No | 96 | 0 | 356 | 0 | 15 | 477 |
| Ghana | Yes | 1,432 | 17 | 3,563 | 838 | 717 | 6,884 |
| Guinea | Yes | 1,408 | 127 | 1,688 | 30 | 293 | 3,546 |
| Guinea-Bissau | Yes | 463 | 0 | 409 | 1 | 76 | 964 |
| Kenya | No | 2,076 | 111 | 2,999 | 879 | 859 | 7,010 |
| Lesotho | No | 107 | 0 | 498 | 55 | 8 | 692 |
| Liberia | No | 475 | 332 | 418 | 199 | 694 | 2,103 |
| Madagascar | Yes | 2,284 | 41 | 1,781 | 41 | 230 | 4,394 |
| Malawi | Yes | 300 | 0 | 1,990 | 20 | 32 | 2,444 |
| Mali | Yes | 1,254 | 0 | 1,573 | 0 | 188 | 3,201 |
| Mauritania | Yes | 1,196 | 7 | 995 | 22 | 265 | 2,589 |
| Mauritius | No | 321 | 6 | 261 | 1,327 | 573 | 2,482 |
| Mozambique | Yes | 3,740 | 53 | 1,894 | 1,992 | 375 | 8,208 |
| Niger | Yes | 486 | 13 | 963 | 72 | 63 | 1,659 |
| Nigeria | No | 13,596 | 869 | 4,083 | 6,061 | 6,575 | 30,315 |
| Rwanda | Yes | 159 | 1 | 959 | 1 | 50 | 1,226 |
| Sao Tome & P | Yes | 72 | 0 | 161 | 0 | 12 | 246 |
| Senegal | Yes | 1,306 | 17 | 1,956 | 33 | 273 | 3,861 |
| Seychelles | No | 56 | 0 | 58 | 31 | 42 | 187 |
| Sierra Leone | Yes | 415 | 65 | 523 | 7 | 108 | 1,243 |
| Somalia | No | 1,110 | 457 | 741 | 35 | 591 | 2,635 |
| South Africa | No | 0 | 122 | 0 | 13,268 | 11,444 | 24,711 |
| Sudan | No | 5,615 | 1,274 | 2,051 | 2,055 | 6,349 | 16,843 |
| Swaziland | No | 75 | 8 | 148 | 0 | 28 | 251 |
| Tanzania | Yes | 3,036 | 21 | 3,141 | 264 | 894 | 7,603 |
| Togo | Yes | 503 | 0 | 799 | 0 | 52 | 1,448 |
| Uganda | Yes | 895 | 1 | 2,433 | 74 | 135 | 3,935 |
| Zambia | Yes | 2,965 | 293 | 2,242 | 142 | 329 | 6,865 |
| Zimbabwe | No | 1,198 | 198 | 1,716 | 627 | 768 | 4,716 |
| **Total** | | **80,521** | **6,906** | **57,004** | **42,671** | **42,466** | **230,089** |
| **Total HIPC** | | **49,330** | **3,483** | **44,954** | **11,452** | **13,203** | **126,584** |

[1] Already eligible or likely to be eligible for HIPC debt relief

TREASURY NEWS

**FROM THE OFFICE OF PUBLIC AFFAIRS**

FOR IMMEDIATE RELEASE
October 25, 2000
LS-979

**Statement By Treasury Secretary Lawrence H. Summers**

I am extremely pleased by today's agreement by Congress to fully fund the President's budget request for the Heavily Indebted Poor Counties debt relief initiative.

Today's action to appropriate $435 million and authorize the use the remaining resources from IMF off-market gold sales enables the United States to leverage billions of dollars from other creditors to finance the debt relief initiative. Thanks to the leadership of President Clinton, this initiative will help give a fresh start to poor countries throughout Africa and Latin America, enabling them to translate old debts into new opportunities through education, health care, and other investments necessary to spur economic growth and reduce poverty.

Debt relief is both a moral and a financial imperative. I would like to congratulate and thank the unique coalition of members of congress from both sides of the aisle, the diverse group of religious leaders, humanitarian agencies, and business groups that worked so hard to make this initiative a reality.

I am also pleased that Congress provided substantial funding for the World Bank's International Development Association and other multilateral development institutions. These organizations are at the core of international efforts to reduce global poverty by assisting countries to address their enormous development challenges and improve basic social services. Finally, I welcome the Congress' support of the Global Environment Facility that provides assistance to address cross-border environmental challenges in developing countries.

TREASURY NEWS

**FROM THE OFFICE OF PUBLIC AFFAIRS**

FOR IMMEDIATE RELEASE
September 24, 2000
LS-907

**STATEMENT OF TREASURY SECRETARY LAWRENCE H. SUMMERS AT THE JOINT SESSION OF THE INTERNATIONAL MONETARY AND FINANCE COMMITTEE AND THE DEVELOPMENT COMMITTEE PRAGUE, CZECH REPUBLIC**

POVERTY REDUCTION STRATEGY PAPERS AND THE HIPC INITIATIVE

Last year, we recognized the importance of enhancements to the HIPC Initiative to provide faster, deeper, and broader debt relief for countries truly committed to poverty reduction and growth. We also agreed on a new framework for concessional loans, linking them to country-driven national poverty reduction and economic growth strategies. The staff and management of the IMF and World Bank have worked hard to translate these agreements into concrete actions, and a number of participating countries have made impressive efforts to implement their responsibilities under the new framework. We recognize and very much appreciate these efforts.

These reforms have been instrumental in addressing our shared desire to see as many countries as possible take the steps needed to reach decision points this year. We have seen substantial progress in this regard and we hope and expect that 20 countries will qualify under the initiative by the end of the year on the basis of credible commitments to growth and poverty reduction. As we proceed, however, we need to ensure that we adhere to requirements that will promote real, discernible poverty reduction, more rapid growth, and a durable exit from unsustainable debt. The true measure of HIPC's success will not simply be the amount of relief provided, but how those resources are used, and whether the reforms that accompany HIPC are able to deliver durable poverty reduction and growth. With this objective in mind, I would underline the need for improvement on four critical points going forward.

*1. Agreeing on a framework for rapid, effective debt relief.*

The inevitable tension between the speed at which relief is provided and the desire for relief to have maximum impact will continue to be a major concern in the implementation of the enhanced HIPC initiative. There can be no excuse for unnecessary delay, but nor can there be an excuse for allowing these crucial resources to be wasted. As we shift from the strongest performers to more complex cases, it becomes increasingly important to define clear standards for striking the right balance so that countries qualify for relief as rapidly as possible and effective safeguards are in place.

One of the most pressing gaps relates to the planned use of savings generated by interim relief and the need for improving tracking systems. More systematic and transparent reporting on the level of expected HIPC savings throughout the process, clear plans on what the authorities plan to do with these resources, and the establishment at the decision point of systems to track these commitments -- such as we saw in Uganda -- should be standard to HIPC documentation and HIPC support.

I-PRSPs must also give more explicit attention to the country's plans to involve the public in the development of the full PRSP. Timely publication of, and public access to, PRSPs, HIPC, and IFI program documentation will go a long way to support these efforts. In this light, we welcome the recently approved policy that staff will not recommend Board endorsement of an I-PRSP and PRSP without prior publication.

HIPC debt relief will do little to reduce poverty in the absence of a stable macroeconomic environment and a comprehensive poverty-focussed growth and development strategy. This underscores the importance of maintaining a credible standard for the establishment of a track record under PRGF/IDA assistance, especially for the most difficult and highest risk cases. We must carefully consider the impact that measures primarily aimed at speeding up the process have on each country's overall prospects for robust growth, enduring poverty reduction and debt sustainability. When there has been an interruption in Bank/Fund programs, we should avoid any compression that precludes credible assessment of

performance against formal program criteria immediately prior to the decision point.

It is essential that the conditions required to successfully reach completion points are transparent, reflect country circumstances, and are ambitious, but also achievable. We are pleased that the Fund and Bank increasingly recognize the need to ensure that these conditions reflect strategic consideration of the key impediments to poverty reduction and growth and that the Bank intends to develop mechanisms to allow it to monitor progress in a more systematic way.

*2. Establishing core elements of a national poverty strategy,*

The PRSP framework holds out the promise of a substantial shift in the way the IMF and the World Bank engage with their poorest members. The essential objective, to embed IMF and World Bank operations in a strategic country-driven agenda for growth and poverty reduction, is compelling in its logic. But its implementation is complex, and we are still at the early stages in translating this objective into reality.

The experience of the last year shows that the Poverty Reduction Strategy Paper process has, in a number of countries, advanced a more systematic approach to the development of national poverty reduction goals and strategies, with greater openness and transparency. At the same time, we've seen a need for greater clarity with regard to the core content of a PRSP necessary to deliver sustainable results and we are very pleased that the Bank and Fund plan to better focus on core content for PRSPs. Such clarity will help HIPC governments, civil society and other development partners to better understand the expectations of the IFIs and should lead to more comprehensive, better targeted, and more credible PRSPs. In our view, essential elements of a PRSP include:

- Actions to achieve more rapid, job-creating growth, notably in agriculture, that will create income opportunities for the poor.
- A re-alignment of public expenditures, targeted to support poverty reduction actions, and stronger systems to track expenditures and measure their impact on poverty reduction.
- Focus on expanding access and improving the quality of basic education and basic health care, with particular emphasis on HIV/AIDS prevention.
- Actions to improve governance, transparency, and accountability.
- A process for engagement of a broad spectrum of civil society in developing the PRSP and monitoring and tracking progress in implementing the strategy.

*3. Committing to a strong framework for maintaining to ensure debt sustainability.*

A principle objective of the HIPC initiative is to enhance prospects for sustainable debt positions. To achieve this goal, there is need for a more fully articulated framework for assessing debt sustainability and its implications for the scale and composition of new lending to HIPCs. This will require, for example, more rigorous and realistic staff assessments of countries' borrowing capacity, including vulnerability analyses. It should also involve clearer constraints on new public sector borrowing overall, and non-concessional lending in particular, for a period following debt relief, and greater recourse to grant financing where appropriate.

In this context, the U.S. is committed to pursuing options for greater differentiation in IDA's lending terms, including the use of grants for HIPC countries in the IDA-13 replenishment negotiations. A combination of constraints on new borrowing, increased grant finance and greater selectivity to ensure resources go to countries best equipped to use them effectively will serve all stakeholders well.

*4. Accelerating operational changes in the Fund and Bank in support of the PRSP framework for analytical work and lending operations.*

While PRSPs must be country-owned, the IFIs have an important supportive role in assisting countries in the formulation of these strategies. As a priority, staff should help countries to evaluate the lessons of past and current policies, avoid a laundry list approach, move to a more strategic framework to define, prioritize, and implement fully costed poverty programs, and analyze the tradeoffs of alternative policy courses. In this regard, we welcome the commitment of the IFIs to assist countries in more systematic use of ex-ante analysis of the expected poverty reduction impact of such policies. As the process moves forward, we expect the Country Assistance Strategies (CAS), the new PRSCs, and PRGFs to articulate how these programs will reflect the priorities and strategies contained in the PRSP.

***The Role of the World Bank:*** We believe the Bank should take the lead in setting the priority social and structural conditions to operationalize the new development framework set out in a borrower's PRSP (or I-PRSP). We therefore support the development of the Poverty Reduction Support Credit (PRSC) as the Bank's parallel instrument to the Fund's PRGF that would set out and be based on the priority social and structural conditions that are now often embodied in the PRGF. The PRSC should be the principal device for coordination of policy and consolidation of fast-disbursing lending instruments. In this respect, it should not be additional to the currently programmed level of adjustment lending nor

result, by itself, in a shift in the mix of Bank operations in favor of a greater share to budget support. Moreover, such an instrument must be used selectively and with appropriate safeguards. Our Development Committee statement contains more details on what we consider an appropriate framework for the PRSC.

***The Role of the Fund:*** We are at an early stage in the transition from ESAF to the PRGF, and there is a great deal of work to be done to ensure that the PRGF's sharper focus on growth and poverty reduction, according to priorities outlined in PRSPs, is reflected in program design - specifically, in the pace, content and sequencing of reforms. Similarly, we expect to see a streamlining of structural conditionality. We need to see more explicit discussion of these issues in program documents with specific examples so as to more clearly demarcate the shift from ESAF to PRGF. We are convinced that a stronger effort to document operational and programmatic changes will reinforce the intended new focus of the PRGF and help ensure that the public better understands and fully appreciates it.

**Conclusion**

The United States has strongly supported and will continue to support the ambitious reforms necessary to enhance the IMF's and World Bank's capacity to support country-led growth and poverty reduction efforts by their poorest members. We believe HIPC is a vital part of this agenda and President Clinton and I continue to actively seek Congressional support for the U.S. contribution to this initiative. We are requesting a total of $435 million in appropriations for HIPC debt relief through FY2001, including $75 million for our bilateral costs and $360 million for the HIPC Trust Fund (as the first part of our $600 million commitment to the Fund). We are also actively seeking Congressional authorization of US support for use of the remaining 5/14 of investment income on profits from the IMF off-market gold sales for debt relief.

---

Use the free Adobe Acrobat Reader to view Tables 1 - 16

Memorandum to Members of the IMFC and Members of the Development Committee on the HIPC Initiative and Poverty Reduction Strategy Papers

Debt Initiative for the Heavily Indebted Poor Countries (HIPCs)

# The Enhanced Initiative for Heavily Indebted Poor Countries—Review of Implementation

Prepared by the Staffs of the IMF and the World Bank
September 7, 2000

## Contents

I. Introduction

II. Country Experience under the Enhanced HIPC Initiative
- A. Broader Debt Relief
- B. Faster Delivery
  - Interim assistance and the interim PRSP
  - Floating completion point
- C. Deeper Debt Relief
  - Linking debt service relief to poverty reduction
  - Ensuring long-term debt sustainability
- D. Outlook for the Remainder of 2000

III. Update on Costs of the Enhanced HIPC Initiative
- A. Sources, Assumptions and Caveats
- B. Results of Costing Update

IV. Participation of Creditors in the Enhanced HIPC Initiative
- A. Participation of Official Bilateral Creditors
- B. Participation and Financing of Multilateral Creditors

V. Review of Floating Completion Points and the Sunset Clause
- A. Experience with Floating Completion Points
- B. Sunset Clause

Box
1. Country Coverage, Data Sources, and Assumptions

Chart
1. HIPCs at the Decision Point

Annex
1. Floating Completion Points: Summary of Country-Specific Requirements

(Use the free Adobe Acrobat Reader to view Tables 1 - 16. )

Tables
1. Enhanced HIPC Initiative–Committed Debt Relief and Upcoming Cases Status as of Early September
2. HIPC Initiative–Country Status as of Early September 2000
3. HIPC Initiative–Impact of Debt Relief on Countries at the Decision Point
4. Preliminary Estimates of Relief Provided by Traditional Debt Mechanisms and Under the HIPC Initiative
5. Possible Time Line of HIPC Initiative Country Documents
6. HIPC Initiative–Estimates of Potential Costs by Creditor
7. HIPC Initiative–Estimated Costs for Other Multilateral Creditors
8. HIPC Initiative–Timeline of Cost Commitments by Main Creditors
9. Estimated Costs for HIPCs that have Reached or could Reach an Enhanced Decision Point by December 2000
10. Estimated Paris Club Cost by Creditor Country for HIPCs that have

Reached or could Reach an Enhanced Decision Point by December 2000
11. Estimated Costs to Non-Paris Club Creditor Countries for HIPCs that have Reached or could Reach an Enhanced Decision Point by December 2000
12. Breakdown of Estimated Costs to Official Bilateral Creditors for Countries with Enhanced Decision Points Reached or Expected in 2000
13. Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives Beyond the HIPC Initiative
14. Status of Bilateral Donor Pledges to the HIPC Trust Fund
15. HIPC Initiative–Estimated Financing of Other MDBs
16. HIPC Initiative–Financing Needs for MDBs and HIPC Trust Fund Pledges/Contributions

## I. Introduction

1. In April 2000, the Development and International Monetary and Financial Committees reviewed the status of the enhanced Heavily Indebted Poor Country (HIPC) Initiative, and urged all concerned to work for continued progress so that as many countries as possible can reach the decision point by the end of the year. The Committees also welcomed the establishment by the Bank and the Fund of a Joint Implementation Committee (JIC) to facilitate effective implementation of the enhanced HIPC Initiative and the new poverty reduction strategy approach. Finally, in noting that successful implementation of the Initiative will depend upon adequate financing, Ministers stressed that many multilateral institutions continued to require additional bilateral support, and urged donors to take the steps necessary to fulfill earlier pledges of contributions to help meet those costs. The purpose of this paper is to take stock of progress since the April Meetings and to present the overall status of and outlook for the enhanced HIPC Initiative.

2. The paper is organized as follows: Section II discusses the progress made in implementing the enhanced HIPC framework. Section III presents an updated estimate of the cost of the Initiative and provides a comparison with previous estimates. Section IV provides an update on creditor participation and the financing of the Initiative. Section V assesses the experience with the floating completion point and reviews the sunset clause.

## II. Country Experience Under the Enhanced HIPC Initiative

3. The enhanced HIPC Initiative adopted by the Boards of the Bank and the IMF in the fall of 1999 aimed at accelerating the delivery of HIPC Initiative assistance and linking debt relief more firmly and transparently to poverty reduction. At the same time, the enhancements more than doubled the amount of relief projected to be provided under the Initiative.[1]

4. The World Bank and the IMF have committed to renewed efforts in four areas necessary to achieve the goals outlined by the international community: moving forward expeditiously with country cases, to progress toward the objective of having 20 countries reach their decision point under the enhanced HIPC framework by the end of calendar year 2000[2], providing support to countries in preparing Poverty Reduction Strategy Papers (PRSP), setting up mechanisms for targeting and tracking use of resources freed by the HIPC Initiative, and facilitating the financing for multilateral participation in the enhanced Initiative.

### A. Broader Debt Relief

5. Under the original HIPC Initiative approved in 1996, seven countries reached their decision points and five additional countries had their debt situations reviewed.[3] Total assistance committed to these seven countries under the original framework was US$3.5 billion in net present value (NPV) terms. In the one year since the endorsement of the enhanced HIPC Initiative framework, enhanced HIPC relief packages have been endorsed for ten countries amounting to US$6.3 billion in NPV terms (see Tables 1 and 2).[4] Seven further cases had their debt situation reviewed under the enhanced HIPC Initiative.

6. The debt relief packages for countries that reached their decision points under the enhanced HIPC Initiative by early September 2000 represent about one-third of the entire HIPC Initiative. As of early

September 2000:

- Ten countries will have reached their decision point and most benefit from assistance under the enhanced framework (Benin, Bolivia, Burkina Faso, Honduras, Mali, Mauritania, Mozambique, Senegal, Tanzania, and Uganda)[4]. Total debt service relief committed to these countries will amount to more than US$16 billion or US$9.2 billion in NPV terms. When combined with the two countries which had reached their decision points under the original framework (Côte d'Ivoire and Guyana), but have not yet been reassessed under the enhanced framework, total debt service relief committed under the HIPC Initiative will amount to US$17.4 billion or US$9.8 billion in NPV terms.

- Preliminary reviews under the enhanced framework will have been completed for seven countries (Cameroon, Chad, Guinea, Malawi, Nicaragua, Rwanda, and Zambia). Total debt service relief expected on a preliminary basis amounts to US$15 billion or US$8.3 billion in NPV terms for these countries. Two more countries were considered under the original framework (Ethiopia and Guinea-Bissau), and will be reassessed under the enhanced framework.

7. Three countries do not require or wish to pursue relief under the enhanced HIPC Initiative: traditional debt relief mechanisms will be sufficient to reduce Yemen's debt burden to a sustainable level; Ghana, although eligible for assistance based on debt sustainability criteria, is not seeking assistance under the Initiative; and Lao P.D.R. has informed the Bank and the Fund that it will not seek assistance under the Initiative.

## B. Faster Delivery

8. One of the key objectives of the enhancements was to accelerate the provision of debt relief. In this regard, the enhanced framework included two main changes to the original Initiative: first, the provision of interim assistance beginning at the decision point, and second, the adoption of a "floating completion point."

### Interim assistance and the interim PRSP

9. The enhanced HIPC Initiative relies on two key instruments—an interim PRSP and interim relief—in order to help reconcile the objective of rapid delivery of debt relief with the need to ensure that resources released will truly contribute to effective and sustainable poverty reduction. The interim PRSP can serve as a basis for taking a country to a decision point within the enhanced HIPC process. In an interim PRSP, a government should convey its commitment to poverty reduction, indicate its overall strategic goals and programs to address the issue, and define an action plan that would eventually lead to the articulation and adoption of a PRSP in a participatory process. The companion PRSP paper discusses in greater detail the early experience with this process. The provision of interim assistance from the decision point enables countries to benefit from debt relief while still preparing a full PRSP and putting in place other policy measures and actions that may be required for reaching the completion point. Interim assistance effectively reduces the burden of debt service payments on HIPCs while they prepare a full PRSP so that this can be done with due care and diligence.

10. Under the enhanced Initiative all creditors are encouraged to provide some portion of their total assistance to each eligible country during the interim period. Interim assistance had been provided under the original Initiative by bilateral creditors in the Paris Club through flow reschedulings involving an NPV reduction of 80 percent (Lyon terms) on eligible debt. This interim assistance has now been topped-up by the Paris Club to 90 percent (or higher if needed) under Cologne terms.

11. The predominant method of delivering relief on IDA debt will be through debt service relief. IDA delivers debt service relief, beginning at the decision point, with the aim of delivering its full share of debt relief to a country within 20 years after the decision point. Within this overall 20-year objective, IDA would provide annually, relief of not less than 50 percent of the IDA debt service due on the amounts disbursed and outstanding at the reference year when enhanced HIPC assistance is calculated. This level of debt service forgiveness would apply during the interim period, with maximum interim relief equal to one-third of the total NPV to be provided by IDA.[5] IDA is providing interim assistance to eight of the nine countries which had reached their decision points under the enhanced framework by end-July 2000.[6]

12. The IMF, subject to receipt of satisfactory financing assurances from other creditors, is committed to deliver interim assistance in the form of grants. These grants are paid into a country's account, administered by the IMF as Trustee, and used to help meet the country's debt service payments to the IMF. A country may receive as much as 20 percent of total IMF assistance (i.e., 20 percent of the total IMF share of relief for the country) each year during the interim period, up to the total annual debt service due to the IMF by that

country. Interim assistance is not to exceed 60 percent of the overall IMF assistance. The IMF is currently providing interim relief to eight countries.

13. The Central American Bank for Economic Integration, the European Union, the European Investment Bank, and OPEC Fund, are either providing or have indicated their willingness to provide interim assistance. In July, the African Development Bank agreed on its modalities for participation in the enhanced framework, including provision of interim relief. Other multilateral development banks (MDBs) have been considering modalities to participate in a similar fashion.

**Floating completion point**

14. The second modification to the original framework designed to accelerate delivery of debt relief was the adoption of floating completion points. This eliminated the original three-year interim period in favor of linking the completion point to the development and implementation of a PRSP, and the implementation of a set of key, pre-defined structural and social reforms. This places the timing of the completion point more clearly under the control of country authorities and enhances country-ownership of the reform program. Early indications suggest that this approach is helping to shorten the interim period. Section V provides a more extensive discussion of the early experience with floating completion points.[8]

15. Based on the assessment by authorities for each of the current decision point countries, the interim period is expected to average about 15 months. Due to their special nature, the interim period for retroactive cases is expected to average less than one year, with Uganda having reached its completion point within three months after its enhanced decision point. For the new cases that have reached their decision point under the enhanced framework (Honduras, Mauritania, Tanzania) the interim period is expected to be two and a half years or less.

16. It is important to recall that once countries reached their completion point under the original framework (Bolivia, Burkina Faso, Guyana, Mozambique, and Mali), they received the related debt relief irrevocably.[9] For these countries, only the enhanced portion of debt relief as committed under the enhanced HIPC framework will be subject to the floating completion point requirements to the extent that it is not delivered in the form of interim relief.

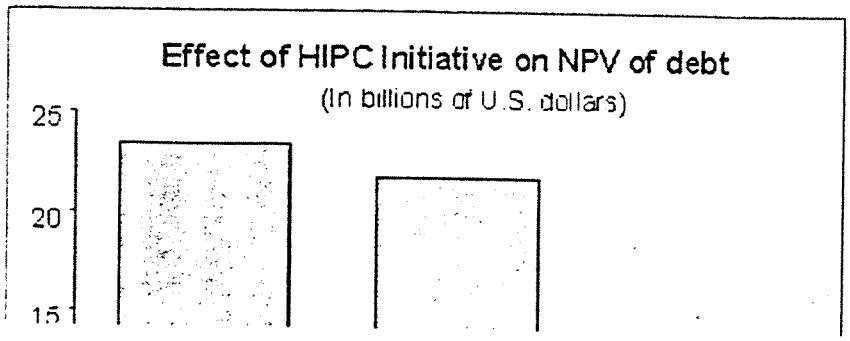
## C. Deeper Debt Relief

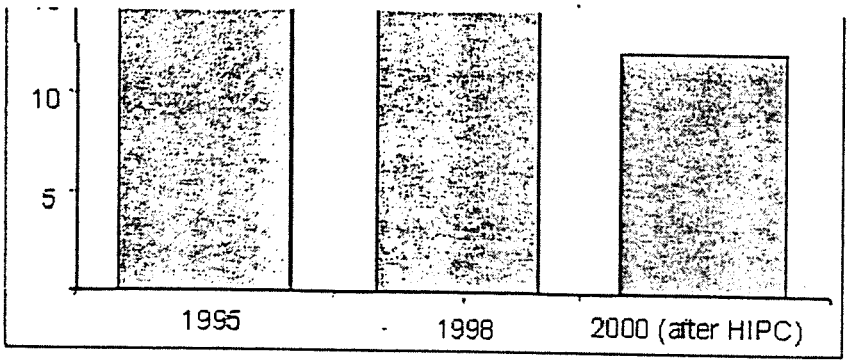
17. Under the enhanced framework, the target sustainability ratios were lowered[10] to provide a greater cushion against unanticipated economic shocks to export earnings. This is intended to increase the probability of a permanent exit from unsustainable debt, and to significantly lower debt-service payments, freeing up resources to support poverty reduction efforts.

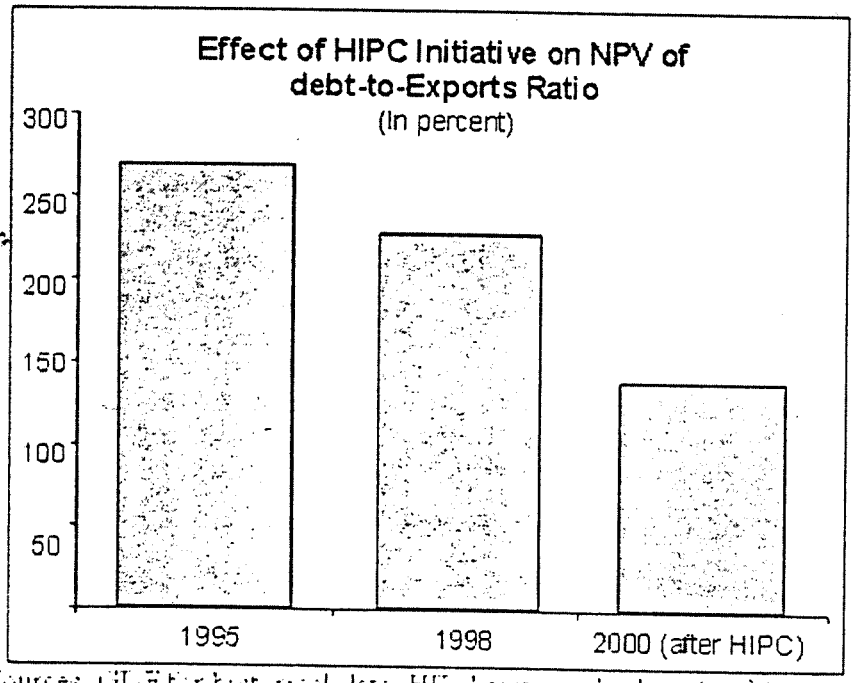
18. Based on an analysis of the first nine countries to reach their decision points under the enhanced framework (Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania, and Uganda), progress is being seen in each of these areas (see Table 3). The US$9 billion (NPV terms) in assistance committed to these nine countries under the HIPC Initiative is projected to reduce the total debt stock in NPV terms by an average of 43 percent, reflecting reductions ranging from 18 percent in the case of Senegal to 73 percent in the case of Mozambique (Chart 1).[11] This will reduce the average NPV of debt-to-exports ratio for these countries at the decision point by 41 percent to 138 percent.[12] Current projections show the average NPV of debt-to-exports ratio for these countries will drop below 100 percent after 2005.

**Chart 1. HIPCs at the Decision Point 1/**

*(In billions of U.S. dollars and percent)*






Sources: GLF for historical data, HIPC costings database for 2000.
1/ Nine countries that have reached their decision points under the enhanced HIPC Initiative as of August 1, 2000: Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania and Uganda

19. Moreover, there have been notable cash-flow benefits. HIPC Initiative assistance will reduce the average ratio of debt service-to-export revenue in these nine countries to below 10 percent, one-half the developing country average. This represents an average annual debt service reduction of approximately US$750 million over 2000–2005, equal on average among these nine countries to savings of roughly 1.4 percent of GDP.

20. In Table 4, a rough estimate is provided of what HIPC eligible countries can expect from HIPC debt relief combined with traditional debt relief mechanisms. In total, the 32 HIPCs can expect debt relief over time of about US$97 billion (about US$61 billion in NPV terms), with commitments in 2000 potentially reaching close to US$47 billion (about $28 billion in NPV terms). This would reduce their debts by roughly two thirds.

**Linking debt service relief to poverty reduction**

21. A central objective of the enhanced framework endorsed last September was that countries would prepare credible, effective and monitorable poverty reduction strategies as the basis for access and use of extraordinary debt relief and other sources of concessional assistance provided by the Bank, the Fund, and other development partners. With regard to debt relief, institutional arrangements and procedures need to be developed to ensure that the savings from debt service are channeled towards programs linked to poverty reduction.[13]

22. Bank and Fund teams are collaborating to assess country capabilities and provide guidance to governments on mechanisms to track and report on poverty-related public spending in HIPCs. A preliminary assessment of early cases suggests that funds "saved" through debt relief should be seen as part of the overall budget and monitored through the country's own public financial management system. While countries themselves should bear the primary responsibility for monitoring and reporting, Bank and Fund staffs' work in this area should emphasize providing assistance to HIPCs to strengthen their own public expenditure management systems.

23. Over the longer term, this entails working to strengthening their entire financial management architecture. In the short-run, Bank and Fund staffs will assist in selected areas of public expenditure management, including working with those tools currently in place in each country for monitoring specific types of poverty-oriented spending. Some countries, such as Rwanda and Malawi, have a basic capacity to program, track and report on poverty-related recurrent public expenditures and the potential to relate these to social indicators. Other countries, such as Cameroon, are responding to significant shortcomings in their overall public expenditure systems by establishing special HIPC-arrangements and accounts to identify and track spending on poverty related programs. In virtually all cases, technical assistance and extensive efforts at institution-building will continue to be needed.

**Ensuring long-term debt sustainability**

24. The weakening of commodity prices, notably the double digit declines since 1997 of the prices of cotton, coffee, cocoa, maize, sugar, and copper, combined with a sharp increase in oil prices over the past year, has adversely affected a large number of HIPCs that rely heavily on commodity exports and petroleum imports. As a result, about half of the 41 HIPCs are estimated to have suffered major terms of trade losses in 1999–2000 compared to 1997. These developments have created a difficult external environment for many HIPCs as they seek to maintain macroeconomic stability and establish track records for qualification under the enhanced HIPC Initiative. They also highlighted the difficulties and challenges many HIPCs are facing in achieving long-term debt sustainability, a key objective of the HIPC Initiative.

25. Debt relief delivered under the enhanced Initiative allows HIPCs to return to external debt sustainability. However, maintaining external debt at sustainable levels ultimately requires that HIPCs continue to pursue sound economic policies, in particular timely adjustment to any economic shocks that may weaken their debt service capacity, prudent debt management, and adequate financing on appropriate concessional terms. In the context of PRGF- and IDA-supported programs, many HIPCs have undertaken to accelerate structural and institutional reforms to improve the efficiency of domestic resource mobilization and utilization, thereby increasing their resilience to adverse external developments.

26. In view of the continuing large financing needs of many HIPCs, adherence to a policy on new borrowing that is consistent with long-term debt sustainability will play a particularly important role in preventing their external debt from rising again to an unsustainable level. Depending on each country's specific circumstances, such a policy may require a strict limit on, or even exclusion in some cases of any, new borrowing by the public sector on nonconcessional terms. It may also entail a need for restraint on borrowing on concessional terms, and renewed efforts to shift concessional external financing from loans to grants. Clearly, such a policy also entails action by donor agencies to provide financing for poverty expenditures and development projects.

## D. Outlook for the Remainder of 2000

27. From the time the enhancements to the HIPC Initiative were endorsed in September 1999, the goal of the World Bank and IMF has been to have decision points under the new framework in place for as many countries and as quickly as possible and justified, subject to measures put in place to help ensure effective use of the resources released by debt relief. We are currently working toward having 20 countries reach their decision points by the end of 2000. The time line of upcoming HIPC country documents is detailed in Table 5. The implementation of this ambitious timetable will depend critically on circumstances within a number of countries, including the performance of reform programs and the assessments thereof by IDA and Fund staff and on their Boards.

28. In this context, the selectivity of the HIPC Initiative in favor of countries with relatively strong policy performance is relevant: countries that have reached their decision points earliest are those that have already established stronger (and longer) track records of policy performance. These track records have mostly included long periods with generally continuous support from IDA and the Fund. However, countries to be considered in the future will have more mixed track records, including periods of interruptions of reform, or reforms continuing in some areas accompanied by slowdowns or even reversals in other areas. More difficult

judgements will need to be made in many of these upcoming cases regarding whether the appropriate conditions are in place for a decision point. Such judgements may need to weigh more explicitly the depth of reform along with the length of the track record, and balance the evaluation of macroeconomic, structural, and social reforms, as well as past reforms and the commitment to forward-looking reform programs.

29. More specifically, these considerations highlight the issues of flexibility on the required track record. First, under both the original and the enhanced frameworks, a three-year track record of policy performance under Fund- and Bank-supported programs is normally required for a country to reach its decision point and merit the support of creditors under the Initiative. The Boards of the Bank and Fund have begun to interpret this somewhat flexibly in the sense that intermittent periods of good policy performance under Fund-supported programs are being considered in the assessment of track record. This has been applied in particular to cases where there is a gap between the expiration of one PRGF arrangement and the approval of a successor arrangement. Second, when the HIPC Initiative was launched in 1996, the implementation of one annual PRGF arrangement immediately prior to the decision point was also a precondition for reaching a decision point.[14] This has since been implemented flexibly in the Board's consideration of a few preliminary decision point documents.[15] In some of the upcoming cases, early decision points may necessitate the elimination or a sharp compression of a track record requirement immediately preceding the decision point for countries that have not received Bank or Fund support for some time. While the link between debt relief and sound policy performance should clearly be maintained, these cases raise very difficult issues on the precise tradeoff between speed of implementation of debt relief and the quality of countries' policies and their results in reducing poverty. These issues will need to be considered carefully in the review of individual country cases.

## III. Update on Costs of the Enhanced HIPC Initiative

30. This section presents estimates of the costs of the enhanced HIPC Initiative and updates the previous costing estimates undertaken in December 1999.[16] This costing analysis is based on the most recent country-specific information available. As will be discussed below, while the overall cost has increased somewhat compared to previous estimates, they remain broadly in the order of US$28 billion in 1999 NPV terms.

### A. Sources, Assumptions and Caveats

31. This update of the December 1999 costing exercise takes into consideration the following factors:

- A total of 15 countries have presented HIPC documents to the Bank and Fund Boards with updated debt sustainability analyses (DSAs).
- Revisions to debt data and/or exports and revenue figures have been provided for fourteen countries that had their HIPC documents presented to the Boards.
- The timing of decision and completion points has been revised in light of actual developments thus far and the current outlook of country performance.
- Changes have taken place in the exchange rate and commercial interest reference rates (CIRRs) utilized for converting debt figures into U.S. dollar NPV terms.

32. The country coverage and other data issues are described in Box 1. Out of a group of 41 HIPCs,[17] costs have been estimated for 32 countries. Potential costs for two countries, Ghana and Lao P.D.R., have been excluded as they have indicated that they will not seek assistance under the HIPC Initiative. The latest DSA for Yemen has confirmed that the country has a sustainable debt burden. The debt levels of three other countries, Angola, Kenya, and Vietnam, are currently expected to be sustainable with debt relief under traditional mechanisms. As such, these four countries are not expected to require assistance under the HIPC Initiative, and no costs are assessed for these countries. Finally, as in all previous costing exercises, Liberia, Somalia, and Sudan were excluded from the cost exercise due to weak databases and the protracted time that will be required to resolve their large arrears problems.[18]

**Box 1: Country Coverage, Data Sources, and Assumptions**

*Country coverage*

• Country coverage for the costing analysis is based on 41 HIPCs: **Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Lao P.D.R., Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Vietnam, Yemen, Zambia.**

• From the original group of 41 HIPCs, **Equatorial Guinea** has been removed from the HIPC database as it has a GNP per capita of $1,500 and is no longer an IDA-only country. **The Gambia** has been added to the database as the NPV of its external debt has been found to be unsustainable.

• From the above list of 41 countries, **Ghana and Lao P.D.R.**, with unsustainable debt levels after traditional mechanisms, are excluded from the costing analysis as they have indicated that they will not seek assistance under the HIPC Initiative. A total of 39 countries are thus considered for the costing exercise.

• Based on currently available data, debt levels for **Yemen** were confirmed sustainable, and for **Angola, Kenya, and Vietnam,** are expected to be sustainable after the application of traditional debt relief mechanisms. **In addition, Liberia, Somalia, and Sudan**, are excluded due to the time it will take to resolve their protracted arrears with multilateral creditors, and weak databases. Hence the costing figures are reported for 32 countries.

• It is possible that the HIPC Initiative could extend eligibility to countries outside the group of 41 countries listed above, hence increasing the overall costs. However, for now, no additional countries have been added to the database. Recent staff assessments of the debt positions of **Haiti and Cambodia** have indicated that traditional debt relief mechanisms are sufficient to reduce their debt to sustainable levels.

*Data sources*

• HIPC documents have been presented to the Board for the following 15 countries since the last costings update: **Benin, Bolivia, Burkina Faso, Cameroon, Chad, Honduras, Malawi, Mauritania, Mozambique, Rwanda, Senegal, Tanzania, Uganda, Yemen, and Zambia**. For these countries, most of the debt has been reconciled between debtor and creditors.

• The following 14 countries have provided updated debt and exports/revenue data since the last costing exercise, and some will soon be presenting HIPC documents to the Board: **Côte d'Ivoire, Gambia, Guinea, Guinea-Bissau, Guyana, Kenya, Liberia, Madagascar, Mali, Nicaragua, Niger, São Tomé and Príncipe, Sudan, and Togo.**

• There are no data updates since the last costing exercise for the following 12 countries: **Angola, Burundi, Central African Republic, Democratic Republic of Congo, Republic of Congo, Ethiopia, Ghana, Lao P.D.R., Myanmar, Sierra Leone, Somalia, and Vietnam.**

• Countries for which DSAs used in the past costing exercise have been particularly weak or unavailable include **Democratic Republic of Congo, Liberia, Myanmar, and Somalia.**

*Assumptions*

• Calculations of total costs include costs under the original framework of the HIPC Initiative.

• Countries must first make full use of traditional debt relief mechanisms (involving a stock-of-debt operation providing a 67 percent NPV reduction on eligible debt from the Paris Club and comparable treatment from other non-multilateral creditors) to be eligible for debt relief under the HIPC Initiative. This has been assumed in the costing estimates for all countries.

• All countries that are potentially eligible for HIPC assistance are assumed to request such assistance, except for the two noted cases of Ghana and Lao P.D.R.

• In the previous costing exercise, retroactive countries were assumed to have decision points in 1999 and costs were expressed on that basis. For the current costing, the actual decision point date is utilized.

• The country-specific DSAs are based on macroeconomic assumptions regarding exports and fiscal revenues developed by Bank and Fund staffs in consultation with country authorities.

33. As in all earlier costing exercises, a number of caveats apply. The costing estimates need to be interpreted with caution in many cases given that loan data between creditors and debtor governments has not yet been fully reconciled, especially for countries that have yet to reach their decision points. Moreover, for countries with decision points expected after 2000, data are subject to a wide margin of uncertainty as these are based on current staff expectations of the timing of the decision point and on projections of indebtedness, exports and fiscal revenues. The staffs have aimed at providing a realistic estimate of the timing of decision points, but the actual timing will in large part be driven by a country's policy record and its progress in producing a PRSP or an interim PRSP. This costing exercise is not intended to prejudge the results of the loan-by-loan DSAs nor the Boards' decisions with respect to eligibility for assistance under the HIPC Initiative.

### B. Results of Costing Update

34. Total costs for the HIPC Initiative are now estimated at US$28.6 billion in 1999 NPV terms (see Table 6), slightly above the previous cost estimate of US$28.2 billion. The breakdown of costs—which was previously estimated to be equally shared between bilateral and multilateral creditors—remains broadly unchanged.

35. The slight rise in estimated costs for bilateral creditors, from $14.1 billion to $14.6 billion in end-1999 NPV terms, reflects a US$0.9 billion rise in the combined costs of non-Paris Club official bilateral creditors and commercial creditors and a US$0.4 billion decline in the costs of Paris Club creditors. This revision reflects refinements in the data used in a number of upcoming decision point cases. With respect to multilateral creditors, cost estimates remain largely unchanged; detailed costs are shown in Table 7.

36. A breakdown of the costs for the near-term cases—i.e., the countries with decision points under the original framework and new country cases expected to reach their decision points before the end of 2000—indicates that about 65 percent of the cost, or US$18.3 billion, is expected to be attributable to the near-term cases (see Table 8). For these countries the Paris Club has the largest share of bilateral costs, with 72 percent of the total bilateral costs, followed by non-Paris Club official creditors (25 percent) and commercial creditors (3 percent) (Table 9). For comparison, on the basis of all countries expected to require HIPC assistance, Paris Club costs represent 75 percent of bilateral costs, non-Paris Club creditors 17 percent, and commercial creditors 8 percent (Table 6). Near-term countries are expected to start benefiting from interim relief during 2000 or early 2001.

37. Beginning with the December 1999 costing exercise, cost estimates have been disaggregated for MDBs in order to provide more accurate information to individual institutions. Staffs have also started to provide in individual country documents a detailed breakdown of bilateral costs. This information is now available for 20 countries that have presented HIPC documents to the Board. Tables 10 and 11 summarize this information and provide cost estimates for Paris Club and non-Paris Club official bilateral creditors by creditor country for (i) individual HIPCs that have reached their enhanced decision points, and (ii) an aggregate cost for those countries that are expected to reach their decision points in 2000. Within the Paris Club, France, Germany, Italy, Japan, and Russia carry the largest share of costs for the near-term HIPCs. For this same group of HIPCs, China, Costa Rica, Guatemala, and Kuwait are the largest non-Paris Club creditors. Relative to the size of their respective economies, debt relief costs are largest for Costa Rica, Guatemala, Honduras, and Trinidad and Tobago (Table 12).

## IV. Participation of Creditors in the Enhanced HIPC Initiative

### A. Participation of Official Bilateral Creditors

38. Actual commitments from bilateral creditors to provide the assistance required under the enhanced HIPC Initiative have been obtained so far largely from the Paris Club, with hardly any from other bilateral or commercial creditors. Executive Directors considered the participation of official bilateral creditors in April. This discussion concluded that the comprehensive participation of all creditors was critical for the HIPC Initiative to meet its objective of eliminating unsustainable debt burdens. Directors endorsed the current proportional approach to burden sharing as the basis for moving forward, and urged all bilateral creditors to contribute on comparable terms. It was recognized that some official bilateral creditors might have difficulties in meeting their share of the cost, in particular the problem of HIPC creditors that are themselves eligible for assistance under the Initiative. Most Directors considered that such cases should be dealt with on a case-by-case basis. The discussion focussed on working flexibly and creatively towards solutions, particularly where HIPC-eligible countries are creditors of other HIPC countries, while respecting the basic principles of the HIPC Initiative.

39. Since these discussions, the staffs have continued their contacts with non-Paris Club bilateral creditors to discuss their participation in general as well as in individual country cases. In order to share information at an early stage, meetings have been held with Executive Directors representing such non-Paris Club creditors, following the discussion of a preliminary HIPC document or a decision point, in order to clarify their expected cost share and seek preliminary indications of their willingness to participate. Staff have also sought to intensify consultations with individual creditor country authorities to seek ways of ensuring comprehensive participation while addressing the concerns of the creditor, and have met with some creditors to discuss these issues. For example, Bank staff visited Costa Rica in June with a set of illustrative scenarios that explored possible ways of providing debt relief to Nicaragua and Fund staff followed up in early August. Further follow-up meetings with creditors are planned during the forthcoming Annual Meetings.

40. Among Paris Club creditors, 18 countries have pledged debt relief beyond their assistance under the HIPC Initiative. The extent, coverage, and modalities of the additional debt relief differ among the various creditors (Table 13). Creditors that have pledged to offer 100 percent relief on all pre-cutoff date debt include Australia, Canada, France, Germany, Italy, Japan, Netherlands, Norway, Switzerland, the U.K. and the U.S. In addition, several countries have pledged 100 percent debt relief on post-cutoff date debt as well (Australia, Canada, Norway, the U.K., and the U.S.). In most cases, the debt relief offered under these bilateral commitments is expected to be provided to debtor countries once they have reached their completion points, but Germany, Norway, the U.K. and the U.S. have offered to deliver this additional assistance from the decision point.

### B. Participation and Financing of Multilateral Creditors

41. Since the Spring Meetings, there has been steady progress in securing confirmation of participation by multilateral creditors. As of end-August 2000, MDBs representing over 95 percent of the multilateral exposure to HIPCs have confirmed their participation in principle in the enhanced HIPC Initiative. In addition, most organizations have defined their modalities of providing debt relief, with the predominant modality being coverage of debt service of at least 50 percent of the amounts falling due. To further discuss MDB participation and financing, the Bank will host its next semi-annual meeting with MDBs and the Fund in October 2000.

42. With regard to financing **IDA debt relief**, it is expected that IBRD net income transfers to the World Bank component of the HIPC Trust Fund will permit the Trust Fund to reimburse IDA for the debt relief it is projected to provide up to 2005. Towards this end, IBRD has already allocated US$1,050 million from its net income and surplus to the HIPC Trust Fund. In August 2000, the Executive Directors recommended to the IBRD Board of Governors another transfer of US$250 million from fiscal year 2000 net income. This recommendation will be considered during the Annual Meetings in late September in Prague. Beginning around 2005 (the end of IDA13), donor funding will be needed to reimburse IDA for the forgone debt service on IDA credits—estimated at roughly US$500 million per annum, or about US$1.3 billion in IDA14 and US$1.6 billion in IDA15. In addition, donor contributions are being sought to help finance the cost of three countries (Cameroon, Côte d'Ivoire, and Honduras) that have material levels of outstanding IBRD debt for which IBRD net income transfers to the HIPC Trust Fund cannot be used. Total funding between now and 2003 needed to provide debt relief on IBRD debt is estimated at about $825 million. Several donors (including Australia, Italy, Netherlands and New Zealand) have made specific pledges or contributions to the World Bank component of the HIPC Trust Fund to provide support for the debt relief efforts by the World Bank, and several others have indicated their intentions to do so. If adequate donor funding for this purpose is not available, this relief will be provided by IDA predominately in the form of refinancing through new IDA supplemental HIPC debt relief grants and credits. The total nominal funding gap for the World Bank over time has been estimated at close to $9 billion.

43. As regards the financing situation of the **IMF's** costs under the enhanced Initiative, bilateral contributions to the PRGF-HIPC Trust have increased somewhat since last May. About 80 percent of pledged bilateral contributions have either been received or are being provided on the basis of an agreed schedule as of end-July, 2000.[19] To enable the Fund to continue providing its assistance under the HIPC Initiative beyond late 2000 depending on the progress in individual country cases, it is essential to secure the release of the remaining five-fourteenths of the investment income on the profits from gold sales and to make effective the pledged bilateral contributions that are still pending.[20]

44. In June 2000, a framework agreement was reached on steps to achieve the participation by the **Inter-American Development Bank (IaDB)** in the enhanced HIPC Initiative, with the institution contributing about US$800 million in NPV terms of its own resources. This framework also provides appropriate support for the participation of subregional MDBs in Latin America and the Caribbean in the Initiative. Under the financial framework agreed, the United States would contribute US$200 million to the debt relief efforts by these MDBs, Canada US$25 million, non-regional member countries US$200 million, and IDB borrowing

member countries US$150 million. The agreement is contingent on these donor pledges, which remain to be secured.

45. At the end of June 2000, the Deputies of the African Development Fund (ADF) reached agreement on the global funding process of the enhanced Initiative for the **African Development Bank (AfDB) Group**. Subsequently, the AfDB Board of Directors decided to increase the AfDB's contribution of its own resources to US$370 million. It was agreed that about 80 percent of the debt service due would be covered by HIPC debt relief, with interim relief being capped at 40 percent of the share of total debt relief. At the decision point, the AfDB could make a commitment for the full interim relief and assurances by donors would be provided to fund the remaining debt relief by the completion point.

46. The **HIPC Trust Fund** has received bilateral donor pledges and contributions of close to US$2.6 billion as of end-July 2000. Table 14 details the donor specific pledges to the Trust Fund. Of this total, donors have paid in close to US$750 million to support debt relief to MDBs other than the World Bank or IMF. This amount includes a payment of US$227 million by the EU/EC.

47. Based on the recent developments in funding the Latin American MDBs, the AfDB Group as well as some tentative estimates for funding needs for several small African MDBs, staff estimate that about US$2.6 billion in NPV terms (about 48 percent) of the HIPC cost accruing to MDBs, excluding the World Bank and IMF, would need to be covered by donor support (see Table 15). The most immediate financing issue involves securing the financing called for under the HIPC financing framework developed by the IDB Governors in June which remains crucial to implementation of the Latin American cases. Comparing the financing needs for MDBs with the HIPC Trust Fund pledges (Table 16), it is important to keep in mind that the financial support needs are derived from the costing exercise which is done in NPV terms while the pledging is done in nominal terms. A significant portion of these donor pledges would be paid into the Trust Fund over time. Consequently, the NPV of these pledges will be lower than the nominal amount. The actual NPV value of the Trust Fund resources will depend on the timing of the receipt of this donor funding. As payments from some donors are likely to stretch out over the next three years or more, the NPV of the US$2.6 billion in existing donor pledges (excluding those for the World Bank and IMF) is estimated in the order of $2.1 billion. Therefore, additional funding will need to be raised to finance the US$2.6 billion in NPV terms, which is the estimated HIPC cost accruing to MDBs which would need to be covered by donor support. This will become particularly acute as the completion points of the large post-2000 countries are reached.

48. Looking to the future, donors have agreed that they should meet periodically to review the HIPC financing situation. Most recently, donor representatives took advantage of the IDA12 midterm review meeting in Lisbon in June 2000 to review and discuss the overall status of HIPC costs and financing for multilateral creditors, including IDA and IBRD. Next steps include: (i) a technical meeting currently scheduled to take place on the occasion of the ADF-8 midterm review meeting in November 2000, (by which time the decision-making process in the Inter-American Development Bank will most likely have reached completion), and (ii) a review of the overall HIPC financing situation analytically separate but back-to-back with IDA13 replenishment meetings (which are expected to start in the spring of 2001).

## V. Review of Floating Completion Points and the Sunset Clause

### A. Experience with Floating Completion Points

49. Floating completion points were introduced with the enhancements to the HIPC Initiative in the fall of 1999. The modalities as set out by the staffs [21] found broad support by the Boards.[22] This approach was expected to entail a country reaching its completion point when it had implemented a set of key, pre-defined social and structural reforms and maintained good macroeconomic performance. Speedy implementation of key reforms was expected to enable countries to shorten the interim period from the three years under the original HIPC framework.[23] The floating completion point was expected to be linked to the implementation of crucial building blocks underpinning durable growth, debt sustainability and poverty reduction. Floating completion points were seen as a way to help countries focus on the key reforms needed for sustainable development and poverty reduction. Yet it was recognized that it could be more challenging for the staffs together with country authorities to define the small number of key macroeconomic, structural and social reforms required for economic growth and poverty reduction.

50. The Boards welcomed floating completion points as they based the assessment of a country's performance on particular outcomes rather than the length of the track record. Floating completion points were expected to provide an incentive to HIPCs to implement reforms quickly and develop ownership over the timetable. Some Directors were concerned that the reforms to which floating completion points were tied

might be more ambitious than under the original framework thereby leading to undesirable delays. Other Directors were concerned that the desire to deliver debt relief might undermine the need to ensure effective progress on policies and governance issues. Thus a need was seen to set clear priorities and avoid overloading the reform agenda. Other concerns included the difficulty in ensuring fair treatment across countries. In light of these concerns, Directors requested a review of floating completion points in one year.

51. All ten countries that have reached decision points under the enhanced Initiative so far, including seven retroactive cases, have the irrevocable release of HIPC Initiative assistance linked to floating conditions.[24] The range of policy areas covered by this conditionality has been broad and covers three general categories central to poverty reduction: social policies, structural reforms, and macroeconomic performance (see Annex I). All countries were required to maintain stable macroeconomic positions as evidenced by continued implementation of economic programs supported by the Fund and the Bank. There was also a strong and clear link between the completion points and the PRSP process, evident in the requirement that all countries have a PRSP, and, except for the transition arrangements agreed for the retroactive cases, one satisfactory annual progress report of implementation of the PRSP.

52. There was considerable variation in the structural and social sector measures, reflecting the particular priorities and needs of the countries concerned. While the early cases such as Uganda and Bolivia had fewer specific measures, the later cases typically comprised 4-6 such country-specific factors.

53. Key structural reforms tied to the completion points are specified in seven cases. While these conditionalities cover a wide range of areas, reforms that feature prominently concern tax systems and governance. Tax reform measures focus on implementation of VAT and strengthening of tax administration (Mauritania, Mozambique, Senegal, and Tanzania). Governance reforms include steps to increase transparency and accountability of public financial management and adoption of action plans/strategy to reduce corruption and improve governance (Benin, Burkina Faso, Honduras, Mozambique, and Tanzania). Other areas include privatization, banking system restructuring, judicial reforms, land, and energy sector reform.

54. Given the multidimensional nature of social sector outputs, social sector conditions are not defined in a binary (yes/no) fashion. Rather, the documents specify a set of indicators and measures which allow a broad assessment of progress in poverty reduction. In **Uganda's** case, the only country so far to reach its completion point under the enhanced framework, the completion point measures were defined broadly as "overall progress" in poverty reduction. In other cases, conditionalities have been more detailed and country-specific: For **Mozambique**, the impact and damage of floods is an important factor in the assessment of social needs along with budgetary allocations on AIDS and other social programs. In the case of **Senegal**, completion point measures include educational reforms supported by IDA and specific health care targets (pre-natal care for pregnant women and prevention of endemic diseases). **Benin's** key measures include increased budgetary allocations to the health sector focussing on a national plan to fight AIDS, increased specified child immunization rates and eliminating school fees for all pupils in all rural areas. **Honduras'** completion point measures entail an increase in the number of schools with community participation and strengthening the basic health service for the poor. In the case of **Tanzania**, measures included an increase in the immunization against DPTs and a national campaign to raise the awareness on HIV/AIDS. For **Burkina Faso**, there was an important need to maintain a sufficient stock of generic drugs in the national drug company. In **Mauritania**, the completion point measures include the government's aim to reduce the share of the population below the poverty line to 40 percent, as well as a wide spectrum of health and education reforms.

55. The early experience shows that country authorities generally expect to meet the agreed conditions and reach their floating completion points within one to two years from their decision points, providing for a shortening of the interim period to less than three years (see Annex). In implementing the floating completion point, there is a considerable challenge in selecting a small number of elements from the numerous reforms needed to underpin sustainable growth and poverty reduction. Failing to do so would risk overloading the reform agenda and a lengthier interim period than expected. Therefore, efforts will continue to be made to limit floating completion point measures to a few (3–4) areas that are the most critical for poverty reduction and are, to the extent possible, monitorable.

### B. Sunset Clause

56. Under the HIPC framework, the first milepost toward establishing a policy track record needed to qualify for HIPC debt relief is the so-called entry requirement.[25] The 1996 Program of Action stated that "the Initiative would be open to all HIPCs that pursue or adopt programs of adjustment and reform supported by the IMF and IDA in the next two years, after which the Initiative would be reviewed and a decision made whether it should be continued."[26] In 1998, the Boards reviewed the sunset clause and agreed to its extension to end-2000.[27]

57. Of the 41 HIPCs, 34 have met the entry requirement (Table 2). However, seven countries have not yet done so: Angola, Burundi, Democratic Republic of Congo, Liberia, Myanmar, Somalia, and Sudan. Except Angola, all these countries are expected to require HIPC debt relief. An accurate assessment of their debt situation is impossible for most of these cases since most of them are or have been suffering from conflicts. Moreover, most of them have weak economic databases and protracted arrears with international creditors, including the Bank and the Fund.

58. The original intention of the sunset clause was that the HIPC Initiative would not be a permanent facility. The sunset clause was meant to give countries an incentive to adopt IDA- and IMF-supported adjustment programs. However, the experience over the last four years has shown that only two countries, São Tomé and Principe and the Central African Republic, actually started a program supported by the Bank and Fund.

59. Based on a preliminary analysis of those countries that have yet to pass the entry requirement, it is very likely that they will need comprehensive debt relief, including from multilateral institutions. Therefore, the Boards have agreed to extend the sunset clause by another two years.

**Floating Completion Points:**
**Summary of Country-Specific Requirements**

| Country | Status1/ | Conditionality for Reaching Floating Completion Points | | | Expected Timing of eCP |
|---|---|---|---|---|---|
| | | Macroeconomic Performance | Structural reforms | Social policies and additional Poverty Reduction requirements | |
| **Benin** | Retroactive; eDP in 7/00 | Continued implementation of the WB/IMF - supported program | • Adoption of a strategy to privatize SONAPRA after its monopsony is abolished<br>• Establishment of a medium-term expenditure allocation program<br>• Production of treasury balance monthly | • Preparation of PRSP<br>• Adoption of an anticorruption strategy<br>• Increasing allocations from the internal budget for basic health service including prevention of HIV/AIDS by allocating CFAF 500 million in 2001<br>• Immunization of children below one year to 85 percent and at least 75 percent in each region; similar ratios for measles are 80 and 70 percent respectively<br>• Elimination of school fees for all pupils in rural schools and provide grants to schools for loss of revenue; provide grants to hire teachers to fill school vacancies | mid-2001 |
| **Bolivia** | Retroactive; oDP in 9/97; oCP in 9/98; eDP in 2/00 | Continued implementation of the WB/IMF - supported program | | • Preparation of PRSP<br>• Completion of National Dialogue with civil society, expected to be completed in August 2000<br>• Adoption of fully defined anti-poverty strategy and comprehensive set of indicators to monitor poverty reduction<br>• Acceptable progress in reducing poverty | early 2001 |

| | | | | | |
|---|---|---|---|---|---|
| **Burkina Faso** | Retroactive; oDP in 9/97; oCP in 6/00; eDP in 6/00 | Continued implementation of the WB/IMF - supported program | • Completion of budget execution report with a three year history to be audited by Supreme Audit court<br><br>• Dissemination of a national plan for good governance by March 31, 2001 | • Preparation of PRSP<br><br>• Adoption of an action plan to recruit additional teachers in line with the 1998 civil service reform by March 31, 2001; increase the efficiency of primary schools<br><br>• Implementing vaccination rates for DPT3 from 42 percent of children aged 12-24 months in December 1999 to 50 percent by December 2000<br><br>• Increasing the proportion of health centers meeting minimum staffing norms from 60 percent in 1999 to 65 percent in 2000<br><br>• Maintaining the incidence of insufficient stock (of 45 essential generic drugs) to less than 8 percent<br><br>• Monitoring public resources channeled to health districts to support annual plans | Spring 2001 |
| **Honduras** | eDP in 6/00 | Continued implementation of the WB/IMF - supported program | • Reform of the social security system covering health and pension<br><br>• Strengthening of the financial sector by applying the Basel Core Principles and by increasing capital adequacy ratios from 9 to 10 percent<br><br>• Preparation and implementation of a comprehensive anti-corruption strategy | • Successful implementation of the full PRSP for at least one year<br><br>• Improvement in the quality of education by increasing the number of schools with community participation to 1350<br><br>• Strengthening the basic health service for the poor measured by delivering a basic package of health services to at least 100,000 beneficiaries (emphasizing maternal/child care) in poor communities<br><br>• Implementation of social investment projects based on participatory planning in all beneficiary municipalities | mid-2002 |
| **Mali** | Retroactive; oDP in 9/98; eDP and oCP in 9/00 | Continued implementation of the WB/IMF - supported program | • Privatization of public utilities and banks<br><br>• Continued implementation of reforms under the cotton sector rehabilitation plan | • Preparation of PRSP<br><br>• Implementation of reforms in the health sector<br><br>• Implementation of reforms in the education sector | mid-2001 |

| | | | | | |
|---|---|---|---|---|---|
| **Mauritania** | eDP in 2/00 | Continued implementation of the WB/IMF - supported program | • Privatization of Air Mauritanie and parts of other utility companies<br>• Compliance by commercial banks with prudential regulations on capital adequacy ratios<br>• Removal of foreign exchange restrictions so that spreads between interbank and parallel rates are less than 10 percent<br>• Unification of VAT rates. | • Preparation of PRSP and satisfactory implementation for at least one year<br>• Reducing the share of the population below poverty line to 40 percent<br>• Improvement in access and survival rate in primary and secondary education by raising enrollment rate of primary education to 99 percent, increasing the share of girls in primary enrollment to 49 percent and improving the survival ratio at the entrance of the 5th grade to 67 percent<br>• Increasing vaccination rate for children to 70 percent; maintaining HIV prevalence rate at the levels of 1998, and setting up a central procurement facility for essential drug contraception | mid-2002 |
| **Mozambique** | Retroactive: oDP in 4/98; oCP in 6/99; eDP in 4/00 | Continued implementation of the WB/IMF - supported program | • Strategic plan for a judicial system; drafting a new commercial code and regulations for private sector involvement in telecom and energy sectors<br>• Publication of quarterly budget execution reports; review of tax and custom exemptions; public sector reform | • Preparation of PRSP<br>• Satisfactory progress in tracking of budgetary resources for poverty reduction, developing strategies and budgetary allocations in health, education and national AIDS program and improving key social indicators<br>• In assessing performance, due consideration given to the impact of floods | March 2001 |
| **Senegal** | Retroactive: eDP in 6/00 | Continued implementation of the WB/IMF - supported program | • Privatization of the streamlined 11 public sector enterprises<br>• Improvement in public savings by targeting fiscal surplus to be at least 1 percent of GDP in 2000 and 2.2 percent in 2001<br>• Removal of distortions in the energy sector<br>• Establishment of a single taxpayer identification | • Preparation of PRSP<br>• Supporting IDA's Quality Education For All program focussing on recruitment of teachers, increases in primary education to 44 percent<br>• Focussing IDA's Integrated Health Sector Credit on primary health care, child immunization, pre-natal care and prevention of endemic diseases<br>• Establishment of an accurate database for monitoring poverty along with a comprehensive household survey | end-2001 |

| | | | | | |
|---|---|---|---|---|---|
| **Tanzania** | eDP in 4/00 | Continued implementation of the WB/IMF - supported program | • Reduction of excise taxes from 52 to 6; VAT on petroleum; abolish withholding tax on goods an services<br>• Improvement in utilities performance; land regulations to ensure land can be used as collateral<br>• Adoption of a national action plan for Governance and Public Financial Management and Public Audit | • Preparation of PRSP and satisfactory implementation for at least one year<br>• Improvement of the poverty database and monitoring capacity of social indicators<br>• Adoption of budgetary appropriations in line with poverty objectives<br>• Completing the mapping of schools covering 50 percent of all local authorities<br>• Completing the immunization of at least 75 percent of children under two years against measles and DPTs; campaign against HIV/AIDS with visits to 75 percent of all districts | mid-2001 |
| **Uganda** | Retroactive: oDP in 4/97; oCP in 4/98; eDP in 4/00; eCP in 5/00 | Adjustment and reform efforts satisfactory | | • Preparation of PRSP<br>• Acceptable "overall progress" in poverty reduction | April 2000 |

Sources: HIPC country documents; and World Bank and IMF staff estimates.

1/ oDP: original decision point; oCP: original completion point; eDP: enhanced decision point; eCP: enhanced completion point.

---

[1] See "*Modification to the Heavily Indebted Poor Countries (HIPC) Initiative*," IDA/SecM99-475, July 26, 1999 and (IMF reference); "*Heavily Indebted Poor Countries (HIPC) Initiative: Strengthening the Link between Debt Relief and Poverty Reduction*," IDA/SecM99-545, August 26, 1999 and (IMF reference); and *HIPC Initiative -Progress Report*," DC99-30, September 23, 1999.

[2] The ability of countries to reach their decision point depends on performance under reform programs and the pace at which countries are able to prepare plans to use the debt relief for poverty reduction and growth.

[3] Decision points were reached for Bolivia, Guyana, Mozambique, Uganda, Burkina Faso, Mali, and Côte d'Ivoire, and the first five of these also reached their completion points.

[4] Bolivia does not receive interim assistance (see footnotes 6 and 7).

[5] IDA also provided interim assistance to several countries under the original Initiative by providing grants in lieu of credits for individual IDA operations to eligible countries.

[6] Bolivia is not receiving interim relief from IDA since 100 percent of the IDA debt service falling due is already being covered under the original 1998 IDA HIPC debt relief package to Bolivia.

[7] Among the two countries without IMF interim assistance, Bolivia has not requested interim assistance in light of the front loading of assistance under the original Initiative. Interim assistance to Honduras will be provided once satisfactory financing assurances from multilateral and bilateral creditors are secured.

[8] See also the companion paper on PRSPs, for a more in depth discussion of timing issues related to full PRSPs.

[9] For instance, Burkina Faso reached its completion point under the original framework in June 2000, receiving unconditional HIPC assistance of US$229 million. This relief, which will translate into debt service relief of US$400 million over time, is not subject to the floating completion point.

[10] The NPV of debt-to-exports target was reduced to 150 percent. Under the fiscal window, the NPV of debt-to-revenues target was reduced to 250 percent, with eligibility thresholds of 30 percent of exports-to-GDP and 15 percent of revenues-to-GDP.

[11] This is after traditional mechanisms from bilateral creditors, which already provides for 67 percent reduction on eligible bilateral and commercial debts.

[12] This is below the NPV of debt-to-exports target ratio of 150 percent, since it includes countries which are eligible under the fiscal openness criteria. For these countries the NPV of debt-to-revenues target of 250 percent could translate into a debt-to-exports target of less than 150 percent.

[13] It is not always easy, however, to fully quantify for all creditors the short-term profile of debt relief as this depends to a large extent on how quickly individual creditors and the debtor country conclude their HIPC debt relief agreements, making tracking and planning of the use of this debt relief difficult. Creditors, including the Paris Club, the Bank and IMF, have responded to the individual circumstances of HIPCs by adjusting the profile of their debt relief to the perceived urgency of the country situation and its readiness to effectively deploy savings from debt relief to poverty reduction programs.

[14] The HIPC Debt Initiative—Elaboration of Key Features and Possible Procedural Steps, August 26, 1996. (SecM96-927 and EBS/96/135).

[15] During the Boards' discussion of the preliminary HIPC document for Ethiopia in late 1998, a majority of Directors supported a decision point after a six-month track record had been established. In the event, Fund- and Bank-support was interrupted during the war with Eritrea, and a decision point has not been reached yet. In the recent discussion on Zambia, the Boards have agreed on a three-month track record. Similarly, in the recent discussion on Malawi's preliminary HIPC document the Boards agreed that Malawi should proceed to the decision point as soon as possible. This implies no immediate performance under a new Fund arrangement before the decision point, albeit Malawi's macroeconomic policies since October 1999, when the last review of Malawi's now expired PRGF arrangement was completed, are in line with Bank and Fund recommendations.

[16] See "*Heavily Indebted Poor Countries (HIPC) Initiative: Update on Costing the Enhanced HIPC Initiative*," IDA/SecM99-679, December 8, 1999 and EBS/99/220 (12/7/99).

[17] Equatorial Guinea was removed from the initial group of 41 HIPCs as it is no longer an IDA-only country. The Gambia has been added as the NPV of its external debt has been found to be unsustainable.

[18] Liberia, Somalia, and Sudan all have protracted arrears to external creditors, including the IMF and the World Bank. Rough estimates for these three countries suggest costs in the order of US$8.7 billion in end-1999 terms.

[19] PRGF Trust and PRGF-HIPC Trust—Update on Status of Operations (EBS/00/117, 6/23/00).

[20] To date, the Executive Board has authorized the transfer of nine-fourteenths of the investment income on the profits from gold transactions to be used for the benefit of the HIPC Initiative. The transfer of the remaining five-fourteenths will require a decision by the Executive Board with an 85 percent majority. Further legislation by the United States Congress is necessary for the Executive Director of the United States to support such a decision. Depending on progress with individual country cases, and consistent with the objectives of the overall funding package for the interim PRGF and the Fund's contribution to the HIPC Initiative, the IMF would need to consider carefully whether to continue to provide debt relief under the HIPC Initiative beyond late 2000 in the absence of the release of the remainder of the investment income on the profits from gold transactions.

[21] "*Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative*", EBS/99/138 (7/23/99) and IDA/SecM99-475 (7/26/99).

[22] Chairman's Summing Up, BUFF/99/101 of 8/9/99 and IDA/SecM99-504, August 3, 1999.

[23] Conversely, if these targets were not met, the completion point would be delayed.

[24] Benin, Bolivia, Burkina Faso, Mali, Mozambique, Senegal, Uganda (all retroactive cases), and Honduras, Mauritania, and Tanzania.

[25] Staffs have interpreted this to include any country which had an PRGF/ESAF arrangement approved or midterm review completed starting one year prior to the inception of the Initiative (1995), together with an ongoing Policy Framework Paper (PFP), a full or an interim PRSP, and/or adjustment operations supported by IDA, as having met the entry requirement. In this context, the country would need to pass the entry requirement only once.

[26] *A Program for Action to Resolve the Debt Problems of the Heavily Indebted Poor Countries–Report of the Managing Director of the IMF and President of the World Bank to the Interim and Development Committees*, September 20, 1996, page 2 (EBS/96/152, Revision 1 and SecM96-975/1).

[27] See *The Initiative for Heavily Indebted Poor Countries: Review and Outlook*," IDA/SecM98-480 and EBS/98/152, August 25, 1998; and *HIPC Initiative: A Progress Report*," DC/98-22, September 29, 1998.

**Poverty Reduction Strategy Papers**

Poverty Reduction and Debt Relief for Poor Countries: What is Being Done?

Report by the Acting Managing Director to the International Monetary and Financial Committee Financing the Fund's Participation in the HIPC Initiative and the Continuation of the Poverty Reduction and Growth Facility April 14, 2000

Pledged Bilateral Contributions to the Poverty Reduction and Growth Facility (PRGF) - Heavily Indebted Poor Countries (HIPCs) Trust April 14, 2000

Progress Report on Poverty Reduction Strategy Papers (PRSPs) April 13, 2000

# The IMF's Poverty Reduction and Growth Facility (PRGF)

**A Factsheet**

Also available in Deutsch Español Français

September 1, 2000

*In September 1999, the objectives of the IMFs' concessional lending were broadened to include an explicit focus on poverty reduction in the context of a growth oriented strategy. The IMF will support, along with the World Bank, strategies elaborated by the borrowing country in a Poverty Reduction Strategy Paper (PRSP) which will be prepared with the participation of civil society—including the poor—and other development partners. Reflecting the new objectives and procedures, the IMF established the Poverty Reduction and Growth Facility (PRGF) to replace the Enhanced Structural Adjustment Facility (ESAF).*

---

More than a decade ago, the Enhanced Structural Adjustment Facility (ESAF)—a concessional lending facility—was set up to help the IMF's poorest members in their efforts to achieve rapid economic growth and a sustained improvement in their balance of payments.

Much has been achieved over the past decade. Growth rates of real per capita income in countries supported by the ESAF have risen sharply since the mid-1990s—to rates almost double those of other developing countries. Key social indicators have also improved, in part because ESAF-supported programs have provided for increases in health and education spending averaging 4 percent a year in real per capita terms.

But it has become increasingly apparent that more needs to be done to achieve faster growth and broader-based poverty reduction. While the underlying objective of IMF-supported policies has always been rapid sustainable growth, there has been a growing realization that there is also a need for policies that are aimed directly at the poor, allowing them to benefit from and contribute to growth by expanding their economic opportunities. And investing in health, education, rural infrastructure, and private sector development—to name a few priorities—can be particularly effective in boosting growth.

From this, and growing out of the analysis and recommendations made in the internal and external reviews of the ESAF, and from the constructive suggestions of many outside commentators, has come a commitment to making IMF-supported programs for low-income countries better integrated with policies to fight poverty, better-owned, and better-financed.

Poverty Reduction and Growth Facility--Operational Issues December 13, 1999

Poverty Reduction Strategy Papers Operational Issues December 10, 1999

Debt Relief Initiative

As a result, the September 1999 Interim and Development Committee Meetings resulted in a clear mandate for the IMF: to integrate the objectives of poverty reduction and growth more fully into its operations in the 80 poorest countries. There was a significant consequence: a new facility, the Poverty Reduction and Growth Facility (PRGF), was established to replace the Enhanced Structural Adjustment Facility (ESAF). It will function alongside the debt relief program—the Heavily Indebted Poor Countries Initiative (HIPC)—of the IMF and the World Bank.

## Poverty Reduction Strategy

Nationally-owned poverty reduction strategies are at the heart of the new approach. Programs supported by the PRGF (and the World Bank's concessional window—IDA) are being framed around a comprehensive, nationally owned Poverty Reduction Strategy Paper (PRSP) prepared by the borrowing country and endorsed in their respective areas of responsibility by the Boards of the IMF and World Bank as the basis for the institutions' concessional loans and for relief under the enhanced HIPC Initiative.

Hence, the country and its people will need to take the lead. PRSPs will be prepared by the government, and based on a process involving the active participation of civil society, NGOs, donors, and international institutions. It is expected that countries will keep civil society informed about developments in the program, and involved in monitoring its implementation. Locally-produced PRSPs are expected to generate fresh ideas about strategies and measures needed to reach shared growth and poverty reduction goals, and to help develop a sense of ownership and national commitment to reaching those objectives.

The IMF and World Bank will assist in the process, and it is expected that other multilateral and bilateral donors will also provide advice and expertise. But the strategy and the policies should emerge out of national debates in which the voices of the poor, especially, are heard.

Nothing this ambitious is easy. A process of external consultation is under way, and the IMF and the World Bank are prepared to make changes as needed. Some early issues: (1) Countries face challenges designing consultation strategies which reflect their political systems, and give an adequate voice to the poor. (2) There is an ever-present tension between the desire for quick results and the time it will take to develop participatory PRSPs. Transitional arrangements—using an interim PRSP to underpin PRGF or IDA assistance—will help, however.

## How the PRGF Works

The broadest and most fundamental changes to the work of the IMF arise from the fact that the targets and policies embodied in PRGF-supported programs will emerge directly from the country's own poverty reduction strategy.

*Integrating poverty reduction with macroeconomic policies.* Discussions on the macroeconomic framework

are to be more open and iterative. Key macroeconomic policies, including targets for growth and inflation, and the thrust of fiscal, monetary, and external policies, as well as structural policies to accelerate growth, are subjects for public consultation. Key social and sectoral programs and structural reforms aimed at poverty reduction and growth are to be identified and prioritized during the participatory PRSP process, and their budgetary impact costed taking into account the need for efficient, well-targeted spending. The bottom-up approach to costing is to be reflected in the design of the macroeconomic framework, including the level and composition of government expenditures, and the fiscal and external deficits. In this, the authorities need to take into account effects on domestic demand, implementation capacity, and the need to maintain an adequate level of international reserves. They need to ensure that spending programs can be financed in a sustainable, non-inflationary manner.

*Additional emphasis on good governance.* PRGF-supported programs also focus on improvements in governance as a fundamental underpinning for macroeconomic stability, sustainable growth, and poverty reduction. The primary focus is on improving the management of public resources, achieving greater transparency, active public scrutiny, and generally increased government accountability in fiscal management. The Code of Good Practices on Fiscal Transparency points to a number of relevant general objectives (see Factsheet on *Fiscal Transparency*).

## IMF and World Bank Roles

The staffs of the Fund and Bank will need to cooperate closely, focusing on their traditional areas of expertise in line with past agreements between the two institutions. The Fund staff will take the lead in areas of its traditional mandate and responsibility. This would include advising on prudent macroeconomic policies; structural reforms in related areas, such as exchange rate and tax policy; and better fiscal management, budget execution, fiscal transparency, and tax and customs administration. The Bank staff will take the lead in advising the authorities in the design of poverty reduction strategies, including the necessary diagnostic work such as poverty assessments and their monitoring; structural and sectoral issues; social issues; and in helping the authorities to cost the priority poverty-reducing expenditures designed to achieve particular outcomes. Many areas will need to be shared between the two staffs, such as the establishment of an environment conducive to private sector growth, trade policy, financial sector development, and governance and transparency.

Close cooperation between the IMF and the Bank will allow for a reduction in overlapping conditionality. It is expected that PRGF-supported programs will cover only areas within the primary responsibility of the IMF (unless a particular structural measure is judged to have a direct, critical macroeconomic impact).

## Financing the PRGF

Concessional lending under the current PRGF is handled through the PRGF Trust. The Trust borrows resources at market-related interest rates from loan providers—central banks, governments, and government institutions—and lends them on to PRGF-eligible borrowers. The Trust receives contributions used to subsidize the rate of interest on PRGF loans. The Trust also maintains a Reserve Account (providing security for creditor claims on the Trust) in the event of non-payment by PRGF borrowers.

Following extensive discussions on financing of the HIPC and PRGF initiatives, in September 1999, agreement was reached on the complete financing package that will enable the IMF to make its contribution to the HIPC Initiative and to continue concessional lending in support of poverty reduction and sustainable growth in its low-income member countries. The total cost to the IMF of these initiatives is estimated at $3.5 billion in end-1998 net present value terms, with the HIPC Initiative accounting for two-thirds of the total financing requirements. The financing package comprises contributions by a wide-cross section of member countries and by the IMF itself to the **PRGF-HIPC** Trust, which will handle the operations under the two initiatives.

On December 8, 1999, the Executive Board of the IMF took the decisions necessary to enable the IMF to begin to make its contribution to the PRGF-HIPC Trust, including the decision to undertake off-market gold transactions of up to 14 million ounces. The investment income from the profits generated by these gold transactions will be used to provide debt relief under the HIPC Initiative. Between December 1999 and April 2000, the IMF completed seven off-market gold transactions for a total of 12.9 million ounces of gold. The Executive Board has so far authorized the transfer of 9/14 of the investment income from the profits of these gold transactions to be used to finance assistance under the HIPC Initiative. The transfer of the remaining 5/14 requires the approval of the Board with an 85 percent majority. The IMF has also begun to receive bilateral contributions to the PRGF-HIPC Trust; around 80 percent of pledged bilateral contributions have been received or are being provided on the basis of an agreed schedule.

## Terms of the PRGF

- A total of 80 low-income member countries are eligible for PRGF assistance.
- Eligibility is based principally on a country's per capita income and eligibility under the International Development Association (IDA), the World Bank's concessional window (the current cutoff point for IDA eligibility is a 1999 per capita GDP level of $885).
- An eligible country may borrow up to a maximum of 140 percent of its IMF quota under a three-year arrangement, although this limit may be increased under exceptional circumstances to a maximum of 185 percent of quota. The maximum amount does not constitute an entitlement, and the amount lent will depend on the balance of payments need of the member, the strength of its adjustment program, its outstanding use of Fund credit, and its record on such use in the past.
- Loans under the PRGF carry an annual interest rate of 0.5 percent, with repayments made semiannually, beginning five-and-a-half years and ending 10 years after the disbursement.

## Countries Eligible for the IMF Poverty Reduction and Growth Facility (PRGF)

as of end-July 2000

1 Afghanistan
2 Albania [1]
3 Angola [1]
4 Armenia [2]
5 Azerbaijan [3]
6 Bangladesh
7 Benin
8 Bhutan
9 Bolivia
10 Bosnia and Herzegovina [4]
11 Burkina Faso
12 Burundi
13 Cambodia
14 Cameroon [5]
15 Cape Verde
16 Central African Republic
17 Chad
18 China, People's Republic of
19 Comoros
20 Congo, Democratic Rep. of
21 Congo, Republic of [3]
22 Côte d'Ivoire [1]
23 Djibouti
24 Dominica
25 Egypt [1]
26 Equatorial Guinea
27 Eritrea [6]
28 Ethiopia
29 Gambia, The
30 Georgia [2]
31 Ghana
41 Kyrgyz Republic [2]
42 Lao, P.D.R.
43 Lesotho
44 Liberia
45 Macedonia, F.Y.R. [5]
46 Madagascar
47 Malawi
48 Maldives
49 Mali
50 Mauritania
51 Moldova [8]
52 Mongolia [1]
53 Mozambique
54 Myanmar
55 Nepal
56 Nicaragua [1]
57 Niger
58 Nigeria [1]
59 Pakistan
60 Rwanda
61 Samoa
62 Sao Tomé and Príncipe
63 Senegal
64 Sierra Leone
65 Solomon Islands
66 Somalia
67 Sri Lanka
68 St. Lucia
69 St. Vincent and the Grenadines
70 Sudan
71 Tajikistan [2]

| | | | |
|---|---|---|---|
| 32 | Grenada | 72 | Tanzania |
| 33 | Guinea | 73 | Togo |
| 34 | Guinea-Bissau | 74 | Tonga [7] |
| 35 | Guyana | 75 | Uganda |
| 36 | Haiti | 76 | Vanuatu |
| 37 | Honduras [1] | 77 | Vietnam |
| 38 | India | 78 | Yemen, Republic of |
| 39 | Kenya | 79 | Zambia |
| 40 | Kiribati [7] | 80 | Zimbabwe [1] |

ESAF was renamed to the Poverty Reduction and Growth Facility (PRGF) effective November 22, 1999.

Unless noted otherwise, above list of countries were first made SAF/ESAF-eligible on March 26, 1986.

[1] Eligible on April 7, 1992.
[2] Eligible on December 15, 1993.
[3] Eligible on May 30, 1995.
[4] Eligible on August 19, 1996.
[5] Eligible on February 23, 1994.
[6] Eligible on January 5, 1995.
[7] Eligible on March 2, 1987.
[8] Eligible on March 23, 1999.

IMF EXTERNAL RELATIONS DEPARTMENT
Public Affairs: 202-623-7300 - Fax: 202-623-6278
Media Relations: 202-623-7100 - Fax: 202-623-6772

# INTERNATIONAL MONETARY FUND AND INTERNATIONAL DEVELOPMENT ASSOCIATION

## Poverty Reduction Strategy Papers—Progress in Implementation

Prepared by the Staffs of the IMF and the World Bank

Approved by Masood Ahmed and Kemal Dervis

September 7, 2000

Contents

Glossary of Terms ..... 3

I. Introduction ..... 4

II. Present Status and Recent Experience ..... 4
- A. Present Status of I-PRSPs and PRSPs ..... 6
- B. Lessons from Recent Experience with I-PRSPs and PRSPs ..... 6
  - Ownership and commitment ..... 7
  - Quality and availability of poverty data ..... 8
  - Building on prior work ..... 8
  - Participatory processes ..... 9
  - Policy priorities ..... 10
  - Costing of poverty reduction strategies and outcomes ..... 10
  - Tracking poverty-related public expenditures in PRSP countries ..... 11
  - Macroeconomic framework and structural policies ..... 11
- C. Outreach and Feedback ..... 11
  - Poverty at the forefront ..... 12
  - Participation ..... 12
  - Content of PRSPs ..... 13
  - Capacity ..... 13
  - Macroeconomic framework and structural policies ..... 13
  - Aid modalities and donor support ..... 14
  - Role of the World Bank and the IMF ..... 14

III. Addressing Issues in Implementation ..... 15
- A. Improving Coordination: Joint Implementation Committee ..... 15
- B. Using the I-PRSP to Balance Timeliness with Quality ..... 15
- C. Using Early Experience to Provide More Guidance on PRSP Content and the Joint Staff Assessment ..... 16
- D. Identifying the Poverty Focus of Public Expenditures ..... 18
- E. Streamlining and Aligning Conditionality to the PRSP ..... 19

GLOSSARY OF TERMS

| | |
|---|---|
| BWI | Bretton Woods Institutions |
| CAS | Country Assistance Strategy |
| CDF | Comprehensive Development Framework |
| CSO | Civil Society Organizations |
| DAC | Development Assistance Committee |
| DFID | Department for International Development |
| EC | European Commission |
| ESAF | Enhanced Structural Adjustment Facility |
| EURODAD | European Network on Debt and Development |
| GDDS | General Data Dissemination System |
| HIPC | Heavily Indebted Poor Country |
| IDA | International Development Association |
| IDG | International Development Goals |
| IFI | International Financial Institution |
| I-PRSP | Interim Poverty Reduction Strategy Paper |
| JIC | Joint Implementation Committee |
| JSA | Joint Staff Assessment |
| MDB | Multilateral Development Bank |
| MTEF | Medium Term Expenditure Framework |
| NGO | Non-Governmental Organizations |
| OECD | Organization for Economic Co-operation and Development |
| PEAP | Poverty Eradication Action Plan |
| PER | Public Expenditure Review |
| PRSP | Poverty Reduction Strategy Paper |
| PRS | Poverty Reduction Strategies |
| PRSC | Poverty Reduction Support Credit |
| SPA | Strategic Partnership with Africa |
| UNDP | United Nations Development Programme |

support countries' capacity to prepare poverty reduction strategies (Part III.B and C, and Annex III).

4. At the same time, and although early experience has been mainly confined to I-PRSPs, a number of challenges are already emerging. *Developing countries* face capacity constraints with respect to the institutional and technical demands and the administrative costs of preparing PRSPs, especially in light of apparently rising expectations for coverage. Introduction of broad-based participatory processes also represents a challenge for countries without a prior tradition of such participation. *Development partners* often remain uncertain about their specific role, and the process of coordination can be time consuming and costly. *Bank and Fund staffs* need to respond to country requests for clarification about what constitutes an "acceptable" I-PRSP (Annexes III and VI) or full PRSP (Part III.C), including the participatory processes involved, while not compromising the principles of flexibility and country ownership. Donors also need to be involved in this process.

5. Finally, early experience with the PRSP program has highlighted the need for further research, in addition to work already underway, in a number of critical areas. A central topic for more work is that of the linkages between expenditures on interventions and inputs designed to reduce poverty on the one hand, and results in terms of actual outcomes for the poor on the other. Not enough is yet known about what the programs and actions that constitute the core of a PRS will in practice "buy" in terms of poverty reduction, or about the timeframe over which outcomes are likely to emerge. Without more knowledge of the relationship between expenditures and results, it is difficult to evaluate the impact of proposed strategies. Other areas for further work to supplement existing knowledge include: the determinants of pro-poor growth; the linkages between economic growth, macroeconomic policies and poverty reduction; the mainstreaming of trade policy issues into poverty reduction strategies; and the design and role of monitoring processes that allow countries and partners to ascertain "what works" and ensure the participation of civil society in these processes.

6. Both early progress and emerging challenges should be viewed against the backdrop of some tensions that were recognized from the outset as being inherent, given the multiple objectives of the program. First, there is a tension between the need to move forward quickly with strategy preparation so that countries can obtain timely concessional assistance and debt relief, and the need to secure country ownership based on broad participatory processes. This tension is intended to be relieved by the development of I-PRSPs, which do not require the participatory processes or the degree of analysis expected for full PRSPs. But the issue of the expected timeframe for moving from I-PRSPs to full PRSPs is increasingly coming to the fore. Both governments and development partners have expressed concern that preparation will require more time than is currently envisaged (see Part III.B). Second, there is a tension between the concept of country ownership and the prerogative of the Boards to determine whether an I-PRSP/PRSP provides a sound basis for Bank and Fund concessional assistance and/or HIPC debt relief. In many cases, this tension is being reduced by an active, constructive dialogue between the country and the staffs throughout the PRSP process and by openness on the part of the Bank and Fund to home-grown approaches. At the same time, it

*Table 1: PRSPs/I-PRSPs Discussed by Bank and Fund Boards as of September 7, 2000*

| | | | Board Discussions | |
|---|---|---|---|---|
| **Region and Country** | **Accompanied by** | **Documentation** | **Bank Board Date** | **Fund Board Date** |
| ***Africa*** | | | | |
| Mauritania | HIPC | Decision Point Document | 1/27/00 | 2/2/00 |
| Uganda | HIPC | Decision Point Document | 1/27/00 | 2/7/00 |
| Tanzania | HIPC | I-PRSP | 4/4/00 | 3/31/00 |
| Mozambique | HIPC | I-PRSP | 4/6/00 | 4/7/00 |
| Sao Tome & Principe | PRGF | I-PRSP | 4/27/00 | 4/28/00 |
| Uganda | HIPC | PRSP | 5/2/00 | 5/1/00 |
| Senegal | HIPC | I-PRSP | 6/20/00 | 6/21/00 |
| Burkina Faso | HIPC, PRGF | PRSP | 6/30/00 | 7/10/00 |
| Benin | HIPC, PRGF | I-PRSP | 7/13/00 | 7/17/00 |
| Chad | HIPC, PRGF | I-PRSP | 7/25/00 | 7/25/00 |
| Kenya | PRGF | I-PRSP | 8/1/00 | 7/27/00 |
| Zambia | PRGF | I-PRSP | 8/4/00 | 7/26/00 |
| Ghana | PRGF | I-PRSP | 8/24/00 | 8/22/00 |
| Mali | HIPC, PRGF | I-PRSP | 09/07/00 | 09/06/00 |
| ***Europe & Central Asia*** | | | | |
| Albania | PRGF | I-PRSP | 6/8/00 | 6/9/00 |
| ***Latin America & The Caribbean*** | | | | |
| Bolivia | HIPC | I-PRSP | 1/27/00 | 2/4/00 |
| Honduras | HIPC, PRGF | I-PRSP | 7/6/00 | 6/30/00 |

## Ownership and commitment

9. Countries have responded positively to the invitation to take the initiative in preparing nationally-owned poverty reduction strategy documents. The information provided in I-PRSPs has generally exceeded the minimum levels expected—in some cases substantially so (e.g., Honduras, Kenya, and Mozambique). In several cases, countries have specifically noted that work on I-PRSPs has been managed and guided at very high levels of political authority (examples include the I-PRSPs for Honduras, Mozambique, and Tanzania, and both full PRSPs). Burkina Faso's PRSP calls for "a new form of partnership [with development partners].....based on the concept of ownership." Several countries have explicitly stated that poverty reduction is the central goal of their development strategies (e.g., Ghana, Kenya, Mozambique, Sao Tome and Principe, Tanzania, and Uganda). Although, as expected, I-PRSPs have drawn heavily on existing programs rather than undertaking significant re-examination of current poverty policies and programs, progress is being made in I-PRSP countries to mobilize resources and institutions as the transition is being made to full PRSPs. However, the program is still at too early a stage to draw firm conclusions on ownership; its extent will become clearer as evidence emerges about how effectively new programs are being implemented.

analyses prepared by government, NGOs, and academia, thereby providing a useful base of information drawn from multiple sources.

**Participatory processes**

12. Countries were not required to carry out participatory processes in preparing I-PRSPs, but rather to develop action plans and timetables for putting such processes in place in the context of their full PRSPs. In practice, however, there has been a much greater degree of participation in I-PRSP preparation than originally envisaged, reflecting countries' existing processes. The extent and quality of participation has nonetheless varied, as has the degree of engagement with civil society. For example, in Albania, civil society has been included in the national PRSP steering committee from the start. In Honduras, civil society was extensively involved in the I-PRSP process, although the document itself was not made available to civil society groups before its submission to the IMF/World Bank Boards. While I-PRSPs have included proposals for participatory processes to be adopted in preparing full PRSPs, these too have varied in depth and breadth with respect to, e.g., arrangements for bringing the poor themselves into the process and ensuring that the otherwise voiceless groups, including women, are heard. The Executive Boards of the Bank and Fund have praised cases where proposed participatory processes have been comprehensive in scope and have taken note of cases where participation arrangements have been less well-specified.

13. The two countries that have completed full PRSPs differed in the comprehensiveness of their participatory processes. In Uganda, broad consultations took place across ministries and at different levels of government; existing democratic consultation processes were used as the basis for the PRSP and the poor were directly consulted through the Uganda Participatory Poverty Assessment Project. Civil society helped draft the PRSP and is presently involved in monitoring its implementation. In both Burkina Faso and Uganda, the PRSPs were considered and approved by the national parliaments. Participatory processes in Burkina Faso, however, despite the country's strong tradition of participation, were less comprehensive than in Uganda. While the participation of key ministries and consultations with civil society were a feature of the drafting phase of the PRSP, a missing element was systematic consultation directly with the poor. The final document lacked a summary of the main issues raised in the consultation process or a discussion of the role of organizations representing the poor in future monitoring of implementation. These issues were recognized in the PRSP and the Joint Staff Assessment (JSA).

14. The staffs are conducting a retrospective review of the participatory processes used in countries that have formulated I-PRSPs and full PRSPs. Early experience suggests that wide dissemination—not only within government but also among the public at large—of information about planned participation arrangements is critical for the success of the process, and that there is a critical distinction between "consultation" and broad-based participation. Participation is also important for monitoring and tracking poverty-related public expenditure: if given enough information, citizens can actively participate in this process and thereby enhance transparency and accountability.

**Tracking poverty-related public expenditures in PRSP countries**

17. An important element of a poverty reduction strategy is tracking poverty related public spending. For virtually all PRSP countries, developing effective tracking systems will require improvements across the full range of budgetary and financial management practices, from budget formulation to monitoring, evaluation, and auditing. The underlying objective is to ensure that countries have the capacity to manage and use public expenditures effectively, and specifically in the PRS context, to ensure that resources for poverty reduction are appropriately used. Additionally, to the extent that countries restructure expenditures to emphasize poverty orientation, such restructuring would need to be tracked. Bringing PRSP countries to the stage at which they will all have effective, comprehensive budgetary systems (including well-established MTEFs) will take political will, many years and substantial resources, including technical assistance. Until such improvements take place, it will be important for governments to adopt interim measures such as expenditure tracking surveys and monitoring of poverty focused programs with respect to poverty expenditures of the kind outlined in Part III.D. At the same time, focusing on spending that is directly poverty-related should not lead to neglect of public actions that may have substantial indirect effects in terms of bettering the lives of the poor (such as governance and institutional reform).

**Macroeconomic framework and structural policies**

18. In contrast to I-PRSPs, full PRSPs are expected to integrate a fully costed poverty reduction strategy into a consistent macroeconomic framework. This presents considerable challenges, as the linkages between macroeconomic policies and poverty reduction are complex, and the macroeconomic and poverty data available are often unreliable. Moreover, movement to pro-poor and pro-growth budgets would be undermined if it compromised fiscal sustainability and did not allow for constraints on absorptive capacity. In Uganda, the authorities are developing the PRSP under the revised PEAP, which compares the poverty reduction strategy with planned outlays. Although adjustments have had to be made on account of the resulting shortfall, it is hoped that this could eventually lead to an increase in donor assistance to support larger fiscal deficits in line with the targets identified in the PRSP. On structural reforms, the Uganda PRSP analyzes some of the impacts on the poor—for example, with respect to the progressiveness of the taxation system and removing distortions in it.

## C. Outreach and Feedback

19. Bank and Fund staffs have intensified their dialogue with PRSP countries and development partners with a view to ensuring that the PRSP program moves forward smoothly and in line with countries' capacities and needs. As the PRSP program has gained momentum in recent months, outreach to PRSP countries has increasingly taken place in the context of learning events (Annex III, para. 3) as well as Bank and Fund missions and dialogue with countries. Bank-Fund sponsored outreach to development partners since the Spring Meetings has been complemented by events sponsored by the partners themselves (e.g., the May OECD/DAC High Level Meeting, the June U.N. Social Summit, the June

organizations can play their important role in the process. NGOs have emphasized the need for genuine participation that involves a cross section of civil society including the poor. In the longer term, this approach would provide broader based support for policy change. NGOs have also stressed the need for greater transparency to encourage wider participation. In this regard, they have noted that posting PRSP material on Bank and Fund websites (Annex III, para. 6) does not meet the transparency needs of those countries that have limited access to the Internet.

**Content of PRSPs**

23. NGOs and donors are supportive of linking countries' poverty reduction strategies to the International Development Goals. However, they recognize that linking goals to measurable intermediate indicators is difficult, as is linking poverty reduction strategies to the budget. With respect to specific content items (see also para. 15), partners and countries have stressed the need to focus on women as key agents in promoting growth and poverty reduction, and on the adverse effects of external and domestic shocks on the poor. Along with partners, countries have also noted the importance of addressing rural poverty and the devastating impact of HIV/AIDS in Africa. Countries and development partners have also emphasized the critical importance of trade policy in low income countries and of reducing barriers to the exports of poor countries. Finally, countries, NGOs, and donors have also stressed the importance of focusing on employment and the problem of "jobless growth," and on environmental sustainability.

**Capacity**

24. Countries have expressed concern about capacity constraints with respect to PRSP preparation. Some have indicated that they see little benefit in preparing highly-specific PRSPs when the challenges facing developing countries are so enormous, capacity is so limited, and the urgency of addressing poverty issues is so immediate. In the context of limited capacity, countries have suggested that once an initial PRSP has been prepared, full updates should be spread out over five years (versus three years) to better reflect the resource constraints facing these countries. While this question has not yet arisen in practice, it will be important to consider it in the context of the 2001 PRSP review. Donors and NGOs have also expressed concern about the issue of domestic capacity in PRSP countries both to formulate and implement strategies and to coordinate donor assistance. Additionally, some partners have expressed concern about the limited capacity of civil society in some countries—reflecting past lack of consultation and limited data availability—to participate in dialogue on complex policy issues such as the macroeconomic framework, the sequencing of structural reforms and policy trade-offs. NGOs have suggested that donors should play a role in building the capacity of civil society groups.

**Macroeconomic framework and structural policies**

25. Some development partners are concerned that there will be limited flexibility and change in IMF-supported programs in PRSP countries. NGOs have stated that IMF macro-

lending and HIPC debt relief. Partners have also questioned whether improved collaboration would, in reality, lead the Bank and the Fund to be more selective in its activities within each country, deferring to other development partners where these partners have a comparative advantage in the country context.

## III. Addressing Issues in Implementation

28. The issues outlined in Part II represent important challenges for the effective implementation of the PRSP approach. The sections that follow highlight six areas where action is being taken to respond to these challenges. At their meetings on September 5, the Boards of the Bank and Fund broadly supported the actions described below, and gave specific guidance on the actions proposed in sections B and C.

### A. Improving Coordination: Joint Implementation Committee

29. The Bank and Fund have established very close collaboration on PRSP work, including joint missions to support countries in preparing I-PRSPs and full PRSPs, and joint preparation of JSAs. In order to further smooth the implementation process for both the PRSP process and the HIPC Initiative, a Bank-Fund Joint Implementation Committee (JIC) was set up in May. The Committee, which meets at least bi-weekly, monitors progress, deals with emerging policy and process issues, coordinates production of reports and briefings to the Executive Boards, and works to support consistent and effective external communications. It has set up three Task Groups to deal with specific issues with respect to: (1) governance, public expenditure, and expenditure tracking; (2) Bank and Fund roles regarding country issues and policy, and respective approaches to conditionality; and (3) options for accelerating HIPC Decision Points.

30. The JIC also takes the lead in designing initiatives to respond to emerging challenges (discussed in the sections that follow) and in guiding other activities designed to facilitate the PRSP process, such as capacity building, through learning events for PRSP country officials and development partners and preparing and updating the PRSP sourcebook; measures to enhance program transparency and information dissemination; and preparation of Guidelines for I-PRSPs and their accompanying JSAs (Annexes III and VI).

### B. Using the I-PRSP to Balance Timeliness with Quality

31. The I-PRSP is serving reasonably well as a means to launch country-driven efforts to develop participatory poverty reduction strategies without delaying access to concessional assistance and HIPC debt relief. However, when the PRSP process was designed, it was expected that countries would prepare one I-PRSP and then a PRSP or PRSP progress report on an annual cycle.[3] In practice, some countries (Albania, Sao Tome and Principe, and

[3] See Joint Bank-Fund Paper, *Poverty Reduction Strategy Papers—Operational Issues*, R99-241 and SM/99/290.

nationally owned poverty reduction strategies and provided early guidance to staff in undertaking the JSA. While experience with I-PRSPs and PRSPs has confirmed the utility of this framework, some key aspects of poverty reduction—especially with respect to items (iii) and (v) above—were not well covered in the earlier Board papers.

35.. Having clear expectations with respect to core or standard elements of a PRSP is in no way inconsistent with the aim of flexibility and country ownership. For example, expecting that the PRSP will be clear about priorities does not diminish the country's scope to set those priorities. While the shift to country-ownership will allow substantially more leeway in terms of policy design and choices, the assessment of PRSPs should be based on both international and country specific experience on what has been found to be effective in lowering poverty. At the same time, any attempt to define exhaustively the set of core elements would be excessively prescriptive. With this tension in mind, the JIC is in the process of developing further guidance to Bank and Fund staff on the criteria to be used in JSAs, specifically with respect to prioritizing public actions for poverty reduction and describing the participatory process. It is intended that further guidance will be made available in draft for discussion with countries, development partners, and the general public, before final dissemination to Bank and Fund staff. The staffs are also revising the first chapter of the PRSP Sourcebook, reflecting early experience with the content of PRSPs and I-PRSPs (and proposed internal guidance on the JSA) in order to provide a synthesis that countries might find useful as they develop their own PRSPs. Finally, another important area—how to deal with cross-cutting issues such as gender and the environment—will also be addressed in the Sourcebook.

**(i) Prioritizing public actions for poverty reduction**

36. The priority public actions to raise sustainable growth and reduce poverty constitute the heart of a PRSP. Staff are expected to assess whether these priority public actions are clearly stated and consistent with what is known of the linkages between different policies and their appropriate sequencing. In order to clarify the nature of this task, it is worth distinguishing four key areas of content that a JSA would be expected to cover:

- Appropriate sectoral policies and programs;
- Macro and structural policies to support sustainable growth in which the poor participate;
- Realistic costing and appropriate levels of funding for major programs; and
- Improving governance—including public sector financial management and accountability.

Every PRSP would be expected to provide an adequate treatment of each of these four areas. What is covered within each area will, of course, differ across countries. It is unlikely that any single PRSP, especially in the first round, would systematically cover all of the issues in the same degree of detail, and JSAs will judge whether, overall, and with respect to each of the four areas, the PRSP is satisfactory. This judgment will be based on country conditions

strengthen existing mechanisms to track spending on poverty reduction in a way that does not detract from longer term capacity building. Such measures might include implementing expenditure tracking surveys, monitoring budgetary allocations, and evaluating the outturns of selected programs and projects that have a poverty focus. New guidelines will require Bank and Fund staff to discuss in JSAs country initiatives to increase transparency and accountability in the public sector and to tackle corruption. The JIC has so far focused on issues of expenditure monitoring in five HIPCs approaching their decision points—Mali, Cameroon, Malawi, Zambia, and Rwanda. The next step will be to develop action plans for improving tracking systems in all HIPCs which have reached or are expected to reach decision points in the current calendar year. (See paragraphs 22-23 of the accompanying HIPC report.)

### E. Streamlining and Aligning Conditionality to the PRSP

41. The PRSP approach envisions that Fund and Bank operations should focus on key measures to support the priorities identified in the PRSP, and that conditionality in Fund and Bank operations should be applied according to institutional responsibilities.[5] Given the emphasis on country ownership and ex-ante social impact analysis of structural reforms, it is expected that there will be variation across countries in the pace and sequencing of reforms that will need to be reflected in the design of Bank and Fund lending instruments. Furthermore, it is expected that the development of a PRSP through a participatory process will improve broad country ownership for those reforms that are included in the PRSP and will bring in stakeholders (other than the Fund and the Bank) who will press for their implementation. These considerations suggest that the Fund and the Bank should not seek to reflect all of the key policy measures from a PRSP as conditionality in related lending operations.

42. Progress in implementing this new approach has thus far been limited. Recent PRGF programs still include conditions in some areas for which the Bank is supposed to have primary responsibility, even when such conditions are not obviously critical to the successful implementation of the macroeconomic framework. In most cases, this reflects the fact that the Fund arrangements pre-date the launch of the PRSP approach. In other cases, the Bank has not had appropriate and timely lending operations which could support key structural, social and institutional reforms.

43. Bank Directors have recently discussed the concept of a Poverty Reduction Support Credit (PRSC) in countries where there is a PRGF and/or where the Bank is providing adjustment lending.[6] As currently envisaged, the Poverty Reduction Support Credit (PRSC)

---

[5] These are summarized in the joint Bank-Fund paper, *Poverty Reduction Strategy Papers—Operational Issues*, R99-241 and SM/99/290.

[6] See *Supporting Country Development: World Bank Role and Instruments in Low and Middle Income Countries*. Operations Policy and Strategy, July 21, 2000.

- An evaluation of country and Bank performance in achieving poverty reduction outcomes to gather lessons for the subsequent PRSPs and CASs.

45. After July 1, 2002, IDA CASs presented to the Bank's Board would normally be based on a PRSP. Subsequently, all Bank lending and nonlending activities in IDA countries will be organized under a CAS business plan responding to the PRSP. In the interim, the timing and sequencing of CASs relative to I-PRSPs and PRSPs will need to be decided on a case-by-case basis, but to the extent possible, CAS Updates and CASs will be timed to follow I-PRSPs and PRSPs.

## ANNEX II: PRINCIPLES AND OPERATIONAL GUIDELINES FOR IMPLEMENTING THE PRSP APPROACH

The principles and operational guidelines for implementing the PRSP approach were described in a joint Bank-Fund paper, "Poverty Reduction Strategy Papers—Operational Issues" (R99-241 and SM/99/290: December 10, 1999). The joint paper summarized the five ***core principles*** underlying effective and sustainable poverty reduction strategies and the Poverty Reduction Strategy Papers (PRSPs) that embodied them. In line with the principles of the Comprehensive Development Framework (CDF), strategies (and PRSPs) would need to be:

- country-driven and owned, based on broad based participatory processes for formulation, implementation and outcome-based progress monitoring;
- results-oriented, focusing on outcomes that would benefit the poor;
- comprehensive in scope, recognizing the multidimensional nature of the causes of poverty and measures to attack it;
- partnership-oriented, providing a basis for the active, coordinated participation of development partners (bilateral, multilateral, and non-governmental) in supporting country strategies; and
- based on a medium- and long-term perspective for poverty reduction, recognizing that sustained poverty reduction cannot be achieved overnight.

In ***operational*** terms, the paper stressed that there could be no single blueprint for a PRSP. Rather it should reflect countries' individual circumstances and characteristics. Nevertheless it identified some key elements of a basic commonality of approach. Thus, PRSPs should:

- build where appropriate on countries' existing poverty strategies;
- ensure consistency between national macroeconomic, structural and social policies, and the goals of poverty reduction and social development;
- translate long-term goals into annual (or six-monthly) targets covering a three-year time horizon for intermediate indicators of progress with respect to poverty reduction outcomes; and
- address a set of core questions—what are the key obstacles to growth and poverty reduction, national objectives and targets (including intermediate indicators) against which progress might be measured, strategies and action plans for implementation, monitoring and evaluation arrangements, external assistance prospects, and participatory processes to be adopted?

It was recognized that preparation of country-owned, participatory PRSPs could take up to two years. In order not to delay progress in providing urgently needed HIPC debt relief and support from the Fund's Poverty Reduction and Growth Facility (PRGF), it was proposed that countries could initially prepare ***Interim PRSPs*** (I-PRSPs) in connection with HIPC and PRGF implementation. I-PRSPs would have a simpler structure and content than full PRSPs, but would, at a minimum, include a statement of commitment to poverty reduction, an outline of the nature of the poverty problem and of existing government strategies to tackle it, and a timeline and process for preparing a PRSP in a participatory fashion, together with a three-year policy matrix and macroeconomic framework (of which the outer years would be tentative).

It was proposed that PRSPs or I-PRSPs, accompanied by Joint Staff Assessments (JSAs) prepared by Bank and Fund staffs, would be considered by the Executive Boards of the two institutions in connection with HIPC Decision Points and Completion Points; new PRGF arrangements or reviews of existing ones; and (not later than January 1 2001, in light of experience during calendar 2000) IDA high-case and adjustment lending (except in special circumstances such as emergency or crisis situations).

Bank and Fund have consolidated material previously available on different sites onto dedicated PRSP sites on the institutions' external websites. The PRSP sites currently contain core information such as an indicative timetable for preparation of country-owned interim and full PRSPs, basic policy papers on the program and related documents, and the PRSP Sourcebook (para.2 above) including a facility for commenting on it. The websites also contain selected country interim and full PRSPs. In principle, it is intended to post all such documents, along with Joint Staff Assessments (JSA) of them and summaries of the relevant Board discussions on the PRSP sites. In cases where countries wish their documents not to be posted, this decision would be noted in the JSA.

7. The staffs are also working on the potential for a range of interactive features and the PRSP websites, including videoconferencing, public consultations on important program developments, collaborative workshops for NGOs and civil society, and material related to outreach and learning events (including video clips of past learning sessions).

8. ***I-PRSP Guidelines***. Since early implementation has mainly involved, and will continue to involve through the end of 2000, preparation of I-PRSPs, specific guidelines have been prepared on suggested common elements of I-PRSPs and the expected content of JSAs commenting on them . With respect to I-PRSPs, the Guidelines (given in full in Annex VI) re-emphasize the principle of country ownership, but elaborate on the suggested coverage of country documents. With respect to JSAs for I-PRSPs, the Guidelines outline a series of questions to be reviewed with respect to (1) treatment of core content and process issues; (2) promising features, and desirable areas of special focus for countries, as they develop full PRSPs; (3) potential risks; (4) important analytical gaps to be filled; (5) the realism of plans to produce full PRSPs; and (6) areas where the Bank, the Fund, and other development partners can help countries in the process.

of equity and distributional effects of growth. It recommends that program design must analyze trade-offs around policy choices, and that re-design and/or compensatory measures must be developed for those adversely affected. In this regard, collaboration with other donors, particularly the UN agencies, is key.

5. . Oxfam, like EURODAD, proposes that HIPC should be de-linked from the PRSP. It considers that countries should gain entry into HIPC at the decision point if they can demonstrate how funds will be channeled to reducing poverty, preferably by using a Poverty Fund. Further, Oxfam argues that the I-PRSP is delaying debt relief because documents are developed in a slow and bureaucratic way, resulting in large complex documents with confused direction from the IMF and World Bank. On participation, Oxfam welcomes the explicit references in the guidelines to include civil society in the development of national targets and implementing and monitoring. However, it stresses that civil society should also be involved in key policy making in areas such as macro-economic choices, privatization, the role of markets, land reform, social sector areas, or the prioritizing of budget expenditures, governance and monitoring. Policy choices and trade-offs, with respect to poverty reduction and human development goals, should be explained to ensure that policy reform is pro-poor, as well as publicly understood and owned. Oxfam is concerned that there is a lack of analysis in this area.

6. Another NGO, ***"Bread for the World,"*** has prepared a "Dossier" on the PRSP and PRGF programs that evaluates the former on the basis of five announced intentions for the program—(1) the centrality of poverty as an institutional goal for the BWIs; (2) country ownership/participatory processes; (3) the use of outcome indicators as a basis for access to debt relief and loan support; (4) the concept of consistency among poverty reduction strategies, structural policies, and macroeconomic objectives; and (5) donor coordination potential. While offering cautionary judgments in all these areas, the "Dossier" also notes their potentially positive aspects and offers suggestions for realizing them; the relevant chapter concludes that the program "shows the significance and seriousness of the IMF and World Bank policy reform package.....the optimistic view is that the PRSP process will contribute to changing the priorities of both institutions." The "Dossier" concludes with some views—mainly critical and skeptical—from developing countries about the program's prospects. Finally, it notes that the PRSP represents a new development in Bank and Fund lending policy with some potential, but only if certain conditions are met. In particular, it notes the importance of providing civil society in developing countries with information and transparency about the new process; the need to ensure that consultation with civil society becomes a genuinely participatory process in which the recommendations of non-governmental actors can influence policy; and the need for flexibility in macroeconomic prescriptions.

7. ***The Strategic Partnership with Africa (SPA)*** assessed the PRSP program at its June, 2000, meeting in terms of experience to date with the process, the status of the I-PRSP program, and donor policies and practices. On process, it notes improvements in civil society involvement and consultation, but warns that "the process is too fast to allow genuine participation," that consultation is sometimes limited to central government bodies, and that

provide "road-maps" to PRSPs. While most PRSPs have plans for full PRSP preparation, they are considered to be lacking in discussion of "what policy analysis is missing, or what capacity building is required and what more needs to be done to feed into the PRSP." Consultation plans often lack detail. Also noted is "uncertainty about what the IFI Boards expect in terms of policy commitment in the I-PRSP and how much is necessary to provide the basis for a PRSP," but the paper also makes the point that expectations will necessarily vary depending on initial conditions (whether countries are broadly "on track" or not).

10. ***The Africa Group One Constituency*** (representing 21 African governments) prepared in July a paper dealing *inter alia* with PRSPs, in connection with the governors' meeting with the Fund's Managing Director. The paper notes the huge challenge and multidimensional nature of poverty in Africa, and welcomes the PRSP process as serving as the focus for members' individual poverty reduction strategies, (noting that it could be "an immensely valuable exercise" for focusing on specific policies for poverty reduction and identifying short-and medium-term constraints); it also welcomes the process as a basis for multilateral and bilateral institutions' assessments of country strategies. It welcomes the establishment of the JIC, and hopes that African countries' views be incorporated into its work. But it also notes that the PRSP process as a whole is time-consuming, resource-intensive and costly for countries, and is being undertaken in the context of limited human and financial resources. Given capacity limitations, "governors suggested that the requirement for country preparation of fully developed PRSPs be spread over a longer period than the current three-year time frame and suggested instead a five-year period." The paper further notes specific areas of difficulty for countries (e.g., compilation of reliable indicators for social development and establishment of fully elaborated MTEFs). It asks that the Fund both increase its own financial and technical assistance to countries preparing PRSPs, and help mobilize international donor community support for this purpose, "to enable the PRSP to become, as it had been intended, a process rather than an event." On ownership/participatory processes, it notes that country-specific factors will mean that the extent of ownership based on participation will vary, and that while civil society participation should be as broad as possible, "the ultimate decision on the extent of participation would have to be taken by the authorities themselves." The paper states that there is "an inherent tension" between the concept of country ownership and conditionalities. It recommends a streamlined approach, confining PRGF conditionalities to "a smaller core of conditions clearly associated with the macroeconomy."

**World Bank-UNDP Agreement**

5. The agreement is designed to foster greater collaboration between the World Bank and UNDP in support of country-owned poverty reduction strategies. The institutions have agreed to work more closely in a range of PRSP countries where governments have asked for their support. Countries include Bolivia, Nicaragua, Honduras, Benin, Madagascar, Ghana, and Vietnam. The agreement is intended to minimize duplication of effort, and foster greater exchange of information and analytical studies. The institutions will meet regularly to review their collaboration, identify any differences of approach and reconcile these, and share best practice.

6. Examples of Bank-UNDP collaboration are: Guinea Bissau, where in work to support the government's development of poverty diagnostics, the Bank is leading on quantitative aspects, and UNDP on participatory, qualitative assessments; in Mali where the UNDP and the Bank are constructively engaged in supporting the government's poverty reduction strategy, based on the National Strategy for Poverty Alleviation, which was supported by UNDP; in Ghana, where UNDP is the focal point for bringing together donors in support of the government's poverty reduction efforts and in advising on issues of governance.

**World Bank-ILO and UNICEF Agreements**

7. The Bank is also in the process of formalizing cooperation agreements separately with the ILO and with UNICEF. The agreements will be similar to the one between the Bank and UNDP, in that the agencies will commit to work cooperatively in a specified set of countries where they are supporting country-led PRSPs, and to monitor this collaboration so that best practice can be extended to other countries and any areas of potential conflict resolved quickly. The set of countries is still to be finalized, but the provisional list in the case of ILO is Cambodia, Honduras, Mali, Nepal, and Tanzania; and in the case of UNICEF, Tanzania and Vietnam.

- high-case IDA lending and IDA adjustment lending, except in special circumstances such as emergency or crisis situations.[5] It should also be noted that a PRSP or I-PRSP, when available, will provide the country context for the Country Assistance Strategy (CAS). After July 1, 2002, all IDA CASs presented to the Bank's Board would need to be based on a PRSP. In the interim, the timing and sequencing of CASs relative to I-PRSPs and PRSPs will need to be decided on a case-by-case basis, but to the extent possible, CAS Updates and CASs will be timed to follow I-PRSPs and PRSPs.

4. Recognizing that for many low-income countries it will take up to two years to develop a fully elaborated poverty reduction strategy in a participatory manner,[6] the Boards of the Bank and the Fund were concerned that this process should not delay on-going Bank and Fund concessional assistance or HIPC debt relief to the countries concerned. An I-PRSP could therefore be produced as a means of avoiding delays in the transition period to a full PRSP. The objectives of producing an I-PRSP are to summarize the current knowledge and analysis of the poverty situation, describe the existing poverty reduction strategy, and, perhaps most importantly, lay out the process for producing a fully developed PRSP in a participatory fashion. In line with the expectation that a PRSP could be produced within two years, countries would normally submit only one I-PRSP before moving to a PRSP a year or so later.

Interim PRSPs

5. I-PRSPs must be produced by governments, i.e., the document should be owned and written by the government (or their designated representatives) and should not be written by any donor staff, including Bank and Fund staff. Since these are government documents, the following text provides "guidance" only in terms of the expectations of the international community and the lessons from early country experience. Each government will need to draw on this guidance in ways that suit the specific situation of that country. The intention is that I-PRSPs should be short and relatively easy to produce. They should draw as much as possible on existing work and processes. Because individual countries start from different levels and traditions of participation and need to prepare the I-PRSP under different time constraints, there will be no minimum threshold expected for consultation on an I-PRSP. Nevertheless, governments are encouraged to

---

[4] The First I-PRSP would not, however, be required for a review under the PRGF that is not associated with a new annual program. If countries have not completed a full PRSP within one year of their initial I-PRSP, the authorities would be permitted to provide a short report to the Boards (in the form of a letter) indicating the progress that has been made in developing their PRSP, according to the timetable and action plan set out in the I-PRSP. This progress report together with a Joint Staff Assessment would form the basis on which the Boards would be asked to judge the eligibility of the country for continued access to concessional lending and interim debt relief.

[5] This condition will become effective at a date to be decided, and that date will be decided no later than January 1, 2001. See the Joint Paper, paragraph 42; and the Internal Guidance Note, paragraph 23.

[6] The possible elements of a full PRSP and the proposed country process for its development and implementation are set forth in Sections III and IV and Appendix 1 of the Joint Paper referred to in footnote 1.

(4) a three-year macro-economic framework and three-year policy matrix.[9] The presentation of the macro-economic framework may be limited to one or two summary tables but could be more extensive if the authorities so desire. The policy matrix should provide a summary presentation of the specific elements of the existing strategy as described in (3) above, indicating to the extent possible the time-frame for on-going policy initiatives. I-PRSPs should note that these policy commitments and targets for the outer years are tentative and will need to be revised when the I-PRSP is replaced by a PRSP; and

(5) a time-line and consultative process by which the (full) PRSP will be developed and the assistance requested from the Bank, Fund, other multilateral and bilateral agencies, and other partners in the preparation of the PRSP. Since substantive work to prepare the poverty reduction strategy should begin as soon as possible, this section of the I-PRSP should include in as much detail as possible:

(a) an identification of the gaps in poverty data and analysis, the program of work designed to fill these gaps (including technical assistance and financing from development partners), and milestones for assessing progress in this work; and

(b) a description of the participatory process that the government will follow for consulting with elected representatives (e.g., Parliaments), key domestic stakeholders, and external development partners on: (i) the poverty reduction goals for society; (ii) the priority public actions to achieve those goals; and (iii) setting up a participatory system for monitoring the implementation of the poverty reduction strategy, once developed. It would be desirable to include: (i) a listing of principal stakeholders to be consulted—the most important of which are membership organizations of the poor (in particular of women) and those with an established track record regarding programs to assist the poor; and (ii) country-specific milestones that give an indication of progress in the participatory process.

Joint Staff Assessment (JSA) of the Interim PRSP

7. The purpose of the JSA (of Bank and Fund staff) is to assist the Boards in reaching a judgment about whether or not the I-PRSP provides a sound basis on which to proceed. It should also indicate clearly to the government the staffs' views on the key issues/questions to address in the preparation of the PRSP. Thus, it should primarily be a forward-looking document. For these purposes, the JSA (which need not be more than 3-4 pages long) should candidly address the following questions:

---

[9] The macro-framework and policy matrix need not be updated if there is one that was agreed between the authorities, the Bank and the Fund within the previous 12 months, unless this has become seriously outdated because of a change in country circumstances (e.g., for a country in crisis). In the event that there are important changes in the macro-economic or other assumptions between the I-PRSP and a subsequent PRGF arrangement, the changes would need to be underscored in the PRGF document. See "The Poverty Reduction and Growth Facility—Operational Issues" for further details.

Publication

9. Consistent with the participatory nature of PRSPs, it is expected that all I-PRSPs and JSAs will be published, including on the Bank and Fund web-sites (together with a summary of the discussion by the Boards). Bank and Fund staff should request that the government convey its I-PRSP to the institutions with a cover letter that explicitly confirms its no objection to such publication. If the government confirms its no objection, the I-PRSPs would be posted immediately following circulation to the two Boards, and the JSA, together with a summary of the discussion by the Boards, would be posted simultaneously on the Bank and Fund web-sites shortly after the second of the two Board meetings.[10] If the authorities decide *not* to publish their I-PRSP, this should be noted in the JSA, together with a statement of staff concerns about the lack of transparency and participation evidenced by this decision. In the event, the JSA would also not be published.

[10] A short Board note on publication issues relating to PRSPs and JSAs is under preparation

ROUTINE

UNCLASSIFIED

DEPT TREASURY COMCEN
PH 622-2222 RM 1121/MT

Dongran
Holloway
McMullen
Crane
Harding
Lauffman
Williams


CAVEAT(S) =
HANDLE VIA
ACTION = [TRS]IBRD(1),IDB(1),IDC(1),IDD(1),IMF(1),OIMF(1),QC(1)
SEN(-),UO(1)
CRC = EA33

RR RUEATRS
DE RUEHC #9129 2022159
ZNR UUUUU ZZH
R 202156Z JUL 00
FM SECSTATE WASHDC
TO USAID ASIA AND USAID NEAR EAST COLLECTIVE
USAID MISSIONS IN AFRICA
USAID MISSIONS IN LATIN AMERICA
USAID MISSIONS IN EUROPE
USAID CONTROLLER COLLECTIVE
BT
UNCLAS STATE 139129

ADM AID

E.O. 12958: N/A
TAGS:
SUBJECT: POVERTY REDUCTION STRATEGIES: USAID GUIDANCE FOR AN EVOLVING PROCESS

REFS: A) STATE 28496
B) STATE 35454
C) STATE 95484

1. IN COORDINATION WITH OTHER DONORS, SEVERAL USAID MISSIONS ARE ALREADY WORKING WITH HOST COUNTRIES ON THE PREPARATION OF THE COUNTRY-OWNED POVERTY REDUCTION STRATEGY (PRS) AND THE POVERTY REDUCTION STRATEGY PAPER (PRSP) ASSOCIATED WITH IT. USAID HAS ASSISTED HOST COUNTRIES WITH STRATEGY DEVELOPMENT FOR MANY YEARS, BUT POTENTIALLY, THE PRS MARKS A NEW DEPARTURE. THE PRS IS TO BE COUNTRY-OWNED, TO DETAIL THE MANNER IN WHICH HOST COUNTRY RESOURCES WILL BE DEPLOYED TO REDUCE POVERTY, AND TO FURNISH THE FRAMEWORK WITHIN WHICH THE WORLD BANK AND THE IMF WILL PROVIDE

CONCESSIONAL ASSISTANCE TO DEVELOPING COUNTRIES. THE PRS IS INTENDED TO BE THE POINT OF DEPARTURE FOR COUNTRY-BASED PROGRAMMING AND ACTIVITIES OF OTHER DONORS. WHILE THE PRS PROCESS GREW OUT OF THE G-8 AGREEMENT TO ENHANCE THE IMPACT OF THE HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE, EVENTUALLY IT WILL COVER NEARLY EVERY COUNTRY WHERE USAID HAS PROGRAMS.

2. THE PRS PROCESS, WHICH BEGAN IN SEPTEMBER 1999, IS STILL EVOLVING. BY TAKING AN ACTIVE ROLE NOW, USAID


HAS AN OPPORTUNITY TO MAKE ITS INPUT COUNT. THE PURPOSE OF THIS CABLE IS TO CLARIFY THE ANTICIPATED ROLES OF MISSIONS AND USAID/W IN COLLABORATING WITH OTHER ACTORS TO INFLUENCE THE PRS PROCESS IN A POSITIVE DIRECTION. FOR THOSE WITH INTERNET ACCESS, THE WORLD BANK (WORLDBANK.ORG/POVERTY AND WORLDBANK.ORG/HIPC) AND IMF WEB SITES (WWW.IMF.ORG) HAVE REGULARLY UPDATED INFORMATION, INCLUDING COPIES OF KEY DOCUMENTS.

Original - Lane

COUNTRIES AFFECTED: HIPCS AND OTHERS

3. THE TIMING AND INTENSITY OF DEMANDS THAT THE PRS PROCESS MAKES ON DEVELOPING COUNTRIES AND THEIR DONORS VARY CONSIDERABLY BETWEEN TWO GROUPS OF AFFECTED COUNTRIES: THOSE THAT ARE SEEKING DEBT RELIEF UNDER THE ENHANCED HIPC INITIATIVE AND THE BROADER GROUP OF COUNTRIES THAT BORROW AT CONCESSIONAL TERMS FROM THE WORLD BANK AND/OR THE IMF.

4. FOR COUNTRIES SEEKING RELIEF OF MULTILATERAL DEBT UNDER THE ENHANCED HIPC, THE PRSP IS A REQUIREMENT. SINCE THE REQUIREMENT IS FAIRLY RECENT, THIS YEAR, MOST HIPC CANDIDATES WILL START WITH AN INTERIM PRSP AS THEY SEEK AN ENHANCED HIPC DECISION POINT (THE POINT AT WHICH DEBT SERVICE RELIEF IS OFFERED BY MULTILATERAL FINANCING INSTITUTIONS). PRIOR TO COMPLETION POINT (WHEN STOCK OF DEBT IS REDUCED), HIPC COUNTRIES MUST PRODUCE A FULL PRSP AND IMPLEMENT IT OVER A PERIOD OF TIME. THE IMPLEMENTATION PERIOD REQUIRED IS CURRENTLY FLEXIBLE, BUT IN MOST CASES, A PRSP IMPLEMENTATION RECORD OF ONE YEAR WILL BE EXPECTED.

5. HIPC COUNTRIES FACE ADDITIONAL PRESSURES THAT MAKE THEIR PRS PROCESS PARTICULARLY CHALLENGING. DESPITE THE FACT THAT INTERIM RELIEF IS AVAILABLE ON THE BASIS OF AN INTERIM PRSP, AND THE FLOW OF INTERIM RESOURCES

IS NEUTRAL TO THE COMPLETION POINT, HIPC CANDIDATE COUNTRIES UNDERSTANDABLY MAY WANT TO COMPLETE A FULL PRSP AND REACH COMPLETION POINT AS SOON AS POSSIBLE, SINCE ONLY AT THAT POINT WILL THE STOCK OF DEBT BE REDUCED, AND DEBT RELIEF BE IRREVERSIBLE. AT THE SAME TIME, THE PERFORMANCE OF HIPC CANDIDATE COUNTRIES IS SUBJECT TO SPECIAL SCRUTINY (REFTELS), PARTICULARLY WHILE THE QUESTION OF CONGRESSIONAL APPROVAL FOR AN U.S. PAYMENT TO THE HIPC TRUST FUND REMAINS UNRESOLVED.

6. TO DATE, UGANDA IS THE ONLY ENHANCED HIPC COUNTRY TO REACH BOTH DECISION AND COMPLETION POINTS. BOLIVIA, MAURITANIA AND UGANDA REACHED THEIR RESPECTIVE

DECISION POINTS IN FEBRUARY, FOLLOWED BY TANZANIA AND MOZAMBIQUE IN MARCH, SENEGAL IN JUNE AND HONDURAS AND BURKINA FASO IN EARLY JULY. BENIN IS ALSO EXPECTED TO REACH ITS DECISION POINT IN JULY. PRELIMINARY HIPC DOCUMENTS HAVE BEEN ISSUED FOR CAMEROON, ETHIOPIA, GUINEA, GUINEA-BISSAU, NICARAGUA, CHAD AND ZAMBIA. OTHER HIPC CANDIDATE COUNTRIES THAT MAY COME UP THIS YEAR INCLUDE MALI, GUYANA, KENYA, TANZANIA, COTE D'IVOIRE, MALAWI, AND RWANDA. A PRELIMINARY DOCUMENT IS EXPECTED FOR NIGER THIS YEAR.

AFFECTED COUNTRIES: OTHERS

7. ALTHOUGH THE HIPC CANDIDATES HAVE SO FAR BEEN THE FOCUS OF MOST ATTENTION IN THE PRS PROCESS, A MUCH BROADER GROUP OF COUNTRIES IS ALSO EMBARKING ON THE PROCESS. THESE INCLUDE ALL COUNTRIES SEEKING CONCESSIONAL ASSISTANCE FROM THE IMF UNDER THE POVERTY REDUCTION AND GROWTH FACILITY (SUCCESSOR TO THE ESAF) AND, EVENTUALLY, ALL IDA BORROWERS. FOR BOTH HIPC-ELIGIBLE AND PRGF/IDA-ELIGIBLE COUNTRIES, THE BANK AND THE FUND ARE USING THE PRSP AS THE CONTEXT FOR APPROVAL OF DEBT RELIEF OR NEW LENDING. THE BANK AND THE FUND HAVE INDICATED THAT THEY DO NOT, RPT NOT APPROVE THE PRSP ITSELF, ALTHOUGH THEY DO PROVIDE THEIR BOARDS WITH AN ASSESSMENT. THE TARGET DATE FOR FULL COVERAGE FOR IDA BORROWERS IS YET TO BE DETERMINED. WITHOUT THE PRESSURE OF DEBT RELIEF CONSIDERATIONS OR THE SPECIAL SCRUTINY ATTACHED TO HIPC CANDIDATES, THESE COUNTRIES SHOULD HAVE MORE TIME AND SPACE TO DEVISE PRS PROCESSES THAT MEET THEIR INDIVIDUAL NEEDS. AMONG THIS GROUP, SAO-TOME PRINCIPE AND ALBANIA HAVE PUT FORWARD INTERIM PRSPS. OTHER NON-HIPC CANDIDATES EXPECTED TO REACH THAT STAGE IN 2000 INCLUDE: ARMENIA, AZERBAIJAN, THE CENTRAL

AFRICAN REPUBLIC, GHANA, YEMEN, GEORGIA, THE KYRGYZ REPUBLIC, MACEDONIA, MOLDOVA, MONGOLIA, NEPAL, PAKISTAN, SRI LANKA, TAJIKISTAN, AND VIETNAM.

USAID'S ROLE

8. THE U.S. GOVERNMENT HAS ENDORSED THE PRS PROCESS AT THE HIGHEST LEVELS. TREASURY HAS THE LEAD ROLE (AS LEAD US AGENCY FOR THE BANK AND THE FUND) FOR BOTH HIPC AND PRSP. FOR USAID TO HAVE AN IMPACT ON SHAPING U.S. POSITIONS ON INDIVIDUAL PRS AND HIPCS AND ON THE PRS PROCESS, MISSIONS AND HEADQUARTERS WILL NEED TO COOPERATE TO GIVE USAID A STRONG VOICE IN THE INTER-AGENCY PROCESS. WE RECOGNIZE THAT OVER THE LONG TERM, USAID'S PRINCIPAL INTEREST WILL BE TO MAKE THE PRS PROCESS DELIVER REAL BENEFITS TO DEVELOPING COUNTRIES. HOWEVER, WHILE THE PRS PROCESS AND THE



PRSP ARE STILL IN A FORMATIVE STAGE, IFI BOARD DELIBERATIONS AND THE INTER-AGENCY DISCUSSIONS THAT SHAPE U.S. POSITIONS IN THEM ARE PARTICULARLY IMPORTANT. USAID CAN CONTRIBUTE KNOWLEDGE AND EXPERIENCE TOWARD DEVELOPING USG POSITIONS, BASED ON COUNTRY EXPERIENCE, EMPIRICAL EVIDENCE, AND DEVELOPING COUNTRY ASPIRATIONS.

ROLE OF MISSIONS

9. HELPING HOST COUNTRIES DEAL WITH THE PROCESS. ALTHOUGH THE PRS IS TO BE A OUNTRY-OWNED STRATEGY BASED ON PARTICIPATION BY THE WHOLE SOCIETY, MANY HOST COUNTRIES WILL WANT HELP IN DEVELOPING, IMPLEMENTING AND EVALUATING THE STRATEGIES. THROUGH THEIR ONGOING PROGRAM ACTIVITIES, USAID MISSIONS SHOULD PROVIDE THAT HELP WHEREVER POSSIBLE -- TO CENTRAL AND LOCAL GOVERNMENTS, CIVIL SOCIETY ORGANIZATIONS, THE PRIVATE SECTOR OR ANY OTHER LOCAL ACTOR IN THE PRS PROCESS. LIMITED TECHNICAL EXPERTISE MAY BE AVAILABLE FROM REGIONAL OR CENTRAL BUREAU RESOURCES TO RESPOND TO HOST COUNTRY REQUESTS.

10. IN-COUNTRY COORDINATION. THE LOCAL DONOR COMMUNITY WILL BE CRITICAL TO THE DEVELOPMENT AND IMPLEMENTATION OF SUCCESSFUL PRS. IT IS THE RESPONSIBILITY OF THE HOST COUNTRY TO TAKE THE LEAD ON DONOR COORDINATION AROUND THE PRS, AND THE STRONG HOPE IS THAT ALL PARTNERS WILL BE INVOLVED.

11. EARLY, INFORMAL COMMUNICATIONS WITH HEADQUARTERS AND WITH OTHER USAID MISSIONS. TO MEET THE TWIN GOALS

OF GOOD PRS AND SOLID U.S. POSITIONS ON THEM, EARLY INFORMATION IS CRITICAL. WE THEREFORE ENCOURAGE DIRECT, INFORMAL EMAIL COMMUNICATIONS ON THE PRS PROCESS FROM USAID MISSIONS TO USAID/W, PARTICULARLY REGIONAL BUREAU CONTACTS, AND TO CONTACTS AT OTHER AGENCIES. MISSIONS ARE ALSO STRONGLY ENCOURAGED TO SHARE INFORMATION INFORMALLY AMONG THEMSELVES. TYPES OF INFORMATION SOUGHT INCLUDE DEGREE OF COUNTRY OWNERSHIP AND LEADERSHIP; CONTENT OF PRSPS; HOST COUNTRY CAPACITY TO IMPLEMENT THE PRSP; COUNTRY PERFORMANCE AGAINST THE CONGRESSIONAL REQUIREMENTS CITED EXTENSIVELY IN REFTELS; THE NATURE OF THE PARTICIPATORY PROCESS WITHIN THE HOST COUNTRY SOCIETY THE EXTENT OF COUNTRY-OWNED POVERTY PLANS ALREADY IN PLACE; DONOR COORDINATION ACTIVITIES IN SUPPORT OF THE PLAN; CONDUCT OF THE BANK AND THE FUND, INCLUDING THAT OF VISITING MISSIONS; THE EFFECT OF ANY SLIPPAGE IN TIMING OF DEBT RELIEF; AND COMMENTS ON GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY. IN ALL AREAS, INFORMATION ON GOOD PERFORMANCE AS WELL AS

IDENTIFICATION OF PROBLEMS IS WELCOMED.

12. REVIEW OF DRAFT U.S. POSITIONS FOR EXECUTIVE BOARDS. TURN-AROUND TIME ON THESE HAS BEEN EXTREMELY SHORT, AND WE EXPECT THIS TO CONTINUE. IF INFORMAL COMMUNICATIONS ARE GOOD, TREASURY WILL HAVE ALREADY TAKEN MANY USAID CONCERNS ON BOARD. USAID/W WILL GIVE MISSIONS AS MUCH TIME AS POSSIBLE TO COMMENT ON TREASURY DRAFTS. PPC WILL PROVIDE TREASURY WITH THE FORMAL USAID COMMENTS ON PROPOSED U.S. POSITIONS FOR HIPC DECISION POINT/COMPLETION POINT ACTIONS AND ON U.S. COMMENTS ON PRSPS.

13. FACTORING PRS PROCESS INTO STRATEGIC PLANS AND R4S. THE PRS IS EXPECTED TO HAVE AN IMPORTANT EFFECT ON THE WAY DEVELOPING COUNTRIES SET PRIORITIES AMONG DEVELOPMENT ACTIVITIES AND THE BUDGETARY RESOURCES THEY DEVOTE TO THOSE ACTIVITIES. THE PRS MAY MAKE ADDITIONAL DEMANDS ON USAID STAFF TIME AND ON DEVELOPMENT RESOURCES. OVER TIME, IT MAY BE THE CASE THAT SOME MISSION STRATEGY IDEAS WILL REQUIRE ALTERATION TO BETTER RESPOND TO HOST COUNTRY PRS PRIORITIES. SOME DONOR PARTNERS PLAN TO INCREASE THEIR USE OF NON-PROJECT ASSISTANCE FOR BUDGET SUPPORT RELATIVE TO "PROJECTIZED" ASSISTANCE, AS THE MODALITY FOR SUPPORTING COUNTRY PRS IMPLEMENTATION. USAID CONTINUES TO RELY ON EACH MISSION TO DETERMINE AND PROPOSE THE APPROPRIATE MIX OF MODALITIES. MISSIONS ARE REMINDED THAT OUR LEGISLATION DOES NOT PERMIT

CHILD SURVIVAL AND DISEASE (INCLUDING BASIC EDUCATION) FUNDS TO BE USED FOR NON-PROJECT ASSISTANCE, HOWEVER. THE IMPACT OF THE PRS IN ALL THESE AREAS NEEDS TO BE REFLECTED IN STRATEGIC PLANS AND R4S.

ROLE OF USAID/W

14. INFORMATION FLOW. WE WILL PROVIDE INFORMATION AS EARLY AS POSSIBLE ON UPCOMING PRS, AND ON THE EVOLUTION OF THE OVERALL U.S. POSITION AND FEEDBACK AFTER BOARD ACTION IS TAKEN. THIS HAS BEEN AND WILL CONTINUE TO BE A COOPERATIVE EFFORT BETWEEN PPC AND THE REGIONAL BUREAUS. MISSION INPUT ON BOTH PROCESS AND SUBSTANCE TO BOTH REGIONAL BUREAUS AND PPC IS GREATLY APPRECIATED.

15. INTER-AGENCY RESPONSIBILITY AND ADVOCACY. USAID/W IS RESPONSIBLE FOR ENSURING THAT ALL NECESSARY INTER-AGENCY CLEARANCES ARE SECURED FOR POSITIONS TAKEN BY USAID ON HIPC OR PRS ISSUES. AS U.S. POSITIONS ON INDIVIDUAL PRS AND HIPCS COME TOGETHER, PPC WILL NEGOTIATE FOR THE FULLEST POSSIBLE INCLUSION OF USAID VIEWS. AS IN ANY INTER-AGENCY PROCESS, THERE



WILL BE TIMES WHEN NOT ALL OF USAID'S VIEWS ARE INCLUDED IN THE FINAL USG POSITION.

16. HEADQUARTERS TO HEADQUARTERS DISCUSSIONS. MISSION VIEWS AND CONCERNS WILL INFORM USAID/W WORK ON THE PRS IN A VARIETY OF DONOR FORA, INCLUDING THE STRATEGIC PARTNERSHIP WITH AFRICA AND THE OECD DEVELOPMENT ASSISTANCE COMMITTEE. FINALIZING THE TWO-VOLUME DAC GUIDELINES ON POVERTY REDUCTION (VOLUME 1 IS COMPOSED OF FOUR, GENDER-INTEGRATED CHAPTERS: CONCEPTS AND APPROACHES; MANAGING COUNTRY PROGRAMS; EFFECTIVE DEVELOPMENT COOPERATION; AND INSTITUTIONAL CAPACITY AND CHANGE. VOLUME 2 DEALS WITH POLICY COHERENCE ISSUES.) FOR APPROVAL BY THE 2001 DAC HIGH LEVEL MEETING WILL BE A MAJOR FOCUS OF ATTENTION, AS WILL ONGOING DAC NEGOTIATIONS ON UNTYING AID. WE WILL INFORM MISSIONS OF THE RESULTS.

PARTICULAR IMPORTANCE OF USAID'S ROLE

17. PARTICIPATION BY THE WHOLE SOCIETY IN DEVELOPING COUNTRIES, INCLUDING WOMEN'S GROUPS, IS AN IMPORTANT PART OF THE PRS CONCEPT, AND ONE IN WHICH THE U.S. CONGRESS AND U.S. AGENCIES TAKE A PARTICULARLY STRONG INTEREST. PARTICIPATION SHOULD MEAN ENGAGEMENT BY PEOPLE AND THEIR GOVERNMENTS IN DEVELOPING,

IMPLEMENTING, AND EVALUATING THE PRS, NOT JUST CONSULTATION ON THE PRSP. USAID'S ADVICE WILL BE VITAL TO ASSURING THAT U.S. AGENCIES FULLY UNDERSTAND THE PARTICIPATORY PROCESSES TAKING PLACE IN COUNTRIES DEVELOPING PRS.

18. PRS ARE MEANT TO BE RESULTS-ORIENTED, NOT INPUT-FOCUSED. THEIR ACCOMPLISHMENTS ARE TO BE MEASURED BY COUNTRY-SPECIFIC OUTCOME INDICATORS THAT ARE SET AND MONITORED USING PARTICIPATORY PROCESSES. USAID HAS CONSIDERABLE EXPERIENCE IN FORMULATING RESULTS INDICATORS IN DEVELOPING COUNTRIES. OUR KNOWLEDGE OF THE CHALLENGES ENTAILED WILL BE IMPORTANT BOTH IN-COUNTRY AND IN THE INTER-AGENCY PROCESS.

19. PRS ARE TO TIE TOGETHER MACRO AND STRUCTURAL REFORMS WITH DEVELOPMENT ASSISTANCE IN A HOLISTIC WAY THAT LEADS TO LONG-TERM POVERTY REDUCTION AND GROWTH. THE HOPE IS THAT THE BANK AND THE FUND WILL WORK MORE SMOOTHLY TOGETHER AND THAT BOTH WILL BE MORE COLLABORATIVE WITH OTHER DONORS IN IN-COUNTRY COORDINATION PROCESSES. USAID MISSIONS CAN GIVE CREDIT WHERE IT IS DUE FOR IMPROVED COLLABORATION AND CAN ALERT WASHINGTON WHEN PROBLEMS OCCUR.

CONTACTS FOR ADDITIONAL INFORMATION/ASSISTANCE

20. THE PPC POVERTY WORKING GROUP, LED BY JOHN GRAYZEL, DIRECTOR, PPC/PDC, IS THE PRINCIPAL CONTACT POINT FOR ADDITIONAL INFORMATION, ASSISTANCE OR FEEDBACK ON ANY ASPECT OF THE PRS OR OF THIS CABLE. PLEASE CONTACT MUNEERA SALEM-MURDOCK (PPC/DP) OR JOAN ATHERTON (PPC/PDC). BORANY PENH (PPC/CDIE) CAN PROVIDE WORLD BANK DOCUMENTS RELATED TO THE PRS AND HIPC PROCESSES. REGIONAL BUREAU CONTACTS ON THIS ISSUE ARE CATHERINE CORSON AND CURT GRIMM, AFRICA; ROBERT BURKE, LAC; REBECCA COHN, ANE; AND TONY DOGGETT, E&E.
SHERMAN
BT
#9129
EA33
NNNN

THE UNITED REPUBLIC OF TANZANIA

# POVERTY REDUCTION STRATEGY PAPER (PRSP)

*DAR ES SALAAM* *OCTOBER, 2000*

PRINTED BY GOVERNMENT PRINTER, DAR ES SALAAM-TANZANIA

# POVERTY REDUCTION STRATEGY PAPER (PRSP)

TABLE OF CONTENTS


| | | Page |
|---|---|---|
| I. | BACKGROUND | 1 |
| A. | The Policy Planning Process | 1 |
| B. | Consultative Process for the PRSP | 3 |
| II. | THE STATUS OF POVERTY IN TANZANIA | 5 |
| A. | Income Poverty: Current Status and Recent Trends | 5 |
| B. | Non-Income Poverty | 8 |
| C. | Regional Poverty and Welfare Ranking | 12 |
| D. | Poverty as Assessed by the Poor Themselves | 13 |
| III. | POVERTY REDUCTION: PERSPECTIVES OF VARIOUS STAKEHOLDERS | 14 |
| A. | "Grassroots" views as expressed at the Zonal Workshops | 14 |
| B. | View of Parliamentarians | 16 |
| C. | Views of Various Stakeholders at the National Workshop | 16 |
| IV. | THE STRATEGY FOR POVERTY REDUCTION | 17 |
| A. | Income Poverty | 18 |
| B. | Human Capabilities, Survival and Well-being | 22 |
| V. | FINANCING OF THE POVERTY REDUCTION PROGRAMME | 27 |
| A. | Basic Considerations | 27 |
| B. | Overall Financing Envelope | 29 |
| C. | Composition of Public Expenditure | 29 |
| D. | Specific Poverty Reduction Interventions | 32 |
| VI. | MONITORING AND EVALUATION OF THE POVERTY REDUCTION STRATEGY | 35 |
| A. | Current and Proposed Indicators | 35 |
| B. | Indicators of Income Poverty | 36 |
| C. | Indicators of Quality of Life and Social Well-Being | 37 |
| D. | Water and sanitation | 37 |
| E. | Macroeconomic Stability | 37 |
| F. | Social Safety Nets | 37 |
| G. | Governance | 37 |
| H. | Resource Allocation | 38 |
| I. | Indicators of Participatory Monitoring | 38 |
| Box | | |
| 1 | Tanzania: The Policy Planning Process | 1 |
| 2 | Tanzania: Consultative Steps in Preparing the PRSP | 4 |
| 3 | Tanzania: Regional Variation in Poverty, 1999 | 12 |

Chart 1: Share of OC for the Priority Areas in Total Discretionary Recurrent Expenditures ..... 33

Text Tables

1 Tanzania: Selected Economic and Financial Indicators, 1998-2002 ..... 19
2 Breakdown of Expenditure Priority Items: FY 1999/2000 - 2002-2003 ..... 31
3 Proposed Budgetary Allocation for Priority Sectors, FY 1999/2000-2002/2003 ..... 34

Appendix Tables

1 Regional Welfare Ranking ..... 39
2 Tanzania: Central Government Operations, 1996/1997-2002/2003 ..... 40
2 Tanzania: Central Government Operations, 1996/1997-2002/2003 ..... 41
3 Disaggregation of Priority Sectors: FY2000-2003 ..... 42
3 Disaggregation of Priority Sectors: FY2000-2003 ..... 43

Map Tanzania: Regional Variation in Poverty ..... 44

Annex I : The Participatory Process of the PRSP ..... 45
Annex II : Logical Frame for the Tanzania PRSP ..... 48
Annex III : Monitoring and Evaluations System for the Poverty Reduction Strategy ..... 56

# 1. BACKGROUND

Since independence in 1961, the Government of Tanzania has been preoccupied with three development problems: ignorance, disease and poverty. National efforts to tackle these problems were initially channeled through centrally directed, medium-term and long-term development plans, and resulted in a significant improvement in per capita income and access to education, health and other social services until the 1970s. Thereafter, these gains could not be sustained because of various domestic and external shocks, and policy weaknesses. Indeed, despite sustained efforts since the mid-1980s, to address the country's economic and social problems, one half of all Tanzanians today are considered to be basically poor, and approximately one-third live in abject poverty.

## A. The Policy Planning Process

More recent efforts to tackle poverty and the other development problems have been pursued under relatively decentralized, but largely complementary policy initiatives (Box 1).

**Box 1 Tanzania: The Policy Planning Process**

| Policy Planning Initiative | Objective |
|---|---|
| • Vision 2025 | National vision of economic and social objectives to be attained by the year 2025 |
| • National Poverty Eradication Strategy (NPES) | National Strategy and objectives for poverty eradication efforts through 2010 |
| • Tanzania Assistance Strategy (TAS) | Medium-term national strategy of economic and social development, encompassing joint efforts of Government and the international community |
| • Poverty Reduction Strategy Paper | (PRSP) Medium-term strategy of poverty reduction, developed through broad consultation with national and international stakeholders, in the context of the enhanced Highly Indebted Poor Countries (HIPC) Initiative |

| Building Blocks |
| --- |
| *1. Policy reforms aimed at ensuring macroeconomic stability and market efficiency, being supported partly by the by the International Monetary Fund and the World Bank under the Poverty Reduction and Growth Facility (PRGF) and the Programmatic Structural Adjustment Credit (PSAC-I), respectively.* |
| *2. Reform of the public sector (including central and local Government), being supported under PRGF, PSAC-I, Public Service Reform Programme (PSRC) and by other initiatives supported by international partners* |
| *3. Development of sector-specific strategies, being supported by many international partners..* |

Vision 2025 lays out the long-term developmental goals and perspectives, against which the strategy for poverty alleviation (NPES) was formulated. The TAS is the result of a mutually felt need by the Government of Tanzania and its international partners for a comprehensive development agenda, around which issues pertaining to ongoing activities can be regularly discussed and assessed. As such, the TAS covers all the development areas that have characteristically been supported by the international partners, both within and outside the framework of the central Government budget. It is hoped that the TAS will provide a useful framework for organizing periodic consultations and dialogue among all development partners. The PRSP is an integral part of the HIPC process, focusing mainly on poverty alleviation, subject to a relatively hard (central Government) budget constraint, starting in FY 2000/2001. Nevertheless, the PRSP encompasses poverty-oriented extra-budgetary activities, and various non-financial considerations that have an important bearing on poverty reduction.

The elaboration of the PRSP has entailed broad consultation among the stakeholders-a factor that has contributed to underlying consistency in the country's development policy objectives, including the strategy for poverty alleviation. This notwithstanding, the national policy planning process has features that call for continuous review and reassessment. ***First***, substantial efforts toward poverty reduction by international partners are still being implemented outside the framework of the central Government budget. To ensure maximum progress toward poverty reduction and improved predictability of budgets, these efforts would need to be rationalized and realigned progressively, to reflect the PRSP priorities. ***Second***, a large amount of international re-

sources is being channeled through specific donor-driven projects, sometimes entailing duplication. An effective struggle against poverty will require continued efforts to channel these resources in the context of sector-wide development strategies. ***Third***, a key step in the area of public sector reform, notably the Medium-Term Expenditure Framework (MTEF) exercise for FY 2000/2001 (July-June), preceded the formulation of the PRSP. The priority objectives of the latter will, therefore, need to be reflected more fully in the MTEF for 2001/2002 and the subsequent years. ***Finally***, major reforms in key areas, especially local Government, education, and agriculture, are still being formulated, and their implication for poverty reduction and resource requirement cannot be assessed accurately now. The Government will, therefore, continue to review and adjust the poverty reduction strategy, in order to reflect the ramification of these reforms.

## B. Consultative Process for the PRSP

As noted above, the PRSP has been prepared through a process of consultation, detailed in Annex I and summarized in Box 2. The Zonal Workshops, which included a large number of representatives for the poor at the village level, were key in this process, and yielded results paralleling those of earlier participatory poverty assessments (PPA) by the World Bank ("Voices of the Poor" in the 1995 report) and the UNDP in Shinyanga (1997).1 In retrospect, the coverage of the poor could have been broadened even further, to include unemployed and under-employed youths, and the informal sectors. It is also possible that with a different sampling of the poor, the emphasis placed on certain views and concerns could have been somewhat different. The Government intends to continue to seek fuller representation of the poor and other stakeholders in the implementation, monitoring, and evaluation of the poverty strategy, and in subsequent revisions of the PRSP.

[1] Among the findings of the World Bank study ("Voices of the poor") is the importance which the poor attach to secure land tenure; availability of inputs, credit and suitable technology; access to markets and health services; ability to save; and social capital (such as trust, unity, and participatory involvement).

**Box 2 Tanzania: Consultative Steps in Preparing the PRSP**

| Consultative Steps (date) | Objective of Consultation | Outcome |
|---|---|---|
| ***I. Domestic Stakeholders*** | | |
| • Committee of ministers and central bank Governor | Steer preparation of PRSP | Final PRSP |
| • Inter-ministerial technical committee, researchers, editors | Technical preparation of the PRSP | Final PRSP draft |
| • Zonal Workshops (May 2000) | Ascertain views of "grassroots" stakeholders | Identified priority concerns and requirements for poverty reduction |
| • Members of Parliament (July 2000) | Establish reactions to the findings of the zonal workshops, and solicit their views | Concurred with the findings of the zonal workshops; underscored regional differences in the incidence of poverty |
| • Regional administrative secretaries (August 2000) | Discussion of the final PRSP draft | |
| • Cabinet (September 2000) | Review and discussion of the final PRSP draft | Reviewed and approved final PRSP |
| ***II. Joint consultation with international partners*** | | |
| • Consultative meeting with donors (May and June 2000) | Review, and exchange views on the preparation of the PRSP | |
| • National workshop (August 2000) | Review draft PRSP | Concurred with the orientation of the draft and also noted specific concerns, such as unemployment, child labour and environment |

## II. THE STATUS OF POVERTY IN TANZANIA

For purposes of the PRSP, poverty is defined to include "income" and "non-income" human development attributes.

### A. Income Poverty: Current Status and Recent Trends

The assessment of poverty levels and trends is complicated by the lack of consistent information and absence of officially recognized poverty lines. Since the early 1980s, a number of households surveys using different definitions, samples, and methods have been conducted:

- The 1983 Human Resources Survey (HRS); covered 498 rural households in four regions in Mainland Tanzania;
- The 1991/92 Household Budget Survey; covered 5,328 households countrywide;
- The 1991/92 Cornell/ERB survey; covered 1,046 households in Mainland Tanzania;
- The 1993 Human Resource Development Survey (HRDS); covered 5,184 households countrywide;
- The 1995 Participatory Poverty Assessment (PPA); covered 768 house hold in rural Mainland Tanzania and;
- The 1998 REPOA survey; covered 649 rural households in three regions in Mainland Tanzania, and 148 peri-urban households in Dar es Salaam.

Partly due to the absence of official poverty lines, some studies have used their own lines. Thus, "lower lines" denote basic food needs, based on specific assumptions about eating habits, nutritional requirements, and cost; and "upper lines" cover, in addition to such food requirements, other essential needs, such as clothing, housing, water, and health. Moreover, a poverty line of one US dollar per day in real terms (using purchasing power parity exchange rate) has been used to facilitate comparison with other countries.

Notwithstanding the data problems, poverty is, no doubt, pervasive and deep. Based on the 1991/1992 HBS, around 27 percent of the people were in households with total expenditure that was insufficient to obtain enough food to meet nutritional requirements, and about 48 percent of the households were unable to meet their food and non-food basic requirements. The results of various updated estimates for year 2000 suggest that poverty levels may have

increased, to well over 50 percent for Mainland Tanzania.
For the purpose of this PRSP, and given the inconclusiveness of the updated results, the 1991/1992 poverty baselines are used extensively in the discussion below, and references to other sources are made where appropriate. These baselines will be updated, based on the preliminary results of the ongoing HBS, which will be available in early 2001.

(a) Characteristics of Income Poverty

(i) *Poverty is largely a rural phenomenon*

In the rural areas, incomes are lower and poverty is more widespread and deeper, than in the urban centres. According to the 1991/92 HBS, basic needs rural poverty incidence is estimated at 57 percent, and the food poverty incidence is about 32 percent. Tentative estimates for year 2000 suggest that the incidence of poverty in the rural areas may have increased.

(ii) *The poor are concentrated in subsistence agriculture*

The 1993/1994 HRDS indicates that within the rural areas farmers are poorer than non-farmers. According to the 1991/1992 HBS, the poverty incidence for households whose heads work in own farms is 57 percent. These results are also supported by the 1998 REPOA rural survey. In addition, farmers that grow cash crops have higher incomes than those who do not, holding farm size, education, and other factors constant.

(iii) *Urban poverty is also widespread and increasing*

Although poverty is less acute in the urban area, it is still a serious problem, especially in urban areas other than Dar es Salaam. According to the 1991/1992 HBS, the basic needs poverty incidence for Dar es Salaam was 5.6 percent, and for the other urban areas, 41 percent. These results are supported by the 1993/1994 HRDS, with corresponding figures of 4.2 percent and 30.8 percent, respectively. Results from updated estimates for year 2000 suggest that the incidence of poverty may have increased further. The urban poor are concentrated in the informal sector.

(iv) *The youth, the old, and large households are more likely to be poor*

According to the 1991/1992 HBS, 44 percent of the population is below the age of 15, and 4 percent is aged 60 or over, implying a dependency ratio of over 0.9. Other surveys show higher dependency ratios. The REPOA (1998) rural survey data yields an overall dependency ratio of 1.1. Moreover, the 1991/1992 HBS indicates that the proportion of the poor increases as the level of dependency rises. Households with a dependency ratio of 0 - 0.25 showed a basic needs poverty incidence of 32.1 percent, while those with a ratio of 0.75 - 1.0 showed a poverty level of 55.8 percent. Other surveys also confirm the relationship between household size and poverty. According to the 1991/1992 HBS, people living in households of seven or more are two thirds more likely to be poor than those living in households of six or less. The 1993 HRDS data indicates that households of 6-10 people are nearly twice as likely to be poor than households of 1-5 people.

(v) *Although female-headed households are not necessarily poorer than male- headed households, women are generally perceived to be poorer than men*

Women represent 51 percent of the population and head 14 percent of the households. Results from household surveys show that women-headed households are not necessarily poorer than male-headed households. For example, the 1991/1992 HBS shows a poverty incidence level of 45 percent for female-headed households, and 49 percent for male-headed households. A recent case study established that male-headed household (without wives) are likely to be as poor as female-headed households (without husbands). This notwithstanding, a good number of studies suggest that women are in fact poorer than men. In particular, according to the results of the PPA (1995) survey, women perceive themselves to be poorer than men owing to their vulnerability, the lack of asset ownership (including land and livestock) and limited schooling.

(b) Changes in the Incidence of Poverty

The incidence of poverty appears to have declined during 1983-1991 and 1991-1993, and risen during 1993-1998. The more recent deterioration in the poverty situation is probably attributable to worsening income inequality, and relatively low rate of economic growth, particularly in the rural areas.

## B. Non-Income Poverty

(a) Education

Broadly based primary school education plays a major role in strengthening human capabilities and reducing poverty. Tanzania's literacy rate was estimated at 84 percent in 1997, with the rate for women being somewhat lower than that for men. Primary school gross enrolment rate is currently estimated at 78 percent, reflecting approximately equal rates for boys and girls (79 percent and 77 percent, respectively). The overall net enrolment rate is, however, much lower (57 percent).

The available data suggests that the poor are more likely to be less educated. In 1991, 54.3 percent of the rural poor were literate, compared to 61 percent for the rural population as a whole. Between 1983 and 1991, illiteracy among the poor increased, while the proportion of illiterate women remained more or less the same, but still higher than any other socio-economic group. In addition, data from the HRDS (1993/1994) suggest that gross enrolment rates among poor children aged 7-9 decreased from 82 percent in 1983 to 80 percent in 1993.

(b) Survival

High mortality rates (especially among infants and under-five children) and corresponding low life expectancy are an important dimension of poverty. In 1999, infant mortality was estimated at 99 per 1,000 live births, and under-five mortality was 158 per 1,000 live births. Although these rates represent a major improvement over the 1970 rates, recent evidence suggests that infant and the under-five mortality rates have begun to level off, and some areas may even be witnessing a slight in-

crease at present. The leading killer diseases for infants and under-five children are malaria, anemia and pneumonia. In addition, maternal mortality is still high, currently estimated at 529 per 100,000 live births. Recent estimates put the average life expectancy at birth at 48 years of age, compared to 52 years in 1990 and 45.3 years in 1970. The more recent decline in life expectancy is largely attributable to the impact of HIV/AIDS and other communicable diseases. At present, AIDS is the leading killer disease in the age group 15-59 years in sampled districts of Dar es Salaam, Hai and Morogoro rural. For example, AIDS accounts for as high as 35.5 percent and 44.5 percent of male and female deaths in that age group in Dar es Salaam; AIDs is followed closely by malaria and tuberculosis.

Infant mortality rates appear to be much higher for the poor, especially in the rural areas, than for the general population. The Demographic and Health Survey data shows a high rate (per 1,000 live births) of 113.7 for the first asset quintile, compared to 87.7 for the fourth asset quintile in 1991. The corresponding rates for 1996 were 116.2 and 99.9.

(c) Nutrition

Malnutrition among children is a good indicator of poverty levels or social well-being. Available statistics reveal that there is a considerable degree of chronic malnutrition in Tanzania. In 1996, 43 percent of the children under five were found to be stunted (low height for age) and 18 percent were severely stunted. Acute malnutrition is measured in terms of weight for height, (that is "wasting"). In 1996, 7 percent of the children under five were classified as wasted, and 1 percent were severely wasted. A combined measure of chronic and acute malnutrition is weight for age. More than 30 percent of the children under five are under weight for their age. Comparisons with earlier data on children's nutrition status show that there has hardly been any improvement over the past decade.

According to the HRDS data, malnutrition increases with poverty. In 1991, about 43 percent of the stunted children came from families in the first asset quintile, and 26 percent came from families in the fifth asset quintile. The corresponding percentages for 1996 are 46 percent and

about 8 percent. The majority of the poor in the rural areas, who produce their own food for consumption, are more likely to be malnourished. Localised food insecurity and famine are common, and compounded by inadequate resource endowments at the household level.

(d) Clean and safe drinking water

About 68 percent of the urban population have some kind of access to piped water, and less than half of them obtain 24-hour service. In the rural areas, about 45 percent of the population have access to a safe water source, and about 30 percent of the facilities are not functioning properly. According to the 1991/92 HBS, about 53 percent of the population use unprotected water sources. These people are more likely to be poorer (with poverty incidence of 52.5 percent) than those who use pipe water in their homes (17.5 percent), and those who use private pipes located outside their houses (24.8 percent). In addition, only a limited number of the existing waste waters treatment facilities work. Outbreaks of cholera and waterborne diseases affect mostly low-income neighbourhoods, with households that have no access to piped water. Moreover, many poor families rely on water vendors who charge rather heavily for their service, or spend a substantial amount of their time fetching water.

(e) Social well-being

Tanzania has a long history of participatory planning and implementation of public programmes. However, institutional disruptions that took place in the late 1960s and early 1970s fostered centralized Government control at the expense of participatory involvement of the poor and grassroots organizations. Ongoing political and administrative reforms are aimed at reversing this trend.

The right to security, justice, peaceful life, and freedom are important aspects of survival. In general, Tanzania has enjoyed peace, stability and unity since independence. Recently, the effectiveness of the instruments of law and order, and the judiciary appears to have eroded. For example, the proportion of filed cases that are decided on a timely basis is only 63 percent, and the High Court of Appeal holds only 50 percent

of its planned sessions. Moreover, the Warioba report cites the police and judiciary as highly corrupt institutions.[2]

(f) Vulnerability

A major concern of the poor is their vulnerability to unpredictable events. In Tanzania, famine often results from either floods or drought. Since the mid-1990s, Tanzania has in fact experienced a series of adverse weather conditions, which undermined food security. Another threat is the increasing impact of HIV/AIDS on the number of orphans, currently estimated at 680,000. Many communities have to deal with growing numbers of AIDS victims and orphans, the handicapped, the very old, and refugees. There is, therefore, a growing need for safety-nets. This point was noted in the recent Zonal Workshops. The apparent breakdown of traditional systems that used to take care of vulnerable groups and the escalating number of dependent persons have increased the need for safety-net programmes.

Several initiatives to update the database for poverty analysis are being implemented, namely: a new Household Budget Survey covering 15,000 households (being carried out over the period April 2000-April 2001) to enable an update of the poverty status; a pilot labour survey to establish the baseline data for the labour market; a Demographic and Health Survey in 2001; an updated Social Accounting Matrix to allow impact assessment of income and policy interventions on poverty; and Population and Housing Census in 2002 (see Annex II for further details).

## C. Regional Poverty and Welfare Ranking

An attempt was made in 1999 to calculate a composite deprivation index for regions in Tanzania, taking into account among other things, food security, income and production, education, and health and nutrition services. The results suggest that Dodoma, Kagera, Lindi, Kigoma and Coast are the most deprived regions. The least deprived regions are Dar es Salaam, Ruvuma, Kilimanjaro, Singida and Tabora. (Box 3, Appendix Table 1, and Map).

**Box 3. Tanzania: Regional Variation in Poverty, 1999**

| Indicator | Least deprived region | Most deprived region | Most deprived re regions |
|---|---|---|---|
| Per capita GDP in 1997 (Tanzanian shillings) | 371,811 (US$608) | 95,623 (US$156) | Kilimanjaro, Dodoma, Kigoma, Kagera. |
| Literacy rate (per cent) 1/ | 96.4 | 68.1 | Shinyanga, Arusha, Singida, Kigoma. |
| Gross primary school enrollment rate (per cent) | 100 | 63.0 | Kagera, Kigoma, Rukwa, Tabora, Dodoma |
| Boys | 99 | 65.0 | Tabora, Dodoma, Kagera, Kigoma, Rukwa |
| Girls | 100 | 60.0 | Tabora, Dodoma, Kagera, Kigoma, Rukwa |
| Life expectancy (years) | 59 | 45 | Dodoma, Morogoro, Mtwara, Kagera, Rukwa, Iringa. |
| Men | 57 | 44 | Dodoma, Morogoro, Mtwara, Kagera, Rukwa, Iringa |
| Women | 62 | 45 | Dodoma, Morogoro, Mtwara, Kagera, Rukwa, Iringa |
| Infant Mortality (per 1000) | 52 | 130 | Dodoma, Lindi, Kagera. Mtwara |
| Under-five mortality (per 1000) | 78 | 220 | Dodoma, Lindi, Kagera, Mtwara |

**Box 3. Tanzania: Regional Variation in Poverty, 1999**

| Indicator | Least deprived region | Most deprived region | Most deprived re regions |
|---|---|---|---|
| Low birth weight (per cent) | 4.7 | 15.6 | Mara, Ruvuma, Mwanza, Morogoro. |
| Severe malnutrition (per cent) | 2.7 | 14.7 | Iringa, Lindi, Kagera, Singida |
| Food security (cereal equivalent) 2/ | 590 | 177 | Coast, Dodoma, Morogoro, Tanga |

1/ For women the most deprived regions were Shinyanga, Tabora, Coast and Kigoma
2/ Availability of cereal equivalent levels (in kilograms) during 1992-96

## D. Poverty as Assessed by the Poor Themselves

Two major participatory poverty assessments have been carried out in Tanzania; one by the World Bank ('Voices of the Poor', in 1995) and the other by the UNDP (in Shinyanga, 1997). Both assessments provide useful additional information on poverty in the country.

The 'Voices of the Poor' study, which covered more than 6,000 people in 87 villages, revealed differences between men and women in the perception of poverty. According to the study, the poor attached importance to secure land tenure, availability of agricultural inputs, credit and suitable technology; good transport; access to markets; and the potential to save. Limited access to quality health services was also identified as a cause of poverty. Perhaps the most striking finding of the World Bank study, was the important role that "social capital" (trust, unity and spirit of participation) and plans at the village level in fostering development.

A UNDP study was carried out in 8 localities in Shinyanga Region during 1997. This study highlighted livelihood insecurity, poor social service provision, and gender inequality as factors that contribute significantly to poverty. Cultural constraints, weak governance, scarcity of funding, and poor infrastructure were also identified as development obstacles. Gender bias in the control of household resources, was of particular concern to women. These factors were reiterated in the zonal workshops organised in the course of the PRSP process.

## III. POVERTY REDUCTION: PERSPECTIVES OF VARIOUS STAKEHOLDERS

### A. "Grassroots" views as expressed at the Zonal Workshops

At the Zonal Workshops, six problem areas, largely conforming to the broad concept of poverty discussed above, were identified; participants also proposed various ways of dealing with the respective problems. The consultation with other stakeholders reconfirmed the findings from the Zonal Workshops and provided complementary insights that have been taken into account in formulating the PRSP.

(a) Income poverty

Various causes of income poverty, especially in the agricultural sector, were identified, namely:

- Poor working tools and technology (highlighted by over one-third of the groups involved in the workshops);
- Non-availability of farm inputs (approximately one third);
- Poor roads (nearly one third);
- Limited access to markets (one third);
- Non-availability of credits (almost one third);
- Collapse of cooperatives (one sixth);
- Adverse climatic conditions (one-sixth); and
- Absence of safety-nets to cope with (weather-related) short-term fluctuations in income (one-sixth).

In order to cope with these problems, the participants at these workshops underscored the need for (i) new and strengthened rural credit mechanisms; (ii) improved research and extension services, possibly including one extension agent per village; (iii) enhanced ability, especially at the community level, to repair and maintain rural roads; (iv) the revival of agricultural cooperatives; (v) improvement and expansion of irrigated farming; and (vi) effective safety-nets, to assist vulnerable groups.

(b) Education

Over one half of the groups participating in the Zonal Workshops cited education as a major concern, and specifically noted the following problems:

- Limited access to primary school education;
- Poor quality;
- Inhibiting role, especially in regard to access, of the cost-sharing mechanisms, including the misuse, and lack of transparency in the deployment of funds contributed by parents;
- High dropout rates; and
- High rate of illiteracy.

Virtually all groups participating in the Zonal Workshops were of the view that under the PRSP, the Government should give overriding attention to these problems. More specifically, the participants called for interventions to bolster primary school enrollment and retention rates; raise the quality and relevance of education; and facilitate access to primary school education, including a review of the cost-sharing arrangements.

(c) Health

Health was ranked third, next to education and agriculture, among the areas deserving priority attention under the PRSP. Specific concerns of the participants included the poor level of health education; weak service provision, especially in the rural areas; and the limited involvement of the poor in the design of health plans and programs. Underlying these concerns was a sense of alarm (shared by groups from all the regions) in regard to the HIV/AIDS epidemic, and high rates of morbidity and mortality.

(d) Governance

Over one-half of the groups in the Zonal Workshops noted that poor governance was an area of concern. In this connection, the groups underscored the lack of transparency and accountability, notably at lower levels of Government administration; and the inadequate financial support being provided for sectors that are deemed key in poverty reduction.

(e) Gender, social, and cultural issues

Slightly over one-half of groups at the workshops mentioned that cultural customs and traditions were an obstacle to poverty reduction. A related issue that was cited by about one-sixth of the groups was gender discrimination, especially in regard to customary ownership of property; participation in wage employments; and decision making at the national and household level. A breakdown, by gender, of the concerns of the workshop participants revealed that (i) rural women were proportionately more concerned about the role of cultural customs and traditions than rural men; (ii) women raised the issue of gender discrimination more frequently than men; and (iii) about one quarter of the women expressed concern about laziness and drunkenness among men.

(f) Other areas of concern

Other areas that were emphasized by the participants in the 62 groups formed at the Zonal Workshops included the development of the economic infrastructure, notably all-weather roads and building local capacity for road repair and maintenance (mentioned by 44 groups); the development of water resources (22), telecommunications (15), and financial markets (12); and the promotion of environmentally sensitive exploitation of land (4) and other natural resources.

## B. View of Parliamentarians

Parliamentarians reviewed and concurred with reported findings of the Zonal Workshops. However, they emphasized one point that was not a focus of zonal discussion-they stressed that the poverty reduction strategy would need to take into account regional differences in regard to the status of the poor.

## C. Views of Various Stakeholders at the National Workshop

During the national workshop that was held to review the draft of the PRSP, participants (including international partners) concurred that the outlined strategy to reduce poverty in Tanzania constituted an appropriate response to the concerns and views of the poor, as evidenced at the Zonal Workshops. The participants at this workshop also made complementary observations concerning the need to (i) address the problem of unemployment among youths

and in the urban areas; (ii) arrest environmental degradation; (iii) stop the use of child labour; (iv) increase financial support (including through extra debt cancellation and other forms of international support) for programs aimed at reducing poverty; (iv) develop rural financial mechanism that meet the needs of the "small" farmer; (v) develop "micro", small and medium enterprises; (vi) inculcate a sense of self-reliance; (vii) intensify efforts aimed at developing an enabling environment for the private sector; and (viii) facilitate the use of relevant research findings.

## IV. THE STRATEGY FOR POVERTY REDUCTION[3]

The poverty reduction strategy is based on three considerations. ***First***, the strategy is viewed as an instrument for channeling national efforts toward broadly agreed objectives and specific inputs and outputs. The elaboration and implementation of the strategy are fundamentally ongoing processes. While a wide variety of key interventions has already been launched, the preparation of strategies for certain sectors, such as agriculture and education, are still underway. Moreover, the implementation of reforms aimed at shifting the responsibility for formulating, implementing, and monitoring poverty reduction intervention by the districts, municipalities, and communities at the grassroots, has started, but it will take some time to complete. The overall strategy of poverty reduction will, therefore, need to be managed flexibly, to accommodate additional action plans and activities emanating from the ongoing work. ***Second***, the poverty reduction strategy is to a large extent, an integral part of ongoing macroeconomic and structural reforms that are being supported by Tanzania's multilateral and bilateral partners. Some of these reforms, including those being supported under the PRGF and the PSAC-1, are expected to have a significant impact on the welfare of the poor.[4] Accordingly, the Government has chosen, as detailed below, to accelerate selected reforms that are likely to have a major impact on poverty reduction. ***Finally***, in keeping with the concerns of the stakeholders, and guided by the overarching orientation of Vision 2025 and the NPES, the focus of the poverty reduction strategy concentrates on efforts aimed at (i) reducing income poverty; (ii) improving human capabilities, survival and social well-being; and (iii) containing extreme vulnerability among the poor.

[3]A more detailed outline of impact, outcome, and intermediate indicators and requisite actions is contained in Annex II

## A. Income Poverty

Available quantitative analysis, from within and outside the country, provides strong evidence that economic growth is a powerful means of reducing income poverty. Because of this, a key objective of the poverty reduction strategy will be to promote accelerated and equitable growth. Specifically, over the three-year period, 2000/2001-2002/2003 (July-June), annual GDP growth is targeted to accelerate from about 5.2 per cent to 6 per cent. Moreover, under the three-year period, real value-added of agriculture, which provides a livelihood for the majority of the poor, is expected to increase at an average annual rate of about 5 per cent, compared to 3.6 per cent during 1990-1998. In keeping with past trends, the growth of the industrial and service sectors is anticipated to be higher than that of agriculture. The Government believes that these rather ambitious targets are achievable, in view of the potential beneficial effect of a stable macroeconomic environment and the efficiency-promoting structural reforms, some of which will be front-loaded.

Moreover, provided the envisaged growth in agriculture and the rest of the economy is distribution-neutral, the available simulations indicate the targeted pattern of sectoral growth is consistent with:

- Reducing the proportion of the population below the basic poverty line from 48 percent in 2000 to 42 percent in 2003 (compared to a longer-term target under the NPES of 24 percent by 2010);
- Reducing the proportion of the rural population below the basic poverty from 57 per cent to 49.5 per cent (29 percent in 2010); and
- Reducing the proportion of the food poor from 27 percent to 23.5 percent (14 percent in 2010).

In pursuit of the above poverty reduction objectives, supporting measures will be needed in four strategic areas. ***First***, the Government will continue to maintain sound macroeconmic policies and intensify the implementation of reforms aimed at bolstering market efficiency, notably in agriculture, and raising factor productivity. ***Second***, while the budgetary expenditure will continue to be restrained because of macroeconomic considerations, special efforts will be made to channel the limited Government resources toward the support of key programs and social services under the poverty reduction strategy (discussed in Section V). ***Third***, the Government will put increased emphasis on reforms aimed at promoting export-oriented expansion and diversification of the "pro-poor" sectors, with a view to enabling the poor to share increasingly in the benefits of globalization. ***Fourth***, efforts will be made to raise steadily investment as a percent of GDP from 15 per cent to approximately 17 per cent, including through initiatives focusing on bolstering private investment in the cultivation of traditional and new crops, small and medium size enterprises, and informal sector activities.

## (a) Sustaining Macroeconomic Stability

Since the mid-1990s, significant progress has been made toward restoring macroeconomic stability. In particular, inflation has been reduced to a single digit level, and fiscal imbalances are now in a prudent range. As part of the poverty reduction strategy, the Government will continue to consolidate the substantial progress that has been achieved in the macroeconomic area. In addition to the above-noted objective of accelerating GDP growth to 6 percent, other macroeconomic objectives include (i) sustained efforts to maintain domestic inflation at approximately 4 per cent annually (broadly in line with anticipated inflation in Tanzania's main trading partners, Table 1); (ii) ensuring that the exchange rate for the Tanzanian shilling will continue to be market-determined; and (iii) maintaining gross official international reserves at the equivalent of approximately 4 months of imports of goods and nonfactor services.

Table 1. Tanzania: Selected Economic and Financial Indicators, 1998-2002

| | 1998 | 1999 Prov. | 2000 Proj. | 2001 Proj | 2002 Proj |
|---|---|---|---|---|---|
| | (Change in percent, unless otherwise indicated) | | | | |
| GDP and prices | | | | | |
| Real GDP | 4.0 | 4.7 | 5.2 | 5.6 | 6.0 |
| Real GDP per capita | 1.2 | 1.9 | 2.3 | 2.7 | 3.1 |
| Consumer price index annual average | 12.8 | 7.9 | 5.6 | 4.5 | 4.0 |
| | (In percent of GDP, unless otherwise indicated) | | | | |
| Public finance 1/ | | | | | |
| Domestic revenue (excluding grants) | 11.3 | 11.2 | 11.3 | 11.8 | 12.0 |
| Expenditure | 14.7 | 16.9 | 16.5 | 17.2 | 16.8 |
| Overall balance (including grants; checks cleared) 2/ | 0.3 | -1.7 | -0.4 | -1.0 | -0.4 |
| Savings and investment | | | | | |
| Gross domestic savings | 6.4 | 6.2 | 6.3 | 6.5 | 6.6 |
| Government | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Nongovernment | 5.6 | 5.4 | 5.5 | 5.6 | 5.8 |
| Investment | 15.6 | 15.2 | 16.0 | 16.8 | 17.0 |
| Government | 3.3 | 3.1 | 4.5 | 4.4 | 4.4 |
| Nongovernment | 12.4 | 12.1 | 11.5 | 12.1 | 12.6 |
| Resource balance | -9.2 | -8.9 | -9.7 | -10.0 | -10.4 |
| Gross official reserves in months of imports of goods and nonfactor services | 3.4 | 4.1 | 4.2 | 4.2 | 4.3 |

1/ Fiscal years (July-June), beginning in the year indicated in the column header.
2/ Excluding the cost of bank recapitalization.

[4]The policy matrix in the Interim PRSP also outlined details of the reform measures being implemented.

In support of these objectives, budgetary performance will be strengthened, with the overall fiscal deficit (including grants, on a cheques cashed basis) being maintained at a modest level. To this end; the tax effort will be intensified through measures to broaden the tax base (including through the control of tax evasion) and tax administration will be improved (reform of customs administration and introduction of Tax-payer Identification Number). The allocation of budgetary expenditure will continue to reflect the MTEF and PER guidelines and also take into account the objectives of poverty reduction. Moreover, fiscal accountability will be fostered through expanded use of the Integrated Financial Management System and ongoing efforts to strengthen financial management capacity at the local Government level. These, and other measures aimed at promoting macroeconomic stability and accelerating growth, are contained in a comprehensive program that is being supported under the PRGF and PSAC-I.

(b) Rural Sector Development and Export Growth

Prior to the mid-1980s, attempts at agricultural transformation encountered problems of design and implementation. State involvement substituted for grassroots initiatives, and agriculture was heavily taxed. More recently, there has been a significant shift away from these policies, to market-oriented approaches. Notwithstanding the generally positive impact of these reforms, notably on output and average productivity, there has been wide- spread dissatisfaction, evident from the findings of the Zonal Workshops, concerning the limited availability of, and access to, credit agricultural inputs and extension services, and the low level of technology.

In response to these concerns, the Government will endeavor to ensure that the poor and the private sector in general, take the lead in developing durable mechanisms and schemes that are effective and, as far as possible, market-oriented. In particular it is expected that:

- Credit will be provided by crop buyers, banks, and cooperatives rather than the Government;
- Farmers will be encouraged to organize themselves in groups or cooperatives, with a view to improving their prospects for obtaining credit from financial institutions, as well as carrying out crop-specific research and other initiatives, to bolster output and raise the quality of their products;

- Private crop buyers or traders will be encouraged to continue to experiment with voucher schemes and other mechanisms to facilitate the purchase of fertilizers and insecticides;
- Local communities will play a more active role in rehabilitating and maintaining rural roads;
- Communities will also be encouraged (as far as possible with the support of the Government) to develop irrigated farming.

For its part, the Government will confine its own interventions mainly to the elaboration of sound policies, and also support the rural sector through:

- Training primary societies or cooperatives on organizational and financial management aspects;
- Providing demand-driven research, and crop extension services;
- Working with international partners in providing training and other forms of support to local communities in the repair and maintenance of rural roads;
- Supporting labour-intensive, agro-processing (notably of cashewnuts, cotton, coffee and other crops);
- Putting into effect the new Land Act and ensuring that related regulations facilitate the use of land as collateral for purposes of commercial transactions;
- Rationalizing physical controls that constrain crop movements within the country and across international borders;
- Particular attention to the most deprived regions, including through priority allocation of budgetary resources; and
- Encouraging the on-going efforts by NGOs and local banks to provide credit, training, and other forms of support to the informal sector, as well as small-and medium-scale enterprises.

A forward-looking dimension of the poverty reduction strategy will include concerted efforts to increase traditional and new export products and, to the extent possible, non-agricultural products of small- and medium-scale enterprise. The above-noted efforts to raise the quantity and quality of marketed agricultural products will be key. Additionally, the Government will, where appropriate, provide extension, training, "best practices" workshops, and other forms of support to entrepreneurs seeking to produce or export new products.

Most of the above-listed interventions are already in the process of implementation. The Government will continue to review their effectiveness, and examine other ways of strengthening its intervention in support of the development of the rural sector. The outcome of these efforts will be incorporated in an agriculture sector strategy that is under preparation, as well as in a broadened strategy for the development of the rural sector.

(c) Private Sector Development

Since 1993, the Government has been taking a variety of measures to spur private investment. These measures include adoption of the Tanzania Investment Act, the privatization of public enterprises, and the establishment of the Tanzania Investment Centre (TIC). Despite these and other measures which have been taken, the response of private investors has fallen below expectation (except in the mining and tourism sectors). Accordingly, the Government has resolved, on its own, to bring forward a number of important reforms that had been programmed under PSAC-I. Among the reforms that will now be implemented before mid-2001 are:

- Restructuring and restaffing of the TIC, to serve as an investment-promotion agency in keeping with its newly developed corporate strategy;
- Preparing the Commercial Court project plan, and establishing an automatic filing and registry system through computerization;
- Submitting the new companies legislation to Parliament for approval; and
- Approving a proposal to relax restrictions on foreign portfolio investment in equities with appropriate safeguards.

In addition, the Government has decided to:

- implement forcefully reforms that will help reduce the excessive cost of utilities (including electricity) to industry; and
- accelerate adoption of key reforms in the National Anti-Corruption Strategy.

## B. Human Capabilities, Survival and Well-being

While the picture in regard to the overall strategy and objectives for improving human capabilities, survival, and well-being is fairly clear, an assessment of required inputs and their costing is still continuing. The Government is

determined to have this outstanding work completed quickly. In this regard, the following tasks will be carried out or launched in the course of FY 2000/2001:

- A national strategy for primary school education by July 2001, together with detailed district plans (including costing of needed inputs) for 50 districts that will be covered under the ongoing school mapping exercise. Guidelines for preparing these district plans will be issued shortly by the Ministry of Education;
- A national agricultural strategy (including costing of key interventions) will be finalized and approved by June 2001, building on a draft strategy that is currently being reviewed;
- Based on the above noted-strategy, the Government will elaborate a broader development strategy for the rural sector, covering all dimensions of poverty reduction and seek to have it completed by December 2001; and
- The Government intends to bring all districts under the Local Government Reform Programme (LGRP), and will develop district-specific poverty reduction plans by the end of FY 2002/2003.

Subject to these caveats, the strategy on the non-income side of the poverty reduction strategy will reflect a number of important considerations. ***First***, the Government is aware that a large proportion of existing service delivery facilities are in poor condition and that the services being provided are of poor quality. Primary emphasis will, therefore, be placed on rehabilitating existing structures and raising the quality of the services being offered. Decisions to construct new facilities will, however, be left mainly to local authorities. ***Second***, although the Government will be seeking to bring externally funded operations within the purview of the budget, a large volume of activities will probably continue to be donor driven and remain outside the budget. Because of this, the Government will involve its development partners in reviewing the sectoral strategies under preparation and the key aspects of the LGRP, with a view to enlisting strong and coherent support for the poverty reduction strategy, thereby ensuring greater consistency of donor programs with government priorities. ***Third***, while the Government, guided by the 2000/01 MTEF and PER exercises, is resolved to bolster budgetary support for key social services, it is almost certain that an effective programme of poverty reduction will, as discussed below, call for "additionality" of resources. The Government is planning to provide a more detailed assessment of finan-

cial requirements for the poverty reduction programme in the context of the budget for FY 2001/2002.

(a) Education

The Government intends to achieve the following specific objectives in the area of education during the three-year period ending 2003:

- Raise gross primary school enrolment to 85 percent;
- Increase the transition rate from primary to secondary school from 15 percent to 21 percent, and reduce the drop-out rate in primary school from 6.6 percent to 3 percent;
- Raise net primary school enrolment from 57 percent to 70 percent;
- Increase the number of students passing Standard VII examination at a reasonably high standard (to be specified) from 20 percent to 50 percent; and
- Expand adult education programmes.

In pursuit of these objectives, special efforts (including teacher upgrading and reallocation, strengthening of inspectorate services, improvement in availability of textbooks, rehabilitation of classrooms, and appropriate modification in the pupil-teacher ratios) will be made to raise educational attainment. The Government will continue to support basic costs in primary education, especially salaries of teachers. Moreover, in a reversal of past policies, it is intended to abolish primary school fees, starting in FY 2001/2002.

(b) Health

In order to raise the productive life of Tanzanians, the Government will place special emphasis on reducing morbidity, improving nutrition, and strengthening access to health services and safe water. The national goal in this regard will be to arrest the decline in life expectancy (owing to the impact of HIV/AIDS), and then raise it to 52 years by the year 2010. In line with this overarching goal, the Government intends to pursue policies and programs, which will:

- Lower infant mortality rate from 99 per 1000 to 85 per 1000 by 2003;
- Reduce under-five mortality from 158 to 127 per 1000 by 2003;
- Lower maternal mortality from 529 per 100,000 to 450 per 100,000 by 2003;
- Reduce malaria-related fatality for under-five children from 12.8 percent to 10 percent by 2003; and
- Raise the proportion of the rural population that has access to safe and clean water from 48.5 percent in 2000 to 55 percent in 2003.

In pursuit of these objectives, the Government is making substantial progress toward the immunization of children under 2 years against measles and DPT. The national objective of raising the percentage of immunized children under 2 years, from 71 percent in 2000 to 85 percent in 2003, should be attained. The Government is also determined to improve the availability of drugs and medical supplies. To this end, revolving funds have now been established in virtually all hospitals in the country. Moreover, special efforts will be made to raise the share of districts with active HIV/AIDS awareness campaigns to 75 percent by 2003, and increase, over the same period, the coverage of births by trained personnel from 50 percent to 80 percent. A number of initiatives that will be developed and costed over the coming months:

- Provision of quality health service, through essential health package delivery;
- Strengthening and reorienting the delivery of secondary and tertiary health services, to ensure more effective support of primary health care;
- Personnel training;
- Promotion and coordination of private sector and civil society activities in the health sector;
- Rehabilitation of malfunctioning water supply schemes, protection of water sources, and some expansion of new schemes (to be determined by local communities);
- Promotion of nutrition education, especially to mothers, and reinforcement of reproductive health and family planning;
- Raising the proportion of the rural population that has access to safe and clean water;
- Promoting HIV/AIDS and public health awareness, including through peer education in schools; and
- Strengthening the program of Integrated Management of Childhood Illness.

(c) Social Well-being

In the past three years, the Government has promoted participatory approaches to the determination of development programs and has opened up the public expenditure review process to the public. Simultaneously, the Government has adopted a program of devolving responsibilities for key services to the local authorities. Given the progress in political liberalization, the fast growing role of the public media, and the increasing dynamism of civil society, the

poor are participating more effectively in shaping development policies. The ongoing Local Government reforms should lend momentum to this encouraging development.

The well-being of the poor is also dependent on personal security afforded by the state. In this regard, the most important factors are personal safety, access to justice, and overall efficiency, fairness, and transparency of the administrative system. Accordingly, the Government intends to take the following steps:

- Speed up settlement of cases in the primary courts by, among other things, reducing the estimated shortage of magistrates (approximately 700) by one half;
- Promote community-based security arrangements; and
- Rehabilitate building and other facilities of the primary courts.

These initiatives, which are expected to be elaborated and costed more carefully over the coming months by the local authorities, will be paralleled by decisive efforts at higher level of Government to strengthen the justice system and governance. Such efforts, the detailed action plans of which are under preparation, will include:

- Speeding up court decisions and raising of the ratio of decided to filed cases from 63 percent to 80 percent by end-2003;
- Reducing the average time taken to settle commercial disputes to 18 months by the end of 2003;
- Raising the ratio of actual Court of Appeal sessions to planned sessions from the current 50 percent to 100 percent by end-2003; and
- Carrying out diagnostic surveys of corruption in the Judiciary; in the Ministries of Works, Education, Health and Home Affairs; in the Attorney General's Office; and in the Tanzania Revenue Authority.

(d) Vulnerability

The Government will give specific attention to vulnerable groups through its own programmes and by enlisting the involvement of its development partners. Local Communities will be expected to play a major role in identifying the needs of vulnerable groups. Specific interventions in this area will include

food-for-work programmes and other initiatives that are implemented under the World Bank supported Tanzania Social Action Fund (TASAF). The Government will also examine other interventions that would be targeted at the most vulnerable groups (orphans and handicapped).

The Government already has in place an early warning system to predict weather-related variations in crop yields. However, in order to increase food security, the Government will seek to reduce dependence on rain-fed agriculture by supporting irrigation schemes in the arid areas, and improving access to food supplies in surplus regions. Related initiatives will also include the development of drought resistant crops and sustained efforts in re-afforestation.

(e) Environment

The poor in Tanzania are heavily dependent on the environment. Specifically, households in Tanzania are heavily dependent on environmental resources for income generation. For example, as much as 50 percent of their cash incomes in some areas derive from the sale of forest products such as charcoal, honey, wild fruits and firewood. There is evidence as well, that the poorest households are the most dependent on woodland resources. Other studies show very high levels of dependency on environmental resources for consumption. The Government intends to find ways of incorporating environmental quality indicators into its poverty monitoring system in a way, which captures these levels of dependency. Future iterations of the PRSP and the MTEF will capture more fully these linkages and help define a more consistent framework for managing activities aimed at protecting the environment.

## V. FINANCING OF THE POVERTY REDUCTION PROGRAMME

### A. Basic Considerations

In assessing the financial resources that will be required for the poverty reduction program, the government had to take into account seven basic considerations. ***First***, pending the completion of the above-noted key tasks (notably in the ministries of Agriculture and Education, and in regard to the LGRP) the estimated financing for the poverty reduction programme will be

kept under review and updated to reflect the impact of more thoroughly costed interventions. ***Second***, while it is certain that the financing of the poverty reduction programme will derive principally from domestic sources, notably the central government budget, an assessment of the revenue impact of ongoing improvement in tax enforcement and administration is fraught with uncertainty. Accordingly, the government has chosen to proceed on the basis of conservative estimate of central government budgetary revenue over the medium term. This underscores the importance, once again, of continuing to review the financing requirements.

***Third***, the financing of the poverty alleviation efforts will, as in the past, depend substantially on external funding, the availability of which could differ from the projected path. Because of this, the government's monetary programme, including government recourse to bank credit, will be managed flexibly, to allow for some compensation in unforeseen shortfall of projected external financing. ***Fourth***, on the basis of insights from the MTEF and PER exercises, it is evident that the poverty reduction programme will be constrained severely by available resources. Because of this, the government has opted for a slight deterioration in the fiscal balance, and will also place special emphasis on the cost-effectiveness of intended poverty reduction initiatives. ***Fifth***, the government will strategically support cost-sharing, co-financing, and other initiatives aimed at catalyzing deeper involvement by communities and other shareholders in well-conceived poverty reduction programmes. ***Sixth***, the government is envisaging that there will be significant changes in the financing modalities for the poverty reduction programme, following the planned devolution of responsibilities to the local government authorities, and the attendant decentralization of public finances. The financial consequences of these prospective institutional changes will be kept under review, and incorporated more explicitly in the budget for FY 2001/2002. ***Finally***, the government, guided by the findings from the stakeholders' workshops, will confine its financial interventions mostly to (i) education (notably at primary school level); (ii) health (primary health care); (iii) agriculture (research and extension); (iv) roads (in the rural areas); (v) water; (vi) judiciary; and (vii) HIV/AIDS.

The deterioration of some key indicators of social well-being between 1989 and 1996 paralleled the decline in budgetary resources allocated to social sectors, particularly those for financing maintenance and operating expenses.

Therefore, it is expected that a boost in budgetary support for these sectors along with improved efficiency in the delivery of public services will enhance access to better quality services for the poor.

### B. Overall Financing Envelope

In line with the macroeconomic framework outlined above, and assuming that the average level of international support (grants and concessional loans) will be maintained at a slightly higher level than that of the preceding years, total budgetary expenditure during FY 2000/2001 - 2002/2003 is expected to increase slightly to about 17 - 18 percent of GDP, compared to 15.5 percent during the preceding four-year period (Appendix Table 2). Domestic revenue will cover nearly 70 percent of the envisaged total expenditure, and external support, including savings from the HIPC debt relief, will finance 30 percent. In this connection, the government is determined to redouble its reform efforts, with a view to meeting all the conditions for the HIPC completion point by mid-2001. The exact level of budgetary expenditure, including the impact of poverty reduction programmes, will reflect, as explained above, a more detailed costing of interventions in key sectors, especially at the local government level. Depending upon the outcome of this exercise, the government may have to modify its monetary program, including planned government recourse to bank credit, subject to the overriding goal of maintaining macroeconomic stability.

### C. Composition of Public Expenditure

The costing of priority interventions has been based partly on the analysis of recurrent cost implications of sector investment programmes, and also reflects inputs from PER and MTEF exercises of previous years, as well as from sector-specific studies carried out in Health, Education, Water and Transportation. More specifically, these technical studies defined "basic units of service" and their estimated costs. Following these technical guidelines, financing requirements were derived for the medium term, subject to the resource envelope. For example, in the case of health, the technical studies indicated that the financing of acceptable levels of health care in Tanzania would cost about US$9 per head. Of the US$9, about 67 percent would cover recurrent expenditures, including salaries (36 percent), drugs and supplies (19 percent) and other charges (11 percent). The remainder, 33 percent,

would cater for development expenditure. However, observance of a per capita expenditure of US$9 would entail a doubling of the present budget allocation for the health sector. Budgetary provision for the sector had, therefore, to be constrained to available resources, implying that the delivery of health services under the present circumstances would fall below acceptable levels in the short term. Likewise, in the case of education, the PER and MTEF studies developed a basic unit of service, which for primary education comprises salary and non-salary items (textbooks, exercise note books, rulers, pens, schoolbags and school supplies). The unit was costed and provided, as in the case of health, as a guideline for estimating required expenditure. In pursuit of the poverty reduction objectives, similar cost assessments will also be attempted for key interventions in other areas. For water anti-corruption and HIV/AIDS, specific actions were identified and costed.

Pending the completion of this detailed work, the government has made a deliberate decision starting in FY 2000/2001, to increase allocations for personnel and other charges, in order to improve key social services for poverty reduction (Table 2 and Chart 1). This decision contrasts sharply with past experience when, following the introduction of the cash budget system, expenditures on "other charges" served as a residual item, to cushion shocks to revenue or statutory payments. Moreover, expenditure allocations for the "core" sectors are expected to increase significantly when compared to allocations for other sectors (Text Table 3). In particular, total allocation for "other charges" for all priority sectors is projected to increase (as a proportion of discretionary expenditure) over the medium term from about 21 percent in FY 2000/2001 to over 22 percent and nearly 26 percent in FY 2001/2002 and FY 2002/2003, respectively. Simultaneously, the allocation for "other charges" for the "core" areas is projected to increase, respectively, from 11.3 percent to 13.4 percent and 16 percent. A more disaggregated picture of budgetary allocations for priority activities is provided in Appendix Table 3.

Text Table 2 : Breakdown of Expenditure Priority Items: FY 1999-00 - 2002-03
(PE=Personal Emoluments; OC=Other Charges)

| | 1999/2000 | | | 2000/01 Budget | | | 2001/02 Proj. | | | 2002/03 Proj. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PE | OC | TOTAL | PE | OC | TOTAL | PE | OC | TOTAL | PE | OC | TOTAL |
| | In Million of Tanzania shillings | | | | | | | | | | | |
| Education | 121704 | 37213 | 158917 | 127789 | 54272 | 182061 | 205402 | 67840 | 275515 | 265870 | 91584 | 357454 |
| Basic Education | 82898 | 13421 | 96319 | 120316 | 20974 | 142424 | 139909 | 27935 | 167844 | 181096 | 36097 | 217193 |
| Health 1/ | 32020 | 21850 | 53870 | 33621 | 32685 | 65970 | 39096 | 40856 | 87970 | 50605 | 55156 | 105761 |
| Primary Health | 15013 | 13768 | 28781 | 21510 | 20804 | 42314 | 25013 | 27708 | 52721 | 32376 | 35804 | 68180 |
| Water | 3229 | 2123 | 5352 | 2111 | 4862 | 5064 | 2455 | 6078 | 6388 | 3177 | 8205 | 11382 |
| Roads | 4325 | 37887 | 42212 | 4541 | 55106 | 50147 | 5279 | 57861 | 52868 | 6835 | 60754 | 67589 |
| Rural Roads | 1237 | 14357 | 15593 | 1851 | 26998 | 28849 | 2152 | 35959 | 38111 | 2786 | 46465 | 49251 |
| Judiciary | 4035 | 3913 | 7947 | 3955 | 5700 | 7855 | 4599 | 7125 | 9793 | 5953 | 9619 | 15572 |
| Agriculture | 8210 | 5475 | 13685 | 3867 | 6331 | 8213 | 4529 | 8164 | 10351 | 5863 | 11022 | 16885 |
| Agr. Res. and Ext. | 6913 | 4753 | 11666 | 2298 | 4595 | 6893 | 2672 | 6121 | 8793 | 3459 | 7909 | 11368 |
| HIV/AIDS 2/ | 0 | 0 | 0 | 0 | 4800 | 4800 | 0 | 6393 | 6393 | 0 | 8261 | 8261 |
| Total Priority Sectors 3/ | 173523 | 108461 | 281984 | 175884 | 163756 | 339640 | 261360 | 194317 | 455677 | 338303 | 244600 | 582903 |
| Total Priority Items 3/ | 113324 | 52335 | 165659 | 152041 | 88734 | 240775 | 176800 | 117318 | 294118 | 228847 | 152360 | 381207 |
| Discretionary recurrent Exp. 4/ | | | 668464 | | | 783059 | | | 783059 | | | 942872 |
| | As a percent of discretionary Recurrent Expenditure 4/ | | | | | | | | | | | |
| Education | 18.2 | 5.6 | 23.8 | 16.3 | 6.9 | 23.2 | 23.5 | 7.8 | 31.5 | 28.1 | 9.7 | 37.8 |
| Basic Education | 12.4 | 2.0 | 14.4 | 15.4 | 2.7 | 18.2 | 16 | 3.2 | 19.2 | 19.1 | 3.8 | 23 |
| Health 1 | 4.8 | 3.3 | 8.1 | 4.3 | 4.2 | 8.4 | 4.5 | 4.7 | 10.1 | 5.4 | 5.8 | 11.2 |
| Primary Health | 2.2 | 2.1 | 4.3 | 2.7 | 2.7 | 5.4 | 2.9 | 3.2 | 6 | 3.4 | 3.8 | 7.2 |
| Total Water | 0.5 | 0.3 | 0.8 | 0.3 | 0.6 | 0.6 | 0.3 | 0.7 | 0.7 | 0.3 | 0.9 | 1.2 |
| Roads | 0.6 | 5.7 | 6.3 | 0.6 | 7 | 6.4 | 0.6 | 6.6 | 6 | 0.7 | 6.4 | 7.1 |
| Rural Roads | 0.2 | 2.1 | 2.3 | 0.2 | 3.4 | 3.7 | 0.2 | 4.1 | 4.4 | 0.3 | 4.9 | 5.2 |
| Judiciary | 0.6 | 0.6 | 1.2 | 0.5 | 0.7 | 1 | 0.5 | 0.8 | 1.1 | 0.6 | 1 | 1.6 |
| Agriculture | 1.2 | 0.8 | 2 | 0.5 | 0.8 | 1 | 0.5 | 0.9 | 1.2 | 0.6 | 1.2 | 1.8 |
| Agr. Res. and Ext. | 1.0 | 0.7 | 1.7 | 0.3 | 0.6 | 0.9 | 0.3 | 0.7 | 1 | 0.4 | 0.8 | 1.2 |
| HIV/AIDS 2/ | 0.0 | 0.0 | 0 | 0 | 0.6 | 0.6 | 0 | 0.7 | 0.7 | 0 | 0.9 | 0.9 |
| Total Priority Sectors 3/ | 26.0 | 16.2 | 42.2 | 22.5 | 20.9 | 43.4 | 29.9 | 22.2 | 52.1 | 35.8 | 25.9 | 61.6 |
| Total Priority Items 3/ | 17.0 | 7.8 | 24.8 | 19.4 | 11.3 | 30.7 | 20.2 | 13.4 | 33.6 | 24.2 | 16.1 | 40.3 |
| Discretionary Rec. Exp.4// | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Ministry of Finance
1/ Includes HIV/AIDS
2/ Expenditure on HIV/AIDS will basically fund awareness campaigns, development of strategic plans for combating HIV/AIDS, preventive measures such as the provision of condoms, and carrying out studies and monitoring/surveillance of the incidence and impact of the pandemic, as well as actions taken to fight it.
3/ That is, basic education, primary health, rural roads, judiciary, agricultural research and extension, and HIV/AIDS.
4/ Discretionary recurrent expenditure is defined as total recurrent expenditure less "contractual" obligations (such as debt service and pensions contributions).

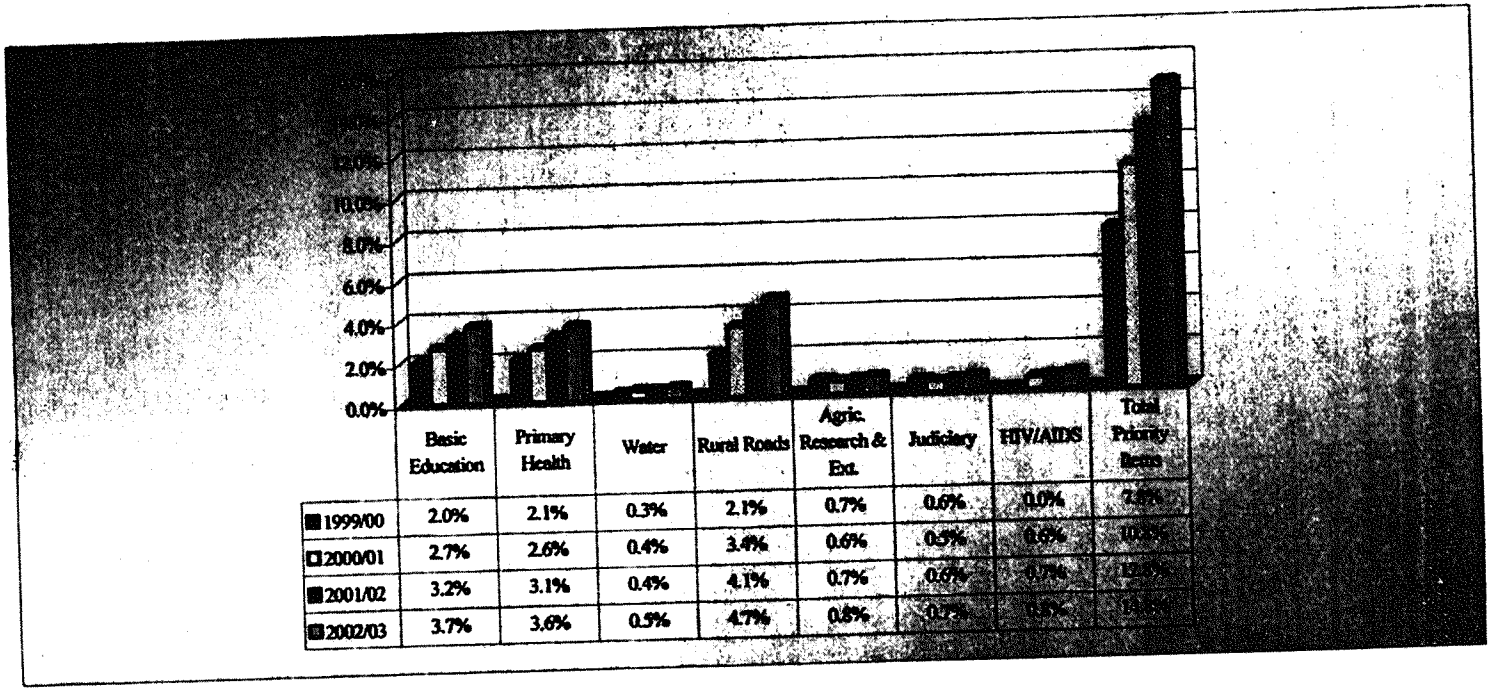
## D. *Specific Poverty Reduction Interventions*

(a) *Abolition of primary school fees*: The government will, as noted above, abolish primary school fees in order to ensure that children, especially from poor families, will have access to primary school education. This measure will be introduced in the context of the FY 2001/2002 budget at an estimated cost of Tsh10 - 12 billion, or one percent of recurrent expenditure.

(b) *Catalyzing communities and other stakeholders:* Local communities at the village, ward, and district levels will continue to play a major role in poverty reduction through self-help schemes to construct classrooms, teachers' houses, health centers, dispensaries, water facilities, and rural roads. Moreover, extra-budgetary interventions by international and other development partners will continue to provide substantial complementary support for poverty reduction. The government intends to provide some financial resources, starting in FY 2001/2002, in order to catalyze "pro-poor" interventions by other stakeholders.

(c) *Employment creation:* The government intends to spend about Tsh.100 million annually, to support demand-driven skill development over the medium term. This effort will also be directed at assisting vulnerable persons.

**Chart 1: Share of OC for the Priority Areas in Total Discretionary Recurrent Expenditures**




| | Basic Education | Primary Health | Water | Rural Roads | Agric. Research & Ext. | Judiciary | HIV/AIDS | Total Priority Items |
|---|---|---|---|---|---|---|---|---|
| 1999/00 | 2.0% | 2.1% | 0.3% | 2.1% | 0.7% | 0.6% | 0.0% | 7.8% |
| 2000/01 | 2.7% | 2.6% | 0.4% | 3.4% | 0.6% | 0.5% | 0.6% | 10.8% |
| 2001/02 | 3.2% | 3.1% | 0.4% | 4.1% | 0.7% | 0.6% | 0.7% | 12.8% |
| 2002/03 | 3.7% | 3.6% | 0.5% | 4.7% | 0.8% | 0.7% | 0.8% | 14.8% |

Text Table 3: Proposed Budgetary Allocation for Priority Sectors, FY 1999/2000-2002/2003
(In millions of Tanzania shillings; OC=other charges)

| | 1999/2000 Preliminary | 2000/2001 Budget | 2001/2002 Projection | 2002/2003 Projection |
|---|---|---|---|---|
| Education | 40,447.17 | 87,808.70 | 103,053.54 | 128,558.21 |
| Recurrent (OC) | | 54,272.00 | 67,840.00 | 91,584.00 |
| Development | | 33,536.70 | 35,213.54 | 36,974.21 |
| Health | 24,724.70 | 75,566.20 | 85,881.51 | 102,432.46 |
| Recurrent (OC) | | 32,685.00 | 40,856.25 | 55,155.94 |
| Development | | 42,881.20 | 45,025.26 | 47,276.52 |
| Water | 4,813.78 | 37,606.00 | 40,458.70 | 44,304.89 |
| Recurrent (OC) | | 4,862.00 | 6,077.50 | 8,204.63 |
| Development | | 32,744.00 | 34,381.20 | 36,100.26 |
| Judiciary | 3,412.65 | 6,100.00 | 7,545.00 | 10,059.75 |
| Recurrent (OC) | | 5,700.00 | 7,125.00 | 9,618.75 |
| Development | | 400.00 | 420.00 | 441.00 |
| Agriculture | 6,059.87 | 33,475.80 | 36,455.87 | 40,727.94 |
| Recurrent (OC) | | 6,531.40 | 8,164.25 | 11,021.74 |
| Development | | 26,944.40 | 28,291.62 | 29,706.20 |
| Roads | 46,955.61 | 86,838.00 | 92,036.66 | 76,816.79 |
| Recurrent (OC) | | 55,106.00 | 57,861.30 | 60,754.37 |
| Development | | 31,732.00 | 34,175.36 | 16,062.42 |
| TOTAL (OC+Developments) | 126,413.78 | 327,394.70 | 365,431.28 | 402,900.03 |

Source: Ministry of Finance

# VI. MONITORING AND EVALUATION OF THE POVERTY REDUCTION STRATEGY[5]

## A. Current and Proposed Indicators

The Vice-President's Office (VPO) will have the overall responsibility for monitoring the implementation and impact of the poverty reduction strategy. The specific institutional mandates in the gathering and analysis of relevant data are identified in Annex III. To these ends, the government will develop plans, to be included in the MTEF for FY2001/2002, to strengthen capacity in the VPO and other concerned institutions.

Monitoring and evaluation (M&E) of the poverty reduction strategy will require indicators or qualitative assessments pitched at different levels.

***First***, M&E will require impact and outcome indicators. Impact indicators will describe progress towards overall poverty eradication objectives, while outcome indicators will refer to results of interventions (inputs) directed at poverty reduction. The government has already coordinated a consultative process to draw up a list of poverty and welfare monitoring indicators (PMI), which contains many of the required impact and outcome indicators. These indicators have been incorporated into the Tanzania Socio-Economic Database (TSED), which contains a wider set of indicators. The impact and outcome indicators identified below therefore draw largely on the PMI and TSED.

***Second***, proxy indicators will be developed to substitute for impact and outcome indicators that are more difficult to measure, or are available only at infrequent intervals.

***Third***, intermediate indicators will be used to provide supplementary information for assessment of progress under the poverty reduction strategy.

***Fourth***, resource allocation for, and expenditure on, priority poverty reduction initiatives will be monitored under the PER and MTEF framework.

---

[1]Additional detailed information on data sources for the monitoring indicators, institutional arrangements, and financial issues is contained in Annex III

***Fifth***, M&E will also seek to assess the extent of participatory involvement by the poor, as well as other shareholders, in subsequent revisions of the PRSP and in the implementation, monitoring and evaluation of related programmes and projects.

***Sixth***, M&E, supported by well-targeted research, will assess the impact on the poor of policies that transcend the immediate agenda of the poverty reduction strategy.

***Seventh***, A set of gender-oriented indicators, will be developed as an integral part of the M&E.

***Finally***, given financial and technical constraints, the M&E system will be limited to "core" strategic indicators that can be used readily by policy makers and other stakeholders. Moreover, a special effort will be made to include indicators with at least two observations during the three-year horizon of the poverty reduction strategy.

## B. Indicators of Income Poverty

(a) *Impact and outcome indicators:*

- Food poverty line (for urban and rural areas);
- Basic needs poverty line (for urban and rural areas);

(b) *Proxy indicators*

- Ownership of "standard" consumer assets (could include items in the HBS, preferably those which are owned by most households);
- Use of modern building materials in the construction of dwelling units (in particular, for floors, walls, and roofing).

(c) *Intermediate indicators (available annually or at shorter intervals)*

- Overall real GDP growth;
- Growth in value-added of agriculture;
- Seasonal production of key food and cash crops; and
- Kilometers of rehabilitated rural roads.

## C. Indicators of Quality of Life and Social Well-Being

(a) *Survival*

- Infant and under-five mortality rates (by sex and for rural and urban areas);
- Percentage of children fully immunized by their first birthday (by sex and for rural and urban areas); and
- Proportion of districts with active HIV/AIDS awareness campaigns (as intermediate indicator).

(b) *Human capabilities (by sex and for rural and urban regions)*

- Net enrolment rate for primary education;
- Net primary school intake rate;
- The enrolment rate in grade seven; and
- Passing rate in grade seven.

## D. Water and Sanitation

- Proportion of households with access to safe drinking water (in rural and urban areas).

## E. Macroeconomic Stability

- Rate of inflation;
- Gross official international reserves;
- Movement in the exchange rate; and
- Fiscal balance;

## F. Social Safety Nets

- It is intended to establish databases on vulnerable groups at local and central levels of government administration.

## G. Governance

- Quarterly data on, or assessment of, progress toward achievement of the objectives listed above for the judiciary.

## H. Resource Allocation

- Actual, budgetary allocation for basic education, primary health care, water and sanitation, rural roads, agriculture extension and HIV/AIDS (to be monitored semi-annually).

## I. Indicators of participatory monitoring

- Dissemination of implementation reports
- Consultative workshops;
- Attendance at workshops; and
- Inputs received from civil society.

**Table 1: Regional and Welfare Ranking**

| Regional [6]/ | Food Security | Unemployment | GDP per capita | Female illiterate Rate | Gross Enrollment (prim. School) | Health Status[7]/ | Health services[8]/ | Nutrition level[9] |
|---|---|---|---|---|---|---|---|---|
| 1. Dodoma | 3 | 18 | 3 | 7 | 6 | 2 | 11 | 10 |
| 2. Kagera | 10 | 15 | 1 | 11 | 4 | 1 | 5 | 3 |
| 3. Lindi | 5 | 6 | 10 | 8 | 2 | 4 | 18 | 6 |
| 4. Kigoma | 6 | 4 | 2 | 4 | 4 | 10 | 9 | 15 |
| 5. Coast | 4 | 5 | 7 | 3 | 9 | 9 | 13 | 11 |
| 6. Morogoro | 2 | 8 | 8 | 14 | 14 | 7 | 13 | 7 |
| 7. Mara | 7 | 9 | 6 | 15 | 18 | 3 | 7 | 2 |
| 8. Tanga | 1 | 3 | 5 | 16 | 12 | 13 | 13 | 17 |
| 9. Mtwara | 9 | 11 | 9 | 8 | 13 | 8 | 12 | 9 |
| 10. Rukwa | 18 | 14 | 19 | 5 | 3 | 5 | 2 | 5 |
| 11. Arusha | 8 | 7 | 18 | 11 | 7 | 17 | 2 | 14 |
| 12. Mwanza | 14 | 18 | 14 | 6 | 10 | 10 | 9 | 8 |
| 13. Iringa | 11 | 20 | 17 | 17 | 17 | 5 | 13 | 1 |
| 14. Mbeya | 15 | 12 | 11 | 13 | 15 | 10 | 7 | 12 |
| 15. Shinyanga | 16 | 13 | 15 | 1 | 7 | 16 | 1 | 18 |
| 16. Tabora | 17 | 17 | 12 | 2 | 1 | 18 | 4 | 19 |
| 17. Singida | 12 | 19 | 13 | 10 | 10 | 19 | 5 | 12 |
| 18. Kilimanjaro | 13 | 2 | 4 | 20 | 20 | 20 | 20 | 16 |
| 19. Ruvuma | 19 | 10 | 16 | 18 | 15 | 15 | 19 | 3 |
| 20. DSM | 20 | 1 | 20 | 19 | 19 | 13 | 13 | 20 |

Source: Poverty and Welfare Monitoring Indicators, Vice President's Office, Dar es Salaam – November, 1999

[6]/ Rank"1" Implies most deprived region and "20" least deprived region.
[7]/ Weighted average ranking for infant mortality rate, life expectancy and crude death rate
[8]/ Average weight and ranking for population per health facility and population per hospital bed
[9]/ Average weighted rate for population per health facility and population per hospital bed

Table 2. Tanzania: Central Government Operations, 1996/97–2002/03 1/

| | 1996/97 | 1997/98 | 1998/99 | 1999/2000 | | 2000/01 | | 2001/02 | 2002/03 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Prog. 2/ | Rev. Prog. | Prog. 2/ | Rev. Prog. | Proj. | Proj. |
| Total revenue | 572.1 | 619.1 | 689.5 | 777.6 | 768.7 | 869.2 | 861.4 | 982.8 | 1108.1 |
| Tax revenue | 514.6 | 566.1 | 616.5 | 711.3 | 687.6 | 795.6 | 772.6 | 884.1 | 999.5 |
| Taxes on imports | 174.2 | 180.7 | 218.9 | 233.8 | 216.8 | 253.3 | 325.0 | 374.0 | 415.4 |
| Sales and excise taxes on local goods | 141.7 | 140.5 | 161.3 | 179.9 | 180.1 | 199.2 | 194.6 | 224.1 | 260.4 |
| Income taxes | 134.2 | 149.8 | 162.9 | 212.6 | 201.3 | 252.7 | 167.9 | 194.1 | 224.3 |
| Other taxes | 64.5 | 90.4 | 73.4 | 85.0 | 89.4 | 90.4 | 85.1 | 91.8 | 99.4 |
| Nontax revenue | 57.5 | 53.0 | 73.0 | 66.3 | 81.1 | 73.6 | 88.8 | 98.7 | 108.6 |
| Total expenditure and net lending | 638.4 | 765.1 | 898.8 | 1078.1 | 1,161.8 | 1,207.7 | 1,256.1 | 1,443.0 | 1,542.2 |
| Recurrent expenditure | 528.1 | 567.7 | 657.3 | 811.4 | 830.4 | 911.8 | 942.6 | 1,053.2 | 1,129.6 |
| Wages and salaries | 199.2 | 218.8 | 220.5 | 287.3 | 287.3 | 315.0 | 315.9 | 356.8 | 396.5 |
| Interest payments | 110.8 | 115.9 | 95.9 | 106.4 | 109.9 | 106.9 | 111.3 | 110.6 | 111.2 |
| Domestic | 73.5 | 50.6 | 38.2 | 70.0 | 73.7 | 57.0 | 75.0 | 72.8 | 70.6 |
| Foreign | 37.3 | 65.3 | 57.7 | 36.4 | 36.2 | 49.9 | 36.3 | 37.8 | 40.6 |
| Other goods and services and transfers | 218.1 | 233.0 | 340.9 | 417.7 | 433.2 | 489.9 | 515.4 | 585.8 | 621.9 |
| *Of which*: priority sector spending | n/a | 64.9 | 96.2 | 100.2 | 99.0 | 132.8 | 142.3 | 172.8 | 219.3 |
| Net lending | ... | ... | -6.4 | ... | ... | ... | ... | ... | ... |
| Development expenditure 3/ | 110.3 | 197.4 | 247.9 | 266.7 | 331.5 | 295.9 | 313.5 | 389.8 | 412.6 |
| *Of which*: expenditure financed domestically | ... | ... | 18.8 | 23.4 | 23.4 | 40.6 | 38.0 | 93.1 | 100.2 |
| Overall balance before grants (checks issued) | -66.4 | -146.0 | -209.3 | -300.5 | -393.1 | -338.5 | -394.7 | -460.3 | -434.1 |
| Grants | 152.4 | 156.4 | 240.4 | 269.1 | 278.0 | 292.1 | 366.6 | 379.3 | 394.9 |
| Program | 75.0 | 38.3 | 74.6 | 118.7 | 116.4 | 136.1 | 124.3 | 113.9 | 116.1 |
| Project | 77.4 | 118.1 | 165.8 | 150.4 | 150.4 | 155.7 | 195.9 | 212.2 | 221.1 |
| HIPC Initiative interim relief (IMF and World Bank) | | | ... | ... | 11.2 | ... | 46.1 | 53.2 | 57.7 |
| Overall balance after grants (checks issued) | 86.0 | 10.4 | 31.1 | -31.4 | -115.1 | -46.4 | -28.4 | -81.0 | -39.2 |
| Adjustment to cash and other items (net) 4/ | -7.1 | -1.3 | -13.1 | ... | ... | ... | ... | ... | ... |
| Overall balance (checks cleared) | 78.9 | 9.1 | 18.0 | -31.4 | -115.1 | -46.4 | -28.4 | -81.0 | -39.2 |
| Cost of bank recapitalization 5/ | ... | ... | 69.8 | 60.3 | 100.8 | ... | ... | ... | ... |
| Augmented overall balance (checks cleared) | 78.9 | 9.1 | -51.8 | -91.7 | -215.9 | -46.4 | 28.4 | -81.0 | -39.2 |
| Financing | -78.9 | -9.1 | 51.8 | 91.7 | 215.9 | 46.4 | 28.4 | 81.0 | 39.2 |
| Foreign (net) | -20.2 | 50.0 | 27.0 | 55.7 | 121.0 | 66.4 | 27.7 | 106.6 | 83.1 |
| Foreign loans | 34.0 | 106.1 | 98.3 | 147.1 | 211.9 | 174.1 | 152.0 | 200.7 | 166.9 |
| Program loans | 21.4 | 65.8 | 35.0 | 54.3 | 54.3 | 74.4 | 72.4 | 116.1 | 75.5 |

| | 1996/97 | 1997/98 | 1998/99 | 1999/2000 | | 2000/01 | | 2001/02 | 2002/03 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Prog. 2/ | Rev. Prog. | Prog. 2/ | Rev. Prog. | Proj. | Proj. |
| Development project loans | 12.6 | 40.3 | 63.3 | 92.8 | 157.6 | 99.7 | 79.6 | 84.6 | 91.4 |
| Amortization | -54.2 | -56.1 | -71.3 | -91.4 | -90.9 | -107.7 | -124.3 | -94.1 | -83.8 |
| Domestic (net) | -31.5 | -22.1 | -10.0 | -8.0 | ... | ... | ... | ... | ... |
| Bank | -18.4 | -47.9 | -1.9 | -9.4 | -1.4 | ... | ... | ... | ... |
| Nonbank | -13.1 | 25.8 | -8.1 | 1.4 | 1.4 | ... | ... | ... | ... |
| Bank recapitalization 5/ | ... | ... | 69.8 | 60.3 | 88.8 | ... | ... | ... | ... |
| Privatization | 12.7 | 6.5 | 11.5 | ... | 12.0 | ... | 15.0 | ... | ... |
| Change in arrears 6/ | -39.9 | -43.5 | -46.5 | -16.4 | -5.9 | ... | -14.3 | ... | ... |
| Planning reserve 7/ | ... | ... | ... | ... | ... | -20.2 | 0.0 | -25.6 | -43.8 |
| Memorandum items: | | | | | | | | | |
| Primary balance (after grants; checks issued) | 44.4 | -30.1 | 127.0 | 75.0 | -5.2 | 60.6 | 82.9 | 29.6 | 71.9 |
| Overall balance before grants, excluding Foreign-financed development expenditure | | | 19.8 | -57.2 | -85.1 | -83.1 | -119.2 | -163.5 | -121.7 |
| Overall balance after grants and grant element | 110.3 | 86.2 | 101.4 | 73.8 | 36.4 | 38.8 | 80.3 | 62.5 | 80.1 |
| | 0.0 | 27.3 | 15.8 | | -87.9 | | -87.9 | -86.9 | -85.9 |

1/ Fiscal years run from July to June. Pending the completion of thorough estimates, the figures do not include the impact of abolishing primary school fees

And certain special initiative for employment creation and catalyzation of extra-budgetary support for the poverty reduction programmes.

3/ Includes fees, charges, and operating margins collected by the Tanzania Revenue Authority and disbursed to Tanzanian-Italian Petroleum Refinery (TIPER) to

Cover operating costs. In 1998/99, the subsidy to TIPER includes T Sh 5 billion as a special subsidy. In 1999/2000, all subsidies to the petroleum sector

Are included.

4/ Includes contingency as net expenditures.

5/ Development expenditure is on a checks-issued basis. Beginning in 1997/98, a broader coverage of in-kind project expenditures financed by

External grants and loans is included; the increased coverage represents a break in the series of a magnitude of about 1 percent of GDP.

6/ Difference between the overall deficit on a checks-issued basis and the total financing, which reflects expenditure based on checks cleared by the Bank of

Tanzania (BoT). This difference is due to the change in the check float at the end of the fiscal year and unrecorded revenue or expenditure.

7/ Consisting of bonds issued to the National Microfinance Bank and the conversion into bonds of interest arrears owed to the BoT. For program-monitoring

Purposes, such bonds are excluded from domestic financing.

8/ Clearance of arrears on utility and suppliers' credit.

**Table 3: DISAGGREGATION OF PRIORITY ITEMS WITHIN PRIORITY SECTORS: FY00 – FYO3 (in millions Tshs.)**

| VOTE | SUBVOTE | ITEM | DESCRIPTION | FY00 Prel. Actual | | | FY01 Budget est. | | | FY02 Proj. | | | FY03 Proj. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | P.E. | O.C. | TOTAL | P.E. | O.C. | TOTAL | P.E. | O.C. | TOTAL | P.E. | O.C. | TOTAL |
| **1. BASIC EDUCATION:** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 79607 | 11107 | 90714 | 114865 | 17429 | 132294 | 133570 | 23214 | 156784 | 172891 | 29996 | 202887 |
| 70-89 | 204 | 2012 | Examination expenses in the RAS budget | 92 | 556 | 648 | 0 | 670 | 670 | 0 | 892 | 892 | 0 | 1153 | 1153 |
| 46 | 301 | all | MoEC - Basic Educ Subvote O.C. | 58 | 10 | 68 | 79 | 23 | 102 | 92 | 31 | 123 | 119 | 40 | 159 |
| 46 | 501 | all | MoEC - Teacher Educ Subvote O.C. | 1891 | 861 | 2752 | 2595 | 995 | 3590 | 3018 | 1325 | 4343 | 3906 | 1712 | 5618 |
| 46 | 202 | all | MoEC - 75% of Inspectorate Subvote O.C | 542 | 241 | 783 | 821 | 516 | 1337 | 954 | 688 | 1642 | 1235 | 888 | 2123 |
| 46 | 201 | 30630 | Subvention to Institute of Adult Education | 414 | 3 | 417 | 634 | 31 | 665 | 737 | 41 | 778 | 954 | 53 | 1007 |
| 46 | 101 | 30625 | Subvention to Nat. Examination Council | 242 | 529 | 771 | 581 | 707 | 1288 | 676 | 941 | 1617 | 875 | 1216 | 2091 |
| 67 | all | all | 75% of TSC O.C. | 52 | 114 | 166 | 742 | 603 | 1345 | 863 | 804 | 1667 | 1116 | 1038 | 2154 |
| **Sub-Total Basic Education** | | | | 82898 | 13421 | 96319 | 120316 | 20974 | 141290 | 139909 | 27935 | 167844 | 181096 | 36097 | 217193 |
| **2. PRIMARY HEALTH:** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 14504 | 2628 | 17132 | 21153 | 7959 | 29112 | 24598 | 10600 | 35198 | 31839 | 13698 | 45537 |
| 52 | 201 | 1709 | Local Authorities drugs allocation (kits) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | Budgeted under MoH | 0 | 6600 | 6600 | 0 | 7357 | 7357 | 0 | 9798 | 9798 | 0 | 12661 | 12661 |
| 52 | 301 | all | MoH Preventive Subvote O.C. | 312 | 3637 | 3949 | 216 | 5388 | 5604 | 251 | 7176 | 7427 | 325 | 9273 | 9598 |
| 70-89 | 302 | all | Regions Preventive Subvote O.C. | 198 | 903 | 1101 | 140 | 100 | 240 | 163 | 133 | 296 | 211 | 172 | 383 |
| **Sub-Total Primary Health** | | | | 15013 | 13768 | 28781 | 21510 | 20804 | 42314 | 25013 | 27708 | 52721 | 32376 | 35804 | 68180 |
| **3. WATER** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 1408 | 1065 | 2473 | 1669 | 3374 | 5043 | 1941 | 4218 | 6159 | 2513 | 5693 | 8206 |
| 49 | 401 | all | MoWater O.C. | 1802 | 1002 | 2804 | 442 | 875 | 1317 | 514 | 1093 | 1607 | 665 | 1476 | 2141 |
| 70-89 | 204 | 1803/1818 | Regions O.C. items | 18 | 57 | 75 | 0 | 614 | 614 | 0 | 767 | 767 | 0 | 1035 | 1035 |
| **Total Water** | | | | 3229 | 2123 | 5352 | 2111 | 4862 | 6973 | 2455 | 6078 | 8533 | 3177 | 8205 | 11382 |
| **4. RURAL ROADS** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 880 | 361 | 1241 | 1406 | 1177 | 2583 | 1636 | 1568 | 3204 | 2117 | 2026 | 4143 |
| 56 | 202 | 2301 | Road Fund budgeted for Districts | 0 | 13989 | 13989 | 0 | 15252 | 15252 | 0 | 20314 | 20314 | 0 | 26249 | 26249 |
| 47 | 701 | all | MoW -Rural Roads Subvote O.C | 356 | 7 | 363 | 444 | 10570 | 11014 | 517 | 14077 | 14594 | 669 | 18191 | 18860 |
| **Total Rural Roads** | | | | 1237 | 14357 | 15594 | 1851 | 26998 | 28849 | 2152 | 35959 | 38111 | 2786 | 46465 | 49251 |
| **5. JUDICIARY** | | | | | | | | | | | | | | | |
| 40 | all | all | **All O.C. under Judiciary Department** | 4035 | 3913 | 7948 | 3955 | 5700 | 9655 | 4599 | 7125 | 11724 | 5953 | 9619 | 15572 |
| **6. AGRICULTURE RESEARCH AND EXTENSION** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 0 | 0 | 0 | 0 | 977 | 977 | 0 | 1302 | 1302 | 0 | 1682 | 1682 |
| 43 | 301 | all | MoA - Research Development Subvote O.C | 654 | 775 | 1429 | 637 | 388 | 1025 | 740 | 516 | 1256 | 958 | 667 | 1625 |
| 43 | 201 | all | MoA - Crops Development Subvote O.C. | 3351 | 1962 | 5313 | 985 | 833 | 1818 | 1146 | 1110 | 2256 | 1483 | 1434 | 2917 |
| 43 | 401 | all | MoA - Cooperative Development Subvote O.C | 402 | 1330 | 1732 | 108 | 2060 | 2168 | 126 | 2744 | 2870 | 163 | 3545 | 3708 |
| 43 | 601 | all | MoA - Livestock Development Subvote O.C | 2506 | 687 | 3193 | 568 | 337 | 905 | 660 | 449 | 1109 | 855 | 580 | 1435 |
| **Total Agriculture Research and Extension** | | | | 6913 | 4753 | 11666 | 2298 | 4595 | 6893 | 2672 | 6121 | 8793 | 3459 | 7909 | 11368 |
| **7. HIV/AIDS*** | | | | 0 | 0 | 0 | 0 | 4800 | 4800 | 0 | 6393 | 6393 | 0 | 8261 | 8261 |
| **Total Priority Sectors** | | | | 113324 | 52335 | 165659 | 152041 | 88734 | 240775 | 176800 | 117318 | 294118 | 228847 | 152360 | 381207 |
| **% Share of Total Recurrent Budget (excl. CFS)** | | | | 17.0% | 7.8% | 24.8% | 19.4% | 11.3% | 30.5% | 20.2% | 13.4% | 33.2% | 24.2% | 16.1% | 40.3% |

- Expenditure on HIV/AIDS will basically fund awareness campaigns, development of strategic plans for combating HIV/AIDS, preventive measures such as the provision of condoms, and carrying out studies and monitoring/surveillance of the incidence and impact of the pandemic as well as actions taken to fight it.

Source: Ministry of Finance

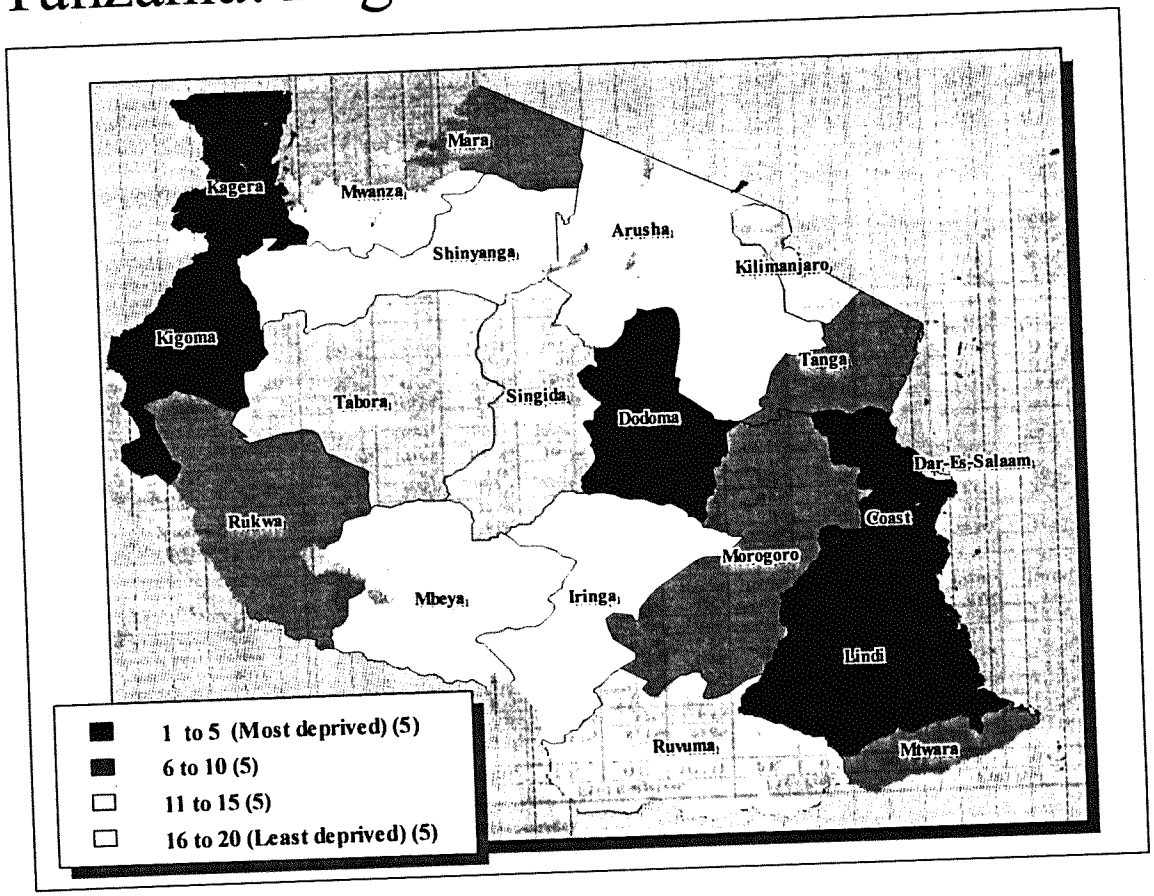
**Table 3: DISAGGREGATION OF PRIORITY ITEMS WITHIN PRIORITY SECTORS: FY00 – FYO3 (in percentage)**

| VOTE | SUBVOTE | ITEM | DESCRIPTION | FY00 Prel. Actual | | | FY01 Budget est. | | | FY02 Proj. | | | FY03 Proj. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | P.E. | O.C. | TOTAL | P.E. | O.C. | TOTAL | P.E. | O.C. | TOTAL | P.E. | O.C. | TOTAL |
| **1. BASIC EDUCATION:** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 96.0% | 82.8% | 94.2% | 95.5% | 83.1% | 93.6% | 95.5% | 83.1% | 93.4% | 95.5% | 83.1% | 93.4% |
| 70-89 | 204 | 2012 | Examination expenses in the RAS budget | 0.1% | 4.1% | 0.7% | 0.0% | 3.2% | 0.5% | 0.0% | 3.2% | 0.5% | 0.0% | 3.2% | 0.5% |
| 46 | 301 | all | MoEC - Basic Educ.Subvote O.C. | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| 46 | 501 | all | MoEC - Teacher Educ.Subvote O.C. | 2.3% | 6.4% | 2.9% | 2.2% | 4.7% | 2.5% | 2.2% | 4.7% | 2.6% | 2.2% | 4.7% | 2.6% |
| 46 | 202 | all | MoEC - 75% of Inspectorate Subvote O.C. | 0.7% | 1.8% | 0.8% | 0.7% | 2.5% | 0.9% | 0.7% | 2.5% | 1.0% | 0.7% | 2.5% | 1.0% |
| 46 | 201 | 30630 | Subvention to Institute of Adult Education | 0.5% | 0.0% | 0.4% | 0.5% | 0.1% | 0.5% | 0.5% | 0.1% | 0.5% | 0.5% | 0.1% | 0.5% |
| 46 | 101 | 30625 | Subvention to Nat. Examination Council | 0.3% | 3.9% | 0.8% | 0.5% | 3.4% | 0.9% | 0.5% | 3.4% | 1.0% | 0.5% | 3.4% | 1.0% |
| 67 | all | all | 75% of TSC O.C. | 0.1% | 0.8% | 0.2% | 0.6% | 2.9% | 1.0% | 0.6% | 2.9% | 1.0% | 0.6% | 2.9% | 1.0% |
| **Sub-Total Basic Education** | | | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **2. PRIMARY HEALTH:** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 96.6% | 19.1% | 59.5% | 98.3% | 38.3% | 68.8% | 98.3% | 38.3% | 66.8% | 98.3% | 38.3% | 66.8% |
| 52 | 201 | 1709 | Local Authorities drugs allocation (kits) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | | | Budgeted under MoH | 0.0% | 47.9% | 22.9% | 0.0% | 35.4% | 17.4% | 0.0% | 35.4% | 18.6% | 0.0% | 35.4% | 18.6% |
| 52 | 301 | all | MoH Preventive Subvote O.C. | 2.1% | 26.4% | 13.7% | 1.0% | 25.9% | 13.2% | 1.0% | 25.9% | 14.1% | 1.0% | 25.9% | 14.1% |
| 70-89 | 302 | all | Regions Preventive Subvote O.C. | 1.3% | 6.6% | 3.8% | 0.7% | 0.5% | 0.6% | 0.7% | 0.5% | 0.6% | 0.7% | 0.5% | 0.6% |
| **Sub-Total Primary Health** | | | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **3. WATER** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 43.6% | 50.2% | 46.2% | 79.1% | 69.4% | 72.3% | 79.1% | 69.4% | 72.2% | 79.1% | 69.4% | 72.1% |
| 49 | 401 | all | MoWater O.C. | 55.8% | 47.2% | 52.4% | 20.9% | 18.0% | 18.9% | 20.9% | 18.0% | 18.8% | 20.9% | 18.0% | 18.8% |
| 70-89 | 204 | 1803/1818 | Regions O.C. items | 0.6% | 2.7% | 1.4% | 0.0% | 12.6% | 8.8% | 0.0% | 12.6% | 9.0% | 0.0% | 12.6% | 9.1% |
| **Total Water** | | | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **4. RURAL ROADS** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 71.1% | 2.5% | 8.0% | 76.0% | 4.4% | 9.0% | 76.0% | 4.4% | 8.4% | 76.0% | 4.4% | 8.4% |
| 56 | 202 | 2301 | Road Fund budgeted for Districts | 0.0% | 97.4% | 89.7% | 0.0% | 56.5% | 52.9% | 0.0% | 56.5% | 53.3% | 0.0% | 56.5% | 53.3% |
| 47 | 701 | all | MoW -Rural Roads Subvote O.C. | 28.8% | 0.0% | 2.3% | 24.0% | 39.2% | 38.2% | 24.0% | 39.1% | 38.3% | 24.0% | 39.1% | 38.3% |
| **Total Rural Roads** | | | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **5. JUDICIARY** | | | | | | | | | | | | | | | |
| **40** | **all** | **all** | **All O.C. under Judiciary Department** | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **6. AGRICULTURE RESEARCH AND EXTENSION** | | | | | | | | | | | | | | | |
| 70-89 | 101** | all | O.C.Subvention to Local Authorities | 0.0% | 0.0% | 0.0% | 0.0% | 21.3% | 14.2% | 0.0% | 21.3% | 14.8% | 0.0% | 21.3% | 14.8% |
| 43 | 301 | all | MoA - Research Development Subvote O.C. | 9.5% | 16.3% | 12.2% | 27.7% | 8.4% | 14.9% | 27.7% | 8.4% | 14.3% | 27.7% | 8.4% | 14.3% |
| 43 | 201 | all | MoA - Crops Development Subvote O.C. | 48.5% | 41.3% | 45.5% | 42.9% | 18.1% | 26.4% | 42.9% | 18.1% | 25.7% | 42.9% | 18.1% | 25.7% |
| 43 | 401 | all | MoA - Cooperative Development Subvote O.C. | 5.8% | 28.0% | 14.8% | 4.7% | 44.8% | 31.5% | 4.7% | 44.8% | 32.6% | 4.7% | 44.8% | 32.6% |
| 43 | 601 | all | MoA - Livestock Development Subvote O.C. | 36.3% | 14.5% | 27.4% | 24.7% | 7.3% | 13.1% | 24.7% | 7.3% | 12.6% | 24.7% | 7.3% | 12.6% |
| **Total Agriculture Research and Extension** | | | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **7. HIV/AIDS*** | | | | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% |

* Expenditure on HIV/AIDS will basically fund awareness campaigns, development of strategic plans for combating HIV/AIDS, preventive measures such as the provision of condoms, and carrying out studies and monitoring/surveillance of the incidence and impact of the pandemic as well as actions taken to fight it.

Source: Ministry of Finance

# Tanzania: Regional Variation in Poverty



## The Participatory Process for the PRSP

### *(i) Policy and Technical Coordination of the PRSP Work*

In October 1999, a Committee of twelve Ministers and the Governor of the Bank of Tanzania was formed to steer the process of preparing the PRSP. This Committee was supported by a Technical Committee comprising officials from the Vice President's Office, Prime Minister's Office, Planning Commission, Ministry of Finance, Education, Health, Works, Community Development, Local Government, Agriculture, Water, Energy and Minerals, Labour and Youth Development and the Bank of Tanzania and was coordinated by the Ministry of Finance. The process of preparing the PRSP was coordinated by the Vice President's Office. The Technical Committee was specifically asked to prepare the interim and final PRSP and organize the Zonal PRSP, and National Workshops.

### *(ii) Interim PRSP*

The interim PRSP was prepared by the Technical Committee in early January 2000; discussed at a consultative technical meeting, including Government representatives and stakeholders from the donor community and civil society; and reviewed and approved the Cabinet in early February 2000.

### *(iii) The Zonal Workshops*

In preparation for the Zonal Workshops, the Technical Committee secured expert assistance to draft a Reference Document which outlined, among other things, objectives of the workshops; issues to guide the discussion; composition and numbers of participants; and methodology to be used in conducting the workshops.

The Zonal Workshops, which were mainly aimed at soliciting views from the grassroots stakeholders, were conducted concurrently during May 11-12, 2000 in seven zones covering all regions in Mainland Tanzania. The zones include: Lake Zone (Mwanza, Mara and Kagera); Western Zone (Kigoma, Shinyanga and Tabora); Northern Zone (Arusha, Kilimanjaro and Tanga); Central Zone

(Dodoma and Singida); Southern Highlands Zone (Mbeya, Ruvuma, Rukwa and Iringa); Southern Zone (Mtwara, and Lindi); and Eastern Zone (Dar es Salaam, Morogoro and Coast).

Each district was represented by 4 villagers (sampled randomly from two villages), one district councilor, one town councilor, and one district executive director (DED). For every zonal workshop, civil society was represented by five NGOs (with one person each).

In total, 804 participants attended the workshops, comprising of 426 villagers, 215 councilors, 110 District Executive Directors (DED) and 53 persons from NGOs. Of the participants, 180 (or 22 percent) were women. The workshops were conducted through working groups, follbwed by plenary presentations. To ensure active participation, villagers were grouped according to region and gender, councilors by region; DEDs by region; and NGOs by zone. Among the issues discussed by each group were: definition of poverty, causes of poverty, characteristics of poverty, indicators for poverty, identification of priority areas for poverty reduction and actions required.

Generally, the zonal workshops were successful in highlighting the views and reactions of grassroots participants, particularly women. The report on each zonal workshop was presented to the Technical Committee on May 16, 2000.

In summary, participants in all zones identified education as the top priority area for poverty reduction, followed by agriculture, health, roads, and water. The following were identified as constraints in the effort to reduce poverty: "poor governance", cultural factors, illiteracy, poor condition of rural roads and marketing system for agricultural produce, unavailability of inputs and implements, and inadequate (and poor) extension services.

*(iv) Consultative Group (CG) meeting May 22, 2000*

At the CG meeting, which took place in Dar es Salaam, the Government reported on progress toward the preparation of the PRSP, including the outcome of the Zonal Workshops.

*(v) Preparation of the Initial Draft of the PRSP*

The initial draft of the PRSP was prepared by a team of experts from key ministries using the results of consultations with the stakeholders and back-

ground papers such as Tanzania Development Vision 2025 (1998); Tanzania Assistance Strategy (TAS), National Poverty Eradication Strategy (1997); National External Debt Strategy (1998); and Public Expenditure Review (PER). Specific studies on education, health agriculture, rural development, environment, employment, HIV/AIDS, land reform, institutional reform, and governance also provided useful background information.

*(vi) Consultation with Donor Community*

The Government convened a consultative meeting with Donor community on June 30, 2000 to seek comments of the Donor community on the PRSP process and the draft PRSP. A joint World Bank/IMF Mission also attended the meeting.

*(vii) Consultation with Members of Parliament*

On July 1, 2000, the parliamentarians were briefed on the concerns and priorities identified at the Zonal Workshops. This background information gave the parliamentarians an opportunity to indicate their concerns and priorities regarding poverty reduction efforts.

*(viii) National Workshop on the PRSP*

A national workshop with 25 participants, was held on August 3-4, 2000. Among the participants were Permanent Secretaries, Regional Commissioners, representatives of the donor community, the multilateral institutions, private sector organizations, non-Governmental organizations, the public media, and informal sector representative. The major objective of this workshop was to seek further reactions to the targets, priorities and actions as outlined in the draft PRSP.

*(ix) Retreat Workshop for Regional Administrative Secretaries (RAS)*

The draft PRSP was also presented to RAS during their retreat workshop held at Lobo in Serengeti on August 3-4, 2000 for further discussions.

(x) *Presentation of PRSP to the Cabinet*

A revised draft PRSP was presented to the Cabinet for review and approval on August 31, 2000.

ANNEX II

## LOGICAL FRAME FOR THE TANZANIA PRSP

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| **I. Reduced Income Poverty** | **Long Term** | **Medium Term** | | |
| **(i) Breadth – proportion of population below PL** | Reduced the proportion of the population below PL by half (from 48% to 24%) by 2010.<br><br>Reduced proportion of the rural poor by half (from 57% to 29%) by 2010<br><br>Reduced proportion of food poor by half (from 27% to 14%) by 2010. | Reduced the proportion of the population below PL from 48% to 42% by 2003.<br><br>Reduced proportion of rural poor by 7.5% points by 2003.<br><br>Reduced proportion of food poor by 3.5% points by 2003 | Overall GDP growth of 6%.<br><br>Expanded Investment (Physical & Human)<br><br>Improved Investment Productivity<br><br>Growth of agriculture by at least 5% by 2003.<br><br>Developed Private Sector Strategy by 2003. | Maintain macro stability.<br><br>Improve rural roads and other infrastructure services (water, power, telecoms, etc.).<br><br>Develop micro finance facilities<br><br>Improve investment climate in line with the PSD programme:<br>- A growing strong and diversified private sector.<br>- Reduce the costs of doing business.<br>- An efficient and effective legal system.<br><br>Prepare and adopt Private Sector Development Strategy to ensure coordination between Government and Donor initiatives.<br><br>Improve access to agriculture research and extension.<br><br>Facilitate access to micro-finance/agricultural credit.<br><br>Promote rural finance, improve trading/marketing of output and inputs, and remove administrative fiat.<br><br>Promote exportation of agricultural products as well as |

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| | | | | agro-processed commodities.<br><br>Promote community based irrigation.<br><br>Distribute land suitable for irrigation in favour of the poor.<br><br>Ensure enabling environment for Micro, Small and Medium Enterprises (MSMEs) and informal sector activities.<br><br>Taxation (levels and rationalization)<br><br>Promote training in demand driven skills and employment, counselling. |
| | | | Rehabilitated 4,500 km of rural roads under the Urgent Roads Rehabilitation Program (URRP) in twelve identified poorest regions – Dodoma, Kagera, Lindi, Kigoma, Coast, Mtwara, Morogoro, Mara, Tanga, Rukwa, Tabora and Singida) by 2003.<br><br>Undertaken routine and periodic maintenance promptly on all rural road network. | Increase budget allocation to financing rehabilitation and maintenance of rural roads<br><br>Develop and apply labour intensive technology for rehabilitation and maintenance and increase the use of local contractors.<br><br>Strengthen the capacity at district level to manage road rehabilitation and maintenance carried out by contractors. |
| **II. Improve Quality of Life and Social Well-being** | | | | |
| **(i) Human Capabilities** | Reduced illiteracy by 100% by 2010 | Achieved gender equality in primary and secondary | Increased gross enrolment to 85% by 2003.<br><br>Increased transition rate of primary to secondary level from 15% to | Strengthen the management capacity of districts, schools, TTCs and adult education centres.<br><br>School mapping and improvement plans. |

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| | and clean water to the rural areas from 48.5% population coverage in 2000 to 85% by 2010. | and clean water in rural areas from 48.5% in 2000 to 55% by 2003. | | Conduct needs assessment of different social groups in rural areas.<br><br>Strengthen the water resource and water quality data bases.<br><br>Increase spending in rural water supply.<br><br>Promote the use of rainwater harvesting.<br><br>Carry out hydrological and hydrogeological surveys.<br><br>Carry out regular water supply quality surveilance and apply the WHO quality standards.<br><br>Enforce water quality laws, regulation, rights and standards in water sources.<br><br>Empower local authorities and communities to protect water sources. |
| (ii) Survival | Reduced infant mortality rate from 99 per 1000 in 1999 to 50 by 2010 and 20 by 2025 as per Vision 2025.<br><br>Contain seropositive rate in pregnant women from 5.5-23% (1996) to 6-27% in 2010.<br><br>Reduced | Reduced infant mortality rate from 99 per 1000 to 85 per 1000 by 2003.<br><br>Reduced under five mortality by half from 158 per 1000 by 2010 and to 127 per 1000 by 2003.<br><br>Reduced | Increased the percentage of children under 2 years immunized against measles and DPT from 71% to 85% by 2003.<br><br>75% of districts covered by an active AIDS awareness campaign.<br><br>Increased coverage of births by trained personnel from 50% to 80%. | Increase the level and improving allocationof budget resources for basic health care.<br><br>Introduce HIV/AIDS, public health and peer education in schools.<br><br>Improve Integrated Management of Childhood Illness (IMCI) facilities.<br><br>Provision of adequate and equitable maternal and child health services, promotion of adequate nutrition, control of communicable diseases and treatment of common conditions.<br><br>Ensure that quality health services are available and accessible to all in urban and rural areas within reachable distances. |

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| | | education by 2005.<br><br>Increased the proportion of school age children successfully completing primary education.<br><br>Increased the % of passing Standard 7 examination at a specified score. | 21% by the year 2002/03.<br><br>Reduced drop-out from 6.6% to 3%.<br><br>Increased net primary school enrolment from 57% to 70%.<br><br>Increased the number of students passing at specified mark in standard 7 examination from 20% to 50% by 2003.<br><br>Increase secondary enrolment from 5% to 7% by 2003 | Increase the capacity and improve inspection services coverage.<br><br>Improve the quality and distribution of primary school teachers through inservice training at anual rate of 10% up to the year 2003.<br><br>Improve learning environment at all levels (textbooks, materials, furniture, sanitation, classrooms, teachers houses, etc)<br><br>Promote private and community based secondary education<br><br>Improve and protect basic education spending share.<br><br>Provide/construct additional classrooms and rehabilitate existing ones. |
| | Reduced burden of disease through reduced morbidity | Reduced burden of disease through reduced morbidity | | Increase the level and improve allocation of budget resources for basic health care.<br><br>Provide quality health services to all within reachable distances.<br><br>Strengthen and reorient secondary and tertiary services delivery to support primary health care services.<br><br>Strengthen the national support systems for personnel management, drugs and supplies, medical equipment.<br><br>Promote the participatio of private sector and civil society involvement in public health services delivery. |
| | Facilitated the provision of adequate, safe | Facilitated the provision of adequate, safe | Fully implement the 2000 Water Policy according to plan. | Rehabilitate all malfunctioning and non-operative water supply schemes and earth moving and drilling equipment. |

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| | maternal mortality by half from 529 per 100,000 to 265 per 100,000 by 2010.<br><br>Restored life expectancy to 52 years by 2010.<br><br>Malaria in-patient case fatality rate for under-five children decreased from 12.8% (1997) to 8% by 2010 | maternal mortality from 529 per 100,000 (1996) live births to 450 by 2003.<br><br>Reduced Malaria case fatality for under five children from 12.8% to 10% by 2003 | | Strengthen and reorient secondary and tertiary services delivery to support primary health care services.<br><br>Strengthen the national support systems for personnel management, drugs and supplies, medical equipment.<br><br>Promote private sector and civil society involvement in the delivery of public health services.<br><br>Implement national malaria control program as planned for 2000/01 – 2002/03. |
| **(iii) Social well being**<br><br>Social inclusion<br><br>Personal security | | Fully implemented Poverty Reduction Strategy as planned | Fully implemented LGRP by 2003<br><br>Speed up primary court decisions, raising the ratio of decided filed cases from 63% to 80%<br><br>Reduce average time taken to settle commercial disputes to 18 months by 2003<br><br>Raise coverage of actual allocation for OC requirement in the judiciary from the current 50% to 100% | Complete all components of the local government reform programme in all rural and urban councils<br><br>Speed up primary court decisions<br><br>Raise OC in the Judiciary<br><br>Promote community based security arrangements |

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| Ensure effective participation of all stakeholders in the formulation, implementation and monitoring the Strategy | | | Number of workshops held and composion of committees | Promote effective participation of all stakeholders |
| (iv) **Nutrition** | | Reduced prevalence of stunting from 43.4% to 20%.<br><br>Reduced the prevalence of wasting from 7.2% to 2%. | Improved child feeding practices and implement fully malaria control programme and IMCI. | Promote nutritional education, especially to mothers.<br><br>Provide health services to mothers and children.<br><br>Provide school funding program |
| (v) **Extreme vulnerability** | Built capacity to all communities needing safety nets programmes. | | Established data base for the vulnerable groups by 2003.<br><br>Promoted the production of drought resistant crops in all drought prone areas<br><br>Promoted community managed irrigation schemes in all potential irrigation areas by 2003 | Facilitate creation of data base for vulnerable groups.<br><br>Promote drought resistant crops<br><br>Create Equalization Fund to cater for disadvantage areas.<br><br>Promote community managed irrigation schemes<br><br>Promote community-based care programmes for most vulnerable groups.<br><br>Scale up efforts for afforestation and destocking. |
| **III. Achieve and Sustain a Conducive Development Environment** | | | | |
| (i) **Macroeconomic stability** | Attained inflation rate at par with trading partners<br><br>Maintained fiscal balances | | Consumer price inflation of 4.0% by end of June 2003.<br><br>Sustainable current account balance.<br><br>Reserves sufficient to finance four months imports. | Maintain prudent fiscal and monetary policies and reduce trade gap, as per macro frame. |
| (ii) **Governance** | Rolled out the | A governance | Use only IFMs as central | Extend the IFMS to all Ministries, Departments, Agencies in Dar es |

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|---|
| Improve effectiveness in the delivery of public services and the overall incentive environment | IFMs to all ministries and sub-treasuries; ensure that all budgetary votes at the central and sub-treasury levels are managed through IFMs; and record all expenditure commitments and arrears through the IFMs.<br><br>Reduced the spread and magnitude of corruption. | system that is efficiently and effectively decentralized. | government budgeting, accounting, and financial information systems for the recurrent expenditure, and re-classify the development budget according to the GFS. | Salaam and in all regional sub-treasuries by 2002.<br><br>Encourage all donors to participate in the Integrated Financial Management Information System. |
| Minimize resource leakage and strengthen accountability | | | Developed and approved specific anti-corruption action plans for the ministries of Agriculture and Cooperatives, Education and Culture; Health; and Water; and the CSD based on the National Anti-corruption Strategy.<br><br>Improved integrity and transparency in the accounting system. | Carry out diagnostic surveys for and implement sector specific anti-corruption plans for the Judiciary; Ministries of Works; Education and Culture; Health; and Home Affairs; the AG's Office, TRA and approve ooperational strategies for these areas.<br><br>Make the Central Tender Board's results public through press release.<br><br>Strengthen systems for more efficient cash management, procurement, payment and expenditure control, inventory, equipment and asset management and timely audit reports. |

system.

| OBJECTIVE/IMPACT INDICATORS | TARGETS/OUTCOME INDICATORS | INTERMEDIATE INDICATORS | ACTIONS |
|---|---|---|---|
| Improve the performance of the public sector | Strengthened professional and cost effectiveness of the public service system.<br><br>Improved public service capacity, motivation and performance.<br><br>Improved budget management at central and lower levels. | Developed and approved performance improvement modules for priority sectors.<br><br>Allowed institutional pluralism in the delivery of public services.<br><br>Timely prepared budgets at all levels. | Implement actions under Public Sector Reform Program (CSPR &LGR).<br><br>Follow-up resource mobilization efforts to support the poverty reduction strategy programme. |

## Monitoring and Evaluation System for the Poverty Reduction Strategy

1. Sources of Information

Several data sources will be used in the M&E system for the PRSP. They can be grouped into three categories:

- Indicators measured through administrative systems. This is where authorities at a lower level are required to transmit information to higher authorities periodically, as an integrated part of their duties and responsibilities. This category includes progress reporting as well as routine data collection. Many of the indicators in the education, health and roads sectors are collected in this way. Routine data collection by government has as a major advantage that it provides a continuous stream of detailed data at little additional cost. However, because the data is generally collected at institutions, there can be a degree of bias in the figures. Another weakness of these systems is that they often rely on population estimates, which may not be accurate. Indicators measured through routine data collection systems therefore have to be cross-checked regularly with measurement through other means.

- Indicators measured through censuses and surveys. These include all indicators that may not be obtained through administrative records altogether or as a way of cross-checking the institution-based data from routine monitoring systems. Indicators which can only be collected through censuses and surveys include, income poverty indicators and mortality indicators. Indicators that can be collected through the administrative system but require periodic cross-checking through surveys include, for example, immunisation rates.

- Indicators measured at community level, primarily for use by the ward and village, through village register and community interviews. While the primary use of these data is for local planning purposes, these sources can also provide useful indications on trends in poverty. This category also includes participatory assessments.

- The integration of a regular PPA in the monitoring system for the PRSP will provide invaluable qualitative data, which will serve to cross-check

quantitative data, help us judge the effectiveness of policy measures and more generally will help us understand the causal links between the action programme of the PRSP and changes in poverty. But most importantly, it will help us listen to the concerns, perceptions and opinions of the poor themselves.

The clusters of indicators identified in the previous section can be matched to sources as follows:

*Income*

As described in the chapter on poverty status, the results of the 1991/92 Household Budget Survey and the listing exercise for the 2000/2001 Household Budget Survey have been used by the National Bureau of Statistics to estimate poverty headcount ratios for 2000. There are, however, major methodological caveats related to these estimates. A more accurate baseline poverty headcount ratio will be known once the results of the 2000/2001 Household Budget Survey are released in 2001. It is not anticipated that another Household Budget Survey will be held during the implementation period of this PRSP. Annual poverty monitoring surveys will measure proxy indicators for income. These proxy indicators will be used to estimate changes in the poverty headcount ratio. A baseline for the proxy indicators will be derived from the 2000/2001 Household Budget Survey. The 2002 Census will provide additional measurements of proxy indicators.

Among the intermediate indicators for income poverty, a baseline and annual updates are available from the National Accounts and the Economic Survey prepared by NBS and the Planning Commission for the GDP growth rate, the agriculture growth rate and investment as a percentage of GDP. A baseline and subsequent updates on the kilometres of rural roads rehabilitated can be obtained from the Road Sector reports prepared by the Ministry of Works and the Ministry of Regional and Local Government.

*Survival*

Mortality figures are typically measured through the Population Census, held approximately at ten-year intervals and through Demographic and Health Surveys, held approximately every five years. Baseline estimates for infant and under-five mortality are available from the 1999 Tanzania Reproductive and Child Health Survey (Interim DHS). Although the sample of the 1999

TRCHS was relatively small when compared to a full DHS, it is proposed to use the 1999 estimates as baseline figures for infant and under-five mortality. Updates on mortality figures will be available from the 2002 Census and from the next DHS, which is expected to be held during the implementation period of this PRSP.

A baseline estimate for immunisation coverage can be found in the 1999 Tanzania Reproductive and Child Health Survey. Annual updates can be obtained from the Health Information System and the next DHS. The percentage of births attended by trained personnel can also be monitored by using the 1999 TRCHS and the next DHS. The proportion of districts with an active AIDS awareness campaign is monitored by the National AIDS Control Programme.

*Nutrition*

Baseline estimates for the nutritional status of children are available from the Tanzania Child and Reproductive Health Survey 1999, which will be used here, despite its small sample. A new estimate will be available from the next DHS. The nutritional status of children is also measured through community-level monitoring and routine monitoring at health centres. The annual poverty monitoring surveys may also include an anthropometric module.

*Human capabilities*

All education indicators in this section can be measured through the routine data collection system of the Ministry of Education, which provides data annually. The 2002 Census will provide a cross-check on the institution-based data for enrollment. The ongoing School Mapping exercise will also provide valuable new estimates on some of these indicators.

*Water*

The water indicator will be monitored through the 2002 Census and the next DHS. Baseline figures are available from the 1999 TRCHS.

*Macro-economic stability*

The consumer fiscal deficit, foreign exchange reserve level and price inflation rate are measured in the annual economic survey.

*Good Governance/Tracking of public expenditure*

The resource allocation indicators will be monitored through the PER, MTEF and Annual Budget processes. The PER will remain the main annual instrument for monitoring expenditure allocation and result orientation. The quarterly review meetings should be retained for ongoing reviews to catch possible problems earlier. The rolling out of IFMS to all levels of Government will help obtain timely and consistent reports on expenditures. The lynchpin of the monitoring system will be the MTEF, which is the main instrument for determining whether expenditure allocations are being adjusted to support poverty reduction. Under the PER process, Expenditure tracking through the different levels of government to the actual service delivery unit already carried out for education, health and road fund will be scaled up to cover priority sectors and if possible to be carried out every year.

The government will also institute a system of "independent" monitors within the framework of the Tanzania Assistance Strategy to follow up governments commitments to improve governance and institutional framework for higher integrity and more transparent accountability as well as donor coordination, improved integration of external assistance into the exchequer system, and simplification of aid disbursement procedures.

2. Institutional framework for monitoring and evaluation

The M&E system for the PRSP needs an appropriate institutional framework, which consists of two elements: institutional arrangements and an institutional environment. Appropriate institutional arrangements specify clear lines of responsibility for the various sectors and agencies in order to promote demand-driven data generation, compilation and analysis. Clearly specified institutional arrangements will maximise benefits arising from specialisation and minimise overlaps and conflicts. A proper institutional environment sets 'rules of the game' by defining standards and putting in place appropriate incentives for the smooth implementation of the monitoring system.

*Institutional arrangements*

There is a wide range of actors involved in PRSP monitoring activities, which range over data collection, processing, analysis and utilisation. A clear and agreed institutional arrangement for monitoring is paramount if these moni-

toring activities are to be integrated into a coherent monitoring system. This framework should clearly spell out roles and responsibilities at different levels.

The overall responsibility for monitoring poverty at the national level lies with the Vice-President's Office the government institution charged with the co-ordination of poverty eradication initiatives to ensure that all relevant stakeholders are involved in the monitoring process, the government intends to establish monitoring committees with broad membership. For actual data collection, the leading institutions are the National Bureau of Statistics, the line ministries and academic and research institutions. The National Bureau of Statistics is responsible for large household surveys, the Census and national accounts. The line ministries collect sectoral data, most importantly through routine data collection mechanisms and administrative systems. Academic and research institutions collect data through ad hoc research on specific issues. The findings of poverty monitoring need to be applied to policy making. This is the responsibility of policy makers, supported by the Vice-President's Office, the National Planning Commission and academic and research institutions.

In order to develop the monitoring system a mechanism has to be designed to allow broad stakeholder discussion about the monitoring system. One could think of a forum similar to the TAS data and information task group. This group would meet regularly to discuss and decide on issues related to the monitoring system, including the setting of standards.

*Institutional environment*

Apart from making the required institutional arrangements, it is also important to create the right institutional environment. This entails setting standards for monitoring and making sure the correct incentives and disincentives are in place to ensure smooth implementation of the monitoring system. There is an important role for the stakeholders forum described above, in collaboration with the National Bureau of Statistics and the Vice-President's office. The other element of the institutional environment is the need for the right incentives and disincentives to ensure that all actors in the monitoring system play their role as agreed. These incentives and disincentives could be in the area of funding, access to training and other elements of institutional capac-

ity-building, etc. The stakeholder forum for the monitoring system should play the leading role in determining and administering the incentive system.

*Data storage*

There is a definite need for central storage of the data collected through the PRSP monitoring system, in an easily accessible format that facilitates analysis and the use of data in policy analysis. The National Bureau of Statistics is co-ordinating a Socio-Economic Database initiative, which is most suitable as an instrument for this purpose. The Tanzania Socio-Economic Database (TSED) exists in working proto-type and a first release of the full working version will be available on CD-ROM by the end of August, and on the government network and the world wide web by the end of 2000. The Poverty Module in TSED can easily be modified to serve as the PRSP database. TSED will be co-ordinated by the National Bureau of Statistics, while ministries and other data collecting institutions will make available and upload their data sets. The database will eventually contain data on over 300 indicators and where available will contain time series, multiple estimates from various sources, disaggregated data down to district level, by sex and urban/rural strata. TSED allows user-friendly analysis, through table, graph and map options and provides an opportunity to calculate composite indices. It is an ideal tool to facilitate the use of data by policy makers.

As there are many weaknesses in Tanzania's current poverty monitoring activities the PRSP provides a golden opportunity to enhance poverty monitoring in the country and to build a coherent poverty monitoring system. To take advantage of this opportunity, it is necessary to make a significant investment in capacity-building. Capacity-building is needed at all levels. For the data collecting agencies, there is a need to strengthen existing data collection mechanisms. Line ministries will need support to enhance their routine surveillance and administrative data systems. The National Bureau of Statistics will need extra support, in particular for the new annual poverty monitoring surveys it is to carry out, but also to strengthen its operations in the regions. Local government, civil society organisation and research institutions will need support to build their capacity to implement the participatory poverty assessments.

At the level of compilation and dissemination, NBS will need support for the annual poverty monitoring surveys, particularly if they depend on high-tech data capture such as scanning and optical map reading. Capacity needs to be built among line ministries and in NBS for the successful implementation and management of the Tanzania Socio-Economic Database. In data analysis, the academic and research institutions and the Planning Commission need to be supported to ensure that they have the minimum required staff and equipment in place. A major investment is required in building the capacity of the Vice-President's office and other government agencies to facilitate the application of findings to policy making. As the scope of capacity-building interventions is so vast, a comprehensive needs assessment is required, which should be carried out as a matter of urgency.

*Linking M&E data and policy making*

The M&E system outlined in this chapter is collecting data with the aim to facilitate an assessment of the effectiveness of the Poverty Reduction Strategy. It will be crucial, therefore, to make sure that data is available to policy makers in a user-friendly format and that interpretation of the M&E findings is stimulated. The government proposes to hold annual workshops for senior policy makers in the relevant ministries to reflect on progress with the PRSP and to review M&E data. These workshops would ideally be preceded by national or zonal workshops where a wide range of stakeholders is invited to share their assessment of PRSP implementation. The main conclusions of these stakeholder workshops would provide an important input to the policy maker workshops. The detail of these arrangements will be worked out during the first year of implementation of the PRSP.

*Evaluation*

It is proposed that towards the end of the third year of implementation, an evaluation of the PRSP is carried out by a team of representatives of the major stakeholders. The team will review all quantitative and qualitative data collected during the implementation period, thus using the monitoring system as the basis for its work. The team will also collect additional information through interviews with key informants. The results of the evaluation will be presented at workshops for policy makers and at stakeholder workshops and will serve to inform the design of the next phase of the Poverty Reduction Strategy.

## 3. Costing the M & E Proposals

The different elements of the monitoring system for the PRSP have not received sufficient resources in budget allocations so far, as the details and requirements of this system were not available when the budget and MTEF were drawn up. It is therefore important to indicate what the cost implications of the monitoring system described above could be, so that appropriate budget action can be taken. The cost implications are of two types. It is estimated that the cost of the capacity needs assessment and the resulting capacity-building interventions in the first year of implementation of the PRSP may cost in the region of US$750,000. This will include training as well as other aspects of institutional capacity-building. The enhancement of existing data collection mechanisms and the introduction of annual poverty monitoring surveys and PPAs may cost in the region of US$1.5 million. The total amount required for the establishment and first year of operation of the PRSP monitoring system (additional to already planned expenditure), is in the region of US$2.25 million. In subsequent years, the required budget will be nearer US$1.5 million.

## 4. Next Steps

In order to secure adequate funding for the M&E system, the government will coordinate the preparation of a proposal, which will be submitted to donors and used to secure appropriate allocations for monitoring purposes. In addition, it will be noted that the description of the M&E system is not yet very specific on a number of issues. This is unavoidable at this stage. Detailed discussions will need to be held between key stakeholders to decide on the details of the institutional framework and the exact nature of some of the data collection mechanisms, such as the annual poverty monitoring surveys and the participatory poverty assessments. The government will, as a matter of urgency, facilitate these discussions, even before implementation of the strategy starts.

ECA - CEA

**Economic Commission for Africa**
**Commission économique pour l'Afrique**

**DAC/OECD Africa Ministerial Consultation**
**"The Big Table"**
**Annotated Agenda**

**Sunday 19 November 2000**

**19:00 Welcoming Dinner**
**Sheraton Hotel**

**Monday 20 November 2000**

**9:00 Introductory Remarks**

**9:15 – 10:45 First Session**

**Topic: Pro-Poor Growth Policies and the International Development Goals**

- To what extent are the International Development Goals (IDGs) being systematically incorporated into development programs and national poverty reduction strategies?
- Given the limited progress made towards these Goals, the slow rate of current progress, and in some cases, the reversal in progress due to the AIDS endemic, what is the feasibility of achieving these Goals in Africa?
- What innovative approaches are emerging from country experiences in the design and implementation of pro-poor growth?
- How compatible is the adoption of the Goals with the trend in declining ODA? What measures are donors taking to ensure that the programs supported by their resources are truly supportive of the international consensus around the IDGs? What complementary measures – for example, in the area of agricultural trade – are likely to have the greatest impact in raising the welfare of Africa's people?

**10:45 – 11:00 Coffee break**

**11:00 -1:00** **Second Session**

**Topic: The PRSP Process: What we have learned to date**

- How is the tension between the need to ensure country-ownership and the requirements for the joint assessment of the PRSP content by the Bretton Wood Institutions being handled?

- How could national development management practices and processes change to strengthen participation, ownership, and the accountability of governments towards their own population (rather than to donors) and to ensure that resources are allocated to poverty-focused programs?

- To what extent are donors adjusting their aid delivery mechanisms and procedures consistent with the need to support country ownership and long-term poverty reduction objectives?

**1:00 – 2:30 Lunch on the Premises**

**2:30 – 3:30** **Second Session Continued**

- What has been the experience with the Interim PRSP in terms of addressing the tensions associated with the need for quick debt relief, the quality of the PRSPs, and the importance of securing broad-based country-ownership of the poverty reduction strategies?

- What has been the experience of countries with respect to their expectations of the impact of HIPC on their budgets and their ability to increase spending on poverty programs? Is the pace and amount of the debt relief sufficient to meet the dual objectives of external debt sustainability and funding poverty reduction programs? Is there a case for loosening the PRSP/HIPC link? What are the implications in terms of the requirements for the decision point and the completion point?

- What is the record of donors in ensuring timely and adequate debt relief?

**3:30 – 3:45** **Coffee Break**

3:45 – 5:45 **Third Session**

**Topic: Emerging Capacity-Building Needs**

- How do Africans view the additional requirements placed on their limited national capacities to track the use of the resources freed up from debt relief and to monitor development programs using outcomes rather than inputs?

- Based on the experience to date, what are the national capacity-building requirements, particularly pertaining to the systematic analysis of the causes and consequences of poverty as well as the design and implementation of poverty programs? How best can we meet these requirements? In this regard, what is the role of multilateral, bilateral, and other institutions?

- What innovative approaches and partnerships arrangements might be required to tap African expertise in meeting these capacity-building requirements?

5:45 – 6:45 **Conclusions**

CABLE

SUBJECT: The Big Table and the Eighth Annual African Ministers of Finance Meeting.

Summary. A DAC/OECD Africa Ministerial consultation meeting was held on November 20. This highly successful meeting was the first of its kind, and called "the big table". The setting, with some ten African Ministers of Finance and an equal number of OECD Development ministers, including the Assistant Administrator for Africa, Vivian Derryck-Lowery, plus high level representation from OECD, World bank, AFDB, and IMF provided an excellent environment for free flowing and frank discussions. A second larger meeting was held from November 21-22. This eighth Annual African Ministers of Finance meeting was attended by donor partners as observers. Three panel sessions were covered the first day of this meeting. The first was a session on debt, ODA, and links to poverty reduction. The second panel covered trade and investment, while the third panel discussed the fashioning of a new financial architecture for Africa. The second day was devoted to preparations for the upcoming Third UN Conference for the Least Developed Countries, and drafting of a statement from the ministers for this conference. A second ministerial statement was prepared as well, for the upcoming High Level Intergovernmental Event on financing for Development. Both meetings were well attended. The Big Table meeting produced a very frank discussion on debt, the HIPC process, and received solid support for the PRSP process. The Finance Minister's meeting was more structured, but provided a useful forum to discuss key issues of debt, ODA, the need for increased trade and investment, and for a new financial architecture to support African country development and capitalize on the opportunities arising from globalization, while minimizing the risks. End Summary.

THE BIG TABLE

1. This one day meeting was sponsored by the Executive Secretary of the UNECA, and was initiated as a result of discussions at the July 1999 Tidewater Meeting, where the idea for a forum for the DAC ministers to periodically exchange views with African Ministers on relevant development themes was discussed. This initial meeting focussed upon the operational challenges and mutual responsibilities of Africans and their partners in implementing the PRSP process.
2. Invitations to the meeting were specifically limited to ensure free flowing and frank discussions of issues revolving around the development of the Poverty Reduction Strategy papers which underpin the new cooperation framework between Africans and their external partners. The agenda for the meeting comprised essential three topics, 1) Pro-poor Growth Policies and the International Development goals; 2) The PRSP Process, and lessons to date; and 3) Emerging Capacity-building Needs.
3. In his introduction, the Executive Secretary indicated that the PRSP is replacing structural adjustment as a new development paradigm, and with this shift, it is imperative that a true North South dialog be reinvigorated. He noted that all had accepted the International Development Goals, and that plans would use these goals as guiding principles and national PRSPs are developed. However, there are key

issues of national ownership, a need for long term, sustained support, and flexibility in implementing any plans.

4. There was significant discussion on the international development goals, and the needed investment and policy changes that will be critical if these goals are to be achieved by 2015. All participants agreed with the new focus on pro-poor growth strategies, and on the international development goals used to monitor progress. However, given an estimate of a needed 7-8 percent sustained growth, and the estimated negative impact of 2 percent each for the HIV/AIDs pandemic and conflict, there were serious questions raised whether the goals could actually be attained. The general consensus from the African side was that the goals were valid, even if individual countries could not attain them within the target period, but they should guide all development efforts.
5. Donor representatives also agreed on the need for pro-poor growth strategies, but cited the probable continued decline in ODA, especially if improved efficiencies, concentration on corruption and urgent progress towards achieving the IDGs were not demonstrated. Improved coordination of resources will also be critical, as well as directed attention to HIV/AIDS, which all agreed, is a scourge that is most likely underestimated. The new, enhanced HIPC initiative was welcome by eligible recipient countries, but participants acknowledged that debt relief was only one element in achieving sustainable development.
6. The issue of improved regional integration and cooperation was raised as a key element to improved growth. It was noted that there has been substantial rhetoric, but little movement in practice. Further attention to infrastructure, communications, energy, and trade were cited as sectors where regional integration and cooperation is imperative. A number of African ministers stressed that development of regional organizations does not equate to strengthening regionalization. There needs to be on-the-ground changes in attitude and in policies and procedures.
7. The US delegate underscored the need for continued north south dialog over the period where we work towards the IDGs. The HIPC initiative may help to offset some of the decline in ODA. While ODA continues to decline, greater efficiencies in the use of ODA will be required. However, to address the broad issues of poverty alleviation, African leadership is necessary. African nations need the time to develop the ownership within their respective countries, to look at corruption, HIV/AIDS, the impact on women, at the policies and strategies necessary to develop in a multi-sectoral manor. Economic growth is key, beginning with agricultural productivity improvements. A robust private sector is needed, as well as massive support to IT. The US comments were supported by all delegates present.
8. The issue of tied aid received considerable attention. The OECD delegate stressed the fact that tied aid hindered individual country governments establishing rational procurement policies. An African delegate noted that this system of tied aid provided a fertile ground for corruption. All delegates accepted the need to reduce tied aid as much as possible to allow flexibility in implementing poverty reduction programs and increasing economic growth.
9. Another issue that was raised was the estimated four billion US dols. going to technical assistance. The African ministers stressed the need for more transparency from donors on this issue. They noted that consultants detracted from efforts to build

capacity, rather than reinforcing efforts. There was a suggestion that governments receive the financing for their development efforts directly, and then establish independent monitoring mechanisms that could report to donors and governments on progress and constraints in utilizing ODA. A partnership now in place between the Rwanda government and DFID was touted as a possible successful model. Donors allowed that this would be difficult for varying reasons. However, in general, until the systems are in place, donors will not be able to contribute directly to government budgets, except in a very few instances, as they are accountable to their respective parliaments and congresses.

10. The PRSP approach was the next topic for discussion. The Uganda representative allowed that this is a fair approach, as it is a bottom up approach, rather than previous top down efforts. He described the Uganda effort, where both an interim as well as a final PRSP are in place. The government utilized the existing PIP as the basis for developing their PRSP, describing the final PRSP as a national plan for poverty eradication. He described the Uganda process for involving civil society in the development of the PRSP, indicating that adequate participation was key in developing such a plan. He noted that for ownership to be assured, a country needs local capacity, adequate participation by all sectors of society, and a stable macro-economic environment.
11. The World Bank delegate indicated that 18 countries are now completing PRSPs. He noted that most of the PRSPs are focussed on public expenditures and resource use. However, this is only one part of the PRSP process. The accompanying effort to stimulate economic growth should be integral to the overall effort. Each country also needs to situate the PRSP, which is generally developed on a three year time horizon, within a longer term development plan.
12. There was general acknowledgement of the tensions between the urgency for developing PRSPs, and the need for time to ensure that adequate analysis and actions to ensure true ownership, and not just endorsement, are completed. There was also a general acknowledgement that all partners need to raise their "ambition levels" if we are to accomplish the IDGs within the indicated timeframe. Both structural transformation and increased growth are necessary if the IDGs are to be achieved. The World Bank allowed that there is some flexibility in developing the PRSPs as there is an acknowledgement that an interim progress report may be prepared if the PRSP has not been completed. However, it must be realized that the PRSP is a process more than it is a document. It should essentially be a national development plan with a poverty focus. To attain true ownership however, the Rwanda minister stressed that these short time frames will not allow the ownership required. A participatory, inclusive process to achieve true ownership requires both time and resources. Another participant noted that in the PRSP process little mention has been made of the private sector. Both ODA and domestic resources need to be mobilized, as well as other direct investment. Even with these, it appears resources will not be enough. There appeared to be a general agreement with these comments.
13. The final session concentrated on the issue of capacity, and issues of implementation. During this session all acknowledged that capacity has been a long and enduring problem, and there is a need to address the environment within which the countries are operating.

14. There was an acknowledgement that the government does not have a lock on all capacity, and that often technical capacity does exist within the country if innovative ways to attract this capacity are instituted. Innovative ways to tap into the diaspora for specific operations should be explored as well. Partnerships are necessary here as well, if African countries are going to meet their capacity needs.
15. There was an acknowledgement that there is a greater need for human capitol development on all levels of the education system, and countries must strive to address the multiplicity of issues related to developing, and retaining, this capacity.
16. The issue of HIV/AIDS was highlighted as a serious problem which is affecting more and more countries. Countries like Zambia are having to over-program training for teachers by some twenty percent to compensate for the anticipated attrition due to AIDS.

The Eighth African Ministers of Finance Annual Conference.

1. The Finance Ministers followed upon, and in some sense built upon the Big Table Meeting. The main objective of this meeting was to prepare African countries for the two major events that have been mandated by the UN General Assembly to be convened in 2001: The UN High-level Meeting on "Financing for Development" and the "Third United Nations conference on Least Developed countries". It was felt both of these events are of critical importance for Africa as they focus on some of the major development challenges facing Africa as well as the need to accelerate Africa's growth and development through better integration into the global economy.
2. The conference was opened by the Prime Minister of the GOE, Meles Zenawi, together with OAU Secretary General Salim Ahmed Salim and UNECA Executive Secretary K.Y. Amoako.
3. The conference consisted of five plenary sessions, !) Panel on debt, ODA and links to Poverty Reduction; 2) Panel on Trade and Investment; 3) Panel on International financial Architecture; 4) Preparations for the 2001 LDC Conference; and 5) Review and Adoption of Ministerial Statements on the two events described in para 1 above. While the meeting structure and size did not allow for the open discussion of the previous meeting, it afforded delegates a venue to discuss current development and finance issues, and the need for urgency and real change if the IDGs are to be achieved by 2015.
4. In his opening statement UNECA Executive Secretary KY Amoako proposed "a new global deal for the LDCs, a new global compact with Africa." Here he noted the growing recognition by international partners and reforming African countries that stabilization policies are not the same as structural adjustment. Countries need to go deeper to reposition poverty reduction at the center of their development efforts, and the PRSP process is the means to bring together this revitalized focus on poverty. He stressed the need for a comprehensive set of changes to achieve high growth, increased domestic savings, increased private foreign capital flows, industrialization, growing foreign trade, declining aid dependence, increased per capita income, and lower poverty.
5. During the first session, the issue of debt was widely discussed. Several speakers allowed that Africa is at a crossroads, and that action is urgently needed. The

international agenda is now focussed on issues important to Africa, a number of African countries have demonstrated their ability to adopt sustainable reforms and achieve structural diversification, and others show clear prospects for a sustainable take off. There is a deepening of democracy, of more participatory development, and of greater local responsibility.

6. These positive trends are counter-balanced by the fact that average incomes are lower than at the end of the 1960s. HIV/AIDS threatens to cut life expectancy in many countries by twenty years, and conflicts are destroying development gains and discouraging investment. Africa is the only continent where the number of poor is increasing.
7. The discussion on ODA, debt and poverty yielded a consensus that debt relief is important, but not sufficient. Greater attention to debt was needed.
8. The formula for debt relief may need to be re-looked at due to the recent rise in oil prices. For good performing countries, there should be some mechanism to provide support against severe terms of trade shocks and natural calamities. There is also a need to focus upon the Poverty Reduction Strategy Papers being prepared by reforming African countries. There is a need to transform the aid relationship, to ensure a true dialog between donors and African countries, and within African countries to achieve the ownership envisioned by the new PRSP approach.
9. The overall process to achieve poverty reduction and sustainable growth must be led by Africans themselves. The example of Uganda, which built its PRSP around its poverty reduction plan was put forward. It was underscored that there is potential, and a need to build upon existing plans, but with broadbased participation.
10. The discussion on trade and investment attempted to explore possibilities and provide ideas for enhancing the growth of exports both in terms of volume and price. This panel benefited from participation by representation from the Inter-American Development Bank, who described the transformation in costa Rica over the past twenty years, from a primary commodity exporter to a diverse economy which is the largest software producer in Latin America. The severe problems were detailed, noting that Africa's share of the world market has declined from 2.5% to 1.8%. Similarly regional trade has not grown.
11. The session concluded that serious institutional and infrastructural changes will be required on the side of African governments. The issue of trade and trade development must be integral to the PRSPs that are being developed, as they are key to any growth strategy. On the side of developing countries, delegates felt that they were being discriminated against, with unfair subsidies being provided to developed country producers. African representatives called for relaxed trade barriers as they work to become competitive. Two separate European development ministers strongly encouraged Africans to lobby for a new trade round to bring their case forward, to focus on a development round. The IADB representative stressed that a sustained effort would be required, with the development of long term policies, establishment of neutral exchange rate policies, and a push for regionalization and joint ventures. Countries have to learn to export, first regionally, then to other markets. This was especially true of manufacturers.
12. The session on a new financial architecture pushed for a balance between the current emphasis on the need to improve the institutional framework in which financial

markets work and the insufficient attention to the design of macro-economic policies worldwide, and the creation of orderly debt workout procedures. The discussion looked to the actions necessary to finance the international development goals in Africa and to propose options for the consideration of African governments.

13. Discussions first focussed on the amount of resources that would be needed to achieve the needed investment rate. It has been estimated by UNCTAD and UNECA that there would be a gap of some 10 billion dols.US that would be needed if the countries were going to the necessary annual growth rates of 7-8%. The annual growth rates would need to be sustained over the next fifteen years while concentrating on the IDGs. The panel argued that while it is essential to mobilize all domestic resources to reduce the resource gap, this will only be feasible in the long term. Therefore there is an urgent need to mobilize external resources for Africa's development.
14. The group agreed that in order to reduce the resource gap and then attract the required external assistance, governments would have to take strong measures to increase domestic savings and channel these efficiently into productive investments. Countries would need to aggressively work to facilitate the growth of exports in the short to medium term. Concurrently, African governments would need to take measures to attract foreign direct investment and other private capital flows. It was acknowledged that FDI is the predominant form of capital flows to low and medium countries with insufficiently developed capital markets. FDI plays a critical role in achieving the improvements in productivity and in transferring human capital skills. To achieve the required increases in investment, countries will need to focus on the improvement of infrastructure, strengthen banking systems, accelerate the pace of privatization, broaden the domestic investor base, strengthen regulatory frameworks, develop more liberal investment regimes, introduce competitive labor market policies and create and maintain human capital improvements.
15. The group of finance ministers prepared two draft documents following the series of panels, one a "Statement on the Third UN Conference for the Least Developed Countries", and the other "Statement on the High Level Intergovernmental Event on Financing for Development." In the first statement, the group noted the rapidly advancing process of globalization, and the increased marginalization of LDCs. The statement acknowledges the need to mobilize both domestic and external financial resources to jump start economic growth and sustained development. However, the paper stresses that even with an all out effort to create the necessary conditions, given the low levels of income in the African LDCs, this will not be sufficient to enable them to meet their development goals. First articulated by the UNECA Executive Secretary, the group discussed and agreed that they should recommend a "new global compact with Africa", in which the developed countries would invest the necessary resources, through aid, debt relief, and market access, in order to give Africa countries the needed jump start. In return, Africa will intensify its efforts at political and economic reforms. This new compact will necessarily include a trade, with industrialized countries providing free or easier market access, while African countries take strong steps to promote exports and accelerate regional integration. The ideas put forth in K.Y. Amaoko's compact were synthesized within the statement. The ministers' statement also calls for a strengthened partnership and a

rededication to serious dialogue in order to mobilize the energies of all concerned to achieve African development goals.

16. The second draft statement is to be presented at the Financing for Development conference. In this statement the ministers call for further improvements in the HIPC initiative, to provide deeper, broader and faster relief, with greatly relaxed eligibility criteria, and greatly shortened periods required to benefit under the initiative and greater resources. The ministers noted that debt relief for the poorest countries should not take the place of ODA funding, but should be a complement to this. The group pledges to reaffirm the need for expanding the application of the Cologne initiative to all African countries whose economies are stagnating with excessive foreign debt. They note that similar treatment should be extended to middle income countries whose economies are stagnating because of debt overhang. On their part African countries will reiterate their commitment to work with their development partners to eliminate those factors that inhibit FDI flows. The ministers also believe there is a need for serious dialogue on the issue of governance of the international financial system, as a large number of developing countries excluded from the decision making process. Issues include a review of the respective roles of the Bretton woods institutions. Another area that will be included in this statement will include proposals regarding Africa in the global trading system, including African participation in multilateral trade negotiations and the WTO. They recommend early consideration of the need to extend duty free and quota free privileges to products of critical interest to African countries. The statement also calls on partners to support African efforts to strengthen productive capacities in order to improve overall factor productivity and competitiveness of African economies. Finally, the statement suggests that all African countries should benefit from further measures to enhance ODA flows, to strengthen capacity building to address constraints, to encourage higher FDI flows and ultimately to provide duty free and quota free access to markets of developed countries.
17. The two day meeting concluded with the group concurring on a "draft resolution on consultation on the new global compact with africa", as presented by the minister's bureau of the UNECA. In the resolution, the group takes note of, and welcomes the compact proposal. The urge members to discuss the compact in their respective countries, and request the UNECA to present an elaborated compact at the April 2001 meeting of the commission to include Ministers of finance and Planning.

# MINUTES OF THE SPA TECHNICAL GROUP MEETING

18 - 19 October 2000

In preparation for the SPA Plenary Meeting scheduled for 5 - 7 December 2000, the Technical Group (TG) met on 18 and 19 October 2000 in the World Bank's premises in Paris. The European Commission and DFID assumed the chairmanship (list of participants is enclosed).

Some Task Teams (TT) had convened on 17 October 2000 to discuss progress and future work plans. The main task of the TG meeting was to consider TT reports, and identify issues and outputs for presentation at the up-coming December Plenary. The Group also welcomed a presentation by the IMF and World Bank on their respective mechanisms to support the implementation of Poverty Reduction Strategies.

A recurrent theme for discussion was the suitability of the current TG / TT structure and working methods. Progress and outputs were assessed in relation to the mandate set out in the SPA 5 Agenda:

- Strengthening the poverty focus of programmes supported by the SPA, through the PRSP process;
- Mobilising and monitoring quick-disbursing donor financing;
- Improving aid effectiveness through, selectivity, better specification of conditionality, sector programmes development, development of a fiscal approach framework and improved public finance management
- Improving SPA processes through strengthened communications, stronger collaboration with the OECD/DAC, improved efficiency of SPA processes and strengthening of African perspectives.

The TG also explored ways of avoiding overlap (in the work of different Task Teams and between the SPA and other development policy fora). Consideration was also given to how findings could be translated into policy and practice.

## 1. PRSP/PRGF PROGRESS – POLICY, INSTRUMENTS, GUIDANCE AND IMPLEMENTATION ISSUES

The IMF made a general presentation on the **Poverty Reduction and Growth Facility**, highlighting what is new in the PRGF approach compared to the ESAF and reflecting new PRGF Guidance to IMF staff. Poverty reduction has become an ultimate criterion for program success and great emphasis will be placed on transparency in the policy debate and on government leadership. Budgets that are more pro-poor and pro-growth will be promoted and flanked by a reinforcement of public resource management (i.e. of both revenue mobilisation and expenditure). Financial governance measures are expected to become an increasing focus of PRGF conditionality. There will be greater flexibility in fiscal targets and more "normative" macro-projections to signal financing needs, plus identification of contingent spending plans in case more aid resources become available. The social impact of reforms will be taken into account in program

design, with a view to ensuring that adequate safety net policies are in place before major adjustment or reform measures are implemented.

The World Bank also provided **further information on the proposed Poverty Reduction Strategy Credit (PRSC)**. It was stressed that although operational guidelines for PRSCs are still being formulated, this is not a new instrument, but rather an adaptation of programmatic structural adjustment credits, which support medium term government programmes of policy and institutional reform with a strong poverty focus. PRSCs are intended to provide more streamlined and systematic support to social and structural reform, and in most cases will accompany IMF PRGFs. The PRSC will consist of a series of annual credits within a multi-year framework, which is synchronised with the country's budget cycle and supports a subset of the reforms that are articulated in the country's PRS. The quick-disbursing support provided through PRSCs will be graduated and released on the basis of progress in implementing the program being supported. Taking account of the need to specify actions that are under the control of governments , traditional policy conditionalities will continue to be used to trigger disbursement but these will be supplemented by other outcome measures. Other Bank instruments such as investment lending will continue to be used in parallel with PRSCs. Over time, as countries develop strong PRSs and implement them, the PRSC would become the predominant instrument for Bank support.

These developments were broadly welcomed by the TG. The TG felt that the IMF and World Bank must now make sure that the policy messages are translated into practice. The Bank and Fund must also ensure complementarity between the PRSC and PRGF and coherence of PRSC/PRGF conditionalities. The PRSC concept also raised some issues for further discussion. These include how the choice of focal sectors for a PRSC will be made and how the concepts of a graduated response to under-performance, and performance measured by ex post outcomes rather than ex ante policy commitments, will be (partially) integrated.

## 2. PROGRESS IN THE WORK OF TASK TEAMS

### 2.1. PRSP Process Task Team (UK)

An initial review of donor perceptions of the first phase of the PRSP process was presented to the June 2000 Plenary. A multi-donor study on eight country experiences of PRSP process is since underway. The study is aimed at assessing the extent to which poverty reduction policies, practices and monitoring is taking institutional root and thus promoting ownership of the process. It covers 7 countries plus Mozambique and extends over 15 months in two phases. The study, albeit not finalised, raises pertinent points for discussion and the Group welcomed a presentation of tentative findings (Phase I) on basis of field reports from Malawi, Rwanda, Mali, Tanzania.

Though the study will not yield firm or complete results before December, it was considered worthwhile to make a presentation to the Plenary. In order not to jump the gun, such a presentation should however focus on the progress made to date and at this stage only indicate policy conclusions that can be considered as firm.

It was generally felt that the SPA should continue to monitor actively how the PRSP process develops, especially tracking the movement from iPRSPs to full PRSPs. This would include a consideration of the process and modalities for the annual review of

PRSPs (consultation in-country and donor involvement) and the support mechanisms for monitoring and financing these.

Against this background, the Task Team suggested the following activities and outputs for next year:

- To **complete the ODI-led eight-country study** on monitoring in-country PRSP developments and observing quality of PRSs;

- A **study investigating donors' involvement in PRSPs**. This will include a comparative review of approaches and mechanisms adopted by donors for supporting PRSPs, noting especially the type and range of support, involvement in long-term capacity building, and more generally, involvement in PRSP policy dialogue.

- To **develop links with the ECA's newly established African PRSP Learning Group**. Co-operation will focus on sharing good practice experiences such as in public finance management. The main focus will be to foster technical links with the ECA initiative and to encourage the development of stronger PRSs and better implementation within countries.

The Task Team also proposed a study on the quality of participation and decentralisation to be presented to Technical Group in April 2001. Noting that other organisations are actively working in this area, some delegates questioned the value of pursuing this in the SPA.

### 2.2. Poverty Monitoring Task Team (OECD/DAC).

The Group confirmed the paramount importance of poverty monitoring for effective implementation and follow-up of PRSPs. Full PRSPs should not be launched without confidence in the availability of monitoring data, supported by costed and funded plans to provide it. To date, there is reason for anxiety on the adequacy of the choice of PRSP monitoring indicators, the existence of baselines against which to monitor progress, the reliability of chosen indicators, and the financial and technical capacity of national institutions to collect and analyse them.

Since the agreement on Terms of Reference for the PM Task Team, progress had however been very limited. The PM TT had not been operational enough and its work overlaps to a significant extent with the PARIS 21 Initiative. The main issue for discussion was therefore whether the TT should be merged with the PRSP TT, dissolved or kept with a reformulated mandate.

It was agreed that the PM TT would remain, but adopt a different working method. The Chair of the TT will pass to Eurostat and one output should be a new review of progress in poverty reduction in Africa timed for the last year of SPA 5. Eventually, a Poverty Monitoring (Status) report could be established for every three-year SPA cycle.

The TT was also urged to consider strengthening/extending activities relating to the identification and analysis of poverty indicators as a matter of priority. Eurostat plans to launch a study on the subject. This could be done ahead of, and without prejudice to, the planned roll-out of the PARIS 21 initiative to country level, which may take some time.

## 2.3. Contractual Relationships and Selectivity Task Team (EC)

Two draft reports on conditionality were presented. On the selectivity element of the TT work programme, there was no progress to report.

- **Report on the final results of the Burkina Faso Pilot on conditionality reform**

The Burkina Faso pilot study on conditionality had been concluded. The study confirms that outcome conditionality increased government ownership of the development process, as it allowed more decision power to the Government on the design and pace of policy change. Outcome conditionality also favoured donor co-ordination, as there was less divergence in views on outcomes than on programme design. Results-based conditionality moreover created a demand in-country for better results measurement. This in turn pushed for evidence-based policy making. For instance, some results indicators, e.g. actual utilisation of primary health centres, gave opposite results to input measures such as expenditure or units of construction. Outcome targets must be however be realistic, reliable and determined on the basis of trend data. The baseline has to be measured, not assumed.

The study also revealed the importance of systematic monitoring of real costs. The government paid a considerable public sector premium on goods and services. The study also compared costs across regions and found a higher price level in the poorest regions.

With regard to review of results, the study concluded that while it is not simple to measure degrees of achievement of results-based targets, it is at any rate easier than for policy measures. A graduated and not too mechanical approach to evaluation of results against targets seems desirable. The review was an opportunity for donors to provide policy advice and to stimulate public debate on policy.

The EC, building on the results of the test, will move to a mixed conditionality in all its programmes. 70% of the support will be tied to PRGF/PRSC conditionality and 30% results based conditionality, coupled with a graduated response to shortfalls in programme implementation.

The Plenary should include a discussion of Conditionality Reform, on the basis of a short paper summarising the results of the test case and discussing the alternative reform proposals (including emerging ideas on PRSC conditionality

- **Draft review of HIPC Completion Point Conditionality and comparison with iPRSP/PRSP documents**

The stock-taking exercise set out a classification of HIPC Completion Point conditions for the first ten countries to reach HIPC decision point according to type of conditionality, distinguishing between policy, input, outcome and impact criteria. The paper also contained a comparison between HIPC conditionalities and the iPRSP/PRSP strategies of the countries concerned. By raising a number of pertinent questions on the first wave of HIPC floating completion point cases, the EC hoped to push for a more inclusive HIPC process and promote a joint appreciation of future conditionalities.

The EC made a number of observations. There was great variation in the type, scope and degree of measurability of the conditionalities. Policy conditionality was predominant, which signals that the Bank/Fund has retained a traditional approach to conditionality. Outcome conditionality was concentrated in the health and education sectors. Impact conditionality, with the exception of Mauritania, was very vaguely formulated (e.g. 'Acceptable progress in reducing poverty). Such vague criteria inevitably raised the question what an acceptable degree of progress is, and who decides when such progress has been realised. Finally, a significant variation in number, type, scope and measurability of conditionality could be noted between different countries. According to the EC, less variance across countries with regard to the type and number of criteria to be fulfilled would be desirable.

The EC claimed that there were no clear links between HIPC conditionality and the countries' iPRSP/PRSP documents. The inconsistency between iPRSP/PRSP documents and HIPC conditionality was questioned as it would challenge government ownership of its development process and undermine transparency vis-à-vis all partners in the HIPC process.

The World Bank and IMF found the review useful, but felt that it needed to be supplemented with a discussion on the context within which the HIPC Conditionality had been formulated as well as explicit recognition of differences in country situations. It was pointed out that differences in the status of countries with regard to the original HIPC initiative and consequent variations in their treatment under enhanced HIPC as well as differences between the pacing of the HIPC process on the one hand, and the PRSP process on the other were among the reasons for the variations in the number and type of criteria in HIPC decision point documents.

As the paper was presented at very short notice, it was agreed that all would have a two-week grace period for submitting comments to the EC. A revised version of the paper could subsequently be presented to the December Plenary.

It was proposed that during next year, the Group would continue to focus on conditionality used by donors in supporting implementation of the PRSP. Special attention would be given to PRGF and EC support under the new system.

### 2.4. Progress report from the Growth and Equity Task Team (World Bank)

Two outputs were proposed:

- **A synthesis paper reviewing the main policy** implications emerging **from** the series of studies co-ordinated by the World Bank on **Poverty Dynamics in Africa**. Preliminary findings indicate that recent growth episodes in Africa have generally been poverty reducing while overall income inequality has changed relatively little. The country studies will be finalised by the end of this year and the synthesis report will be presented to the next Technical Group.

- **A review of the current state of knowledge concerning the constraints to accelerated and pro-poor growth** in SPA countries will be commissioned. This review would also assess the extent to which measures to promote equity in these countries are likely to promote growth.

There was some doubt as to the feasibility of the second item. There is agreement that this area of work lies at the heart of the SPA's concerns and constitutes the content as distinct from the process of the PRSP framework. But there is considerable interest and activity outside the SPA framework. A more specific proposal will be prepared by the TT.

### 2.5. Sector Programmes Task Team(World Bank and France)

- **Interim report on Tracking Study.**

A progress report was made on the Sector Programme tracking study, covering a quantitative and qualitative review of 30 sector programmes. The threshold test, with a view to identify operations with key characteristics of SP from which general lessons could be drawn, had been completed. Out of 47 reviewed programmes, 30 were found suitable for tracking and subject to a qualitative assessment.

Preliminary conclusions are based on a review of 28 operations in 17 countries. Ten donors and two partner governments have so far responded. Interim findings are rather positive, confirming the comparative advantages of sector wide approaches. In fact, the tracking exercise in itself seems to have fostered greater coherence and focus of SP's. However, the findings with regard to donor support modalities were variable. The majority of support was provided through projects instead of budgetary support, and the use of government procedures for procurement and accounting was not consistent. A final version of the report will be presented to the December Plenary.

In the PRSP Framework, the SP will for some major donors be the principal instrument of support. There was therefore agreement that the Tracking Exercise needs to be maintained. The assembled data makes up a very rich source of information and forms the basis for effective monitoring of the development of the SP instrument. It was generally felt that such data should be exploited for further analysis and should be made widely accessible. Some speakers however warned against drawing generalised conclusions on the basis of a limited sample (number of respondents low).

Donors need to review their own mechanisms for ensuring that information is quickly and accurately provided to the Tracking Team; this leaves a lot to be desired at present. Donor staff in-country also have to undergo a degree of retraining and re-orientation to make this effective.

Possibie future activities were follow-up conferences in selected countries to take the analysis forward. The TT could also work on guidelines on SP best practices, mainstreaming of SP approaches and development of SP's in productive sectors. An information network could also be established on experiences of basked funding.

- **French proposal on aid modalities**

The Group considered a French proposal on aid modalities, which stressed the need to stimulate the switch from a project approach to a sector approach. It was recalled that a change in the nature of aid however would not occur if related concerns, such as harmonisation of procedures, accountability and absorption capacity, were not properly addressed.

### 2.6. Public Financial Management and Accountability Task Team (Norway)

- **Challenges and existing initiatives**

Public finance management (PFM) is considered increasingly important as donors switch to forms of aid which depend more explicitly on efficient and uncorrupted resource management. This is currently a number one priority for the SPA.

Starting from the assumption that the SPA should generally focus on exchange of information and best practices in order to identify and fill knowledge gaps, the Task Team sought to identify possible roles for the SPA in the area of PFM. The TG underlined the importance of examining donor/government capability to assess and monitor PFM systems. For efficiency and fostering greater ownership, African partners would need to be involved at the heart of this process.

The Task Team will need to focus on developing the terms of reference for assessing PFM-systems. An immediate step would be to map and assess existing facilities for assessing PFM systems, and are being applied by various institutions (e.g. World Bank, IMF, IFAC, UNDP, EAC). There is a considerable amount of new work going on in a number of key agencies, and there would be value in the SPA taking stock of this. A first draft of this would be presented to the December Plenary. The eventual goal would be to have shared country assessments of the quality of financial management systems. TG discussion emphasised that proposed joint assessments should not be of the pass/fail kind, but should identify weaknesses and obtain agreement on a package of remedial measures.

The TG was briefed on two recent activities in the field of donor procedures: the outcome of a workshop on harmonising of donor accounting and audit procedures that was held in the Netherlands in May 2000; and a study that is underway on accountability and audit requirements among some donors mapping real and perceived constraints in providing general and sector budget support.

TG delegates noted that the issue of harmonisation of procedures is being actively pursued in various fora (Utstein Group, OECD/DAC, Group of Nordic Countries, Club de Sahel). In the interests of avoiding duplication, the SPA would not be commissioning additional work on the harmonisation of procedures; but various Task Teams and the TG would need to be regularly informed of progress of work taking place in other fora (notably OECD/DAC). The results of studies, such as the ones referred to above, none the less would feed into various SPA Task Team activities (e.g. Sector Programmes and PFMA).

It was agreed that the report to the Plenary by TG Co-chairs should highlight the work of the PFMA Task Team and report other related on-going initiatives such as the study of donor accounting and audit procedures relating to budget support (the Netherlands and UK/DFID).

### 2.7. Fiscal Frameworks Task Team

There is no further progress to report since the June Plenary. It will be important to develop fiscal frameworks, both to tie in with the IMF's aims on "normative macro-economic frameworks" and more-aid scenarios; and to aid in-country transparency on the effects of Debt Relief and SPA support taken together.

The TG Chairs will review the organisation and resourcing of this TT with the Danish Chair.

## 3. PREPARATION FOR THE SPA PLENARY SESSION

The SPA Plenary meetings will take place on 5 to 7 December 2000. The following reports will be tabled for discussion:

- Conclusions by the Co-chairs from the Technical Group, including a report of work-in-progress by Task Teams, issues for Plenary, and items for next year.
- Reform of Conditionality: results from the Burkina Faso pilot case and a revised review of HIPC Completion Point conditionality .
- PRSP-process. Status report of work in progress, highlighting key issues and possible policy implications emerging from a scoping study of eight African countries.
- Stock-taking report of existing assessments of public finance management systems applied by various institutions; and terms of reference proposing follow-up country studies.
- Results of Sector Programme tracking exercise.

The following additional agenda item was proposed:

- Dissemination of information between Plenary meetings, in particular as there only one Plenary session would be held per year in the future. For instance, the Technical Group could be mandated to approve and circulate reports.

The SPA Secretariat will be sending documents for the Plenary on 13 November 2000. Documents intended for inclusion in the package to be sent to SPA delegates should reach the Secretariat no later than COB **Friday 10 November** (European time).

Alison Rosenberg of the SPA Secretariat acknowledged with appreciation that the UK was hosting the TG meeting. She then consulted participants about the main elements of the preliminary Plenary agenda:

- The pre-Plenary session with guest African speakers would be on the subject of the private sector and poverty reduction. A session featuring African investors would address the general question of what governments and donors should be doing (or not doing), and then link it to the PRSP (how should the private sector dimension be handled within the PRSP process?).
- The first morning of the Plenary would be taken up with African economic prospects and financing issues, including HIPC and a fiscal framework update, and an assessment of oil price/commodity terms of trade shocks.
- PRSP issues would again be a focus. Institutional updates by the Bank and Fund would launch the discussions.
- A major share of the meeting would be comprised of the messages and reports coming out of the TG meeting.

* * *

TGMinutesOct00

# Strategic Partnership with Africa

## Donor Involvement in PRSPs: Survey Results

PRSP-Process Task Team Input to SPA Technical Group, June 2000

Table of Contents

**INTRODUCTION** ..... **3**

BACKGROUND AND CONTEXT ..... 3

COVERAGE ..... 3

STRUCTURE OF THE PAPER ..... 3

**SECTION 1: COUNTRY LEVEL RESPONSES** ..... **3**

1.1: CONSULTATION ..... 3

*i. Consultation with donors* ..... *3*

*ii. National consultations* ..... *4*

1.2: CO-ORDINATION ..... 6

*iii. Donor/Government* ..... *6*

*iv. Leadership* ..... *6*

1.3: EFFECTS OF PRSP ON DONOR POLICIES AND OPERATIONS ..... 7

*v. Donor policies* ..... *7*

*vi. Donor operations* ..... *8*

*vii. Supporting capacity of governments* ..... *9*

1.4: ARE I-PRSPS DEVELOPING IN THE RIGHT DIRECTION? ..... 9

**SECTION 2: HEADQUARTERS LEVEL RESPONSES** ..... **11**

2.1 EFFECT OF PRSP ON STRATEGY ..... 11

2.2 POLICY MESSAGES TO IFIS ..... 12

*Main messages* ..... *12*

*Other messages* ..... *12*

**ANNEX A: QUESTIONNAIRE** ..... **14**

**ANNEX B: RESPONSES BY DONOR AND COUNTRY** ..... **16**

# INTRODUCTION

### *Background and Context*

This report synthesises responses provided by a number of SPA donors regarding their involvement in the PRSP process. A questionnaire on *Key Process Questions* was sent out to all members of the SPA's PRSP-Process Task Team (TT) on 14 April 2000 (see Annex A). The questionnaire asked donors about their involvement at both field and headquarters level. Wherever possible, donors have sought, and provided, information from field offices.

### *Coverage*

The synthesis is based on responses obtained from 10 donors: EU, Sweden, Germany, Netherlands, Norway, UK, USA, Canada, Japan, and AfDB. It covers donor experiences with the PRSP process in at least 21 African countries: 11 Anglophone, 9 Francophone countries, and Mozambique.[1]

### *Structure of the paper*

This paper is in two sections. The first section addresses **country-level** responses and covers a range of issues: consultation, co-ordination, effects of PRSP on donor policies and operations, and donors' views on whether I-PRSPs are developing in the right direction. The second section, covering **headquarters-level** responses, summarises responses on the effects of PRSPs on donor strategy, and outlines key policy messages for the attention of the IFIs.

## SECTION 1: COUNTRY LEVEL RESPONSES

### *1.1: Consultation*

i. Consultation with donors

> Q2. Are you satisfied that in preparing PRSPs, donors have been adequately consulted by the BWI, and views taken into account in PRSPs negotiations? If you feel dissatisfied explain precise areas of concern and how the process could be improved.

**Views on** how much **donors** have been **consulted by IFIs vary**: Sida is reasonably satisfied with the process, DFID and EU report some field office concerns that the PRSP process is more an IFI-government affair. The EU points out that in Kenya although there has been more donor involvement, the mechanism and degree of influence remains unclear. The Netherlands,

[1] See Annex B for details.

Norway, Japan, the US and Canada report a mixture of positive and negative field office experiences.

The most frequently mentioned criticism is that not enough time has been allowed for consultation (not least due to the HIPC timetable). Others mention a lack of enthusiasm for facilitating consultation, poor planning of the consultation process, and the impression of a one way consultation process—i.e. 'being put in front of a *fait accompli'*.

Where donors have provided details on 'positive' aspects of IFI consultation, they refer to the IFIs as being generally approachable and willing to share information. Germany believes that the IFIs have been active in formally seeking consultation, but in practice have shown little willingness to accommodate suggestions, and to 'hear' divergent views. Japan notes improved information sharing, but urges for a more timely, and adequate, consultative process.

In principle, donors recognise that consultation is not primarily the responsibility of IFIs, but of governments (CIDA, USAID). In practice, given the transitional nature of the process (and the limited capacity of governments), **donors feel that IFIs should promote a more inclusive process**. CIDA remarks that it would be useful to involve donors at an early stage to broaden the development dialogue, and to provide governments and IFIs better guidance about future resource flows.

Donors recognise that the **consultation process in Uganda** (DFID, EU) was better, although Norway would have liked more discussion on the content of the PRSP. The process **in Tanzania** is seen in less positive terms. The Netherlands, EU and DFID would have preferred more involvement. In **Mozambique**, perceptions about the extent of donor involvement are varied. Some commend the openness and flexibility of the IFIs (Sida, Netherlands). Others believe the Bank and the Fund could have been more inclusive (DFID, EU). A similar range of views are expressed about the Kenyan process.

ii. National consultations

> Q7. What concerns do you have about the (quality and coverage) of previous and planned consultative processes (with national stakeholders, government departments and civil society representatives) regarding PRSPs?

Overall, donors believe that **national consultative processes have improved**, and that government and civil society groups are now more engaged in dialogue.

**The quality and coverage** of consultations are perceived to be **better** in countries where **procedures for wider national consultation** already **existed**, and where existing national poverty policies provided the basis for the PRSP (e.g. Uganda).

**Two key concerns** are shared by many donors: the lack of **time for consultations** caused by tight deadlines set by IFI boards (DFID, Sida, Netherlands, Norway, US, EU)[2], and the **need to broaden participation** (DFID). Despite these problems, DFID notes that the I-PRSP process has resulted in a higher level of government-civil society engagement than has been evident in the past.

Consultation with government is felt to be mostly limited to certain sections of central government (Rwanda, Mozambique), with little involvement and information sharing with other parts of central and local government.

According to donors there are constraints to widening and deepening national consultations, and for a number of reasons: the lack of capacity in government, no history of dialogue, a legacy of central planning, fragmented civil service, and the poor quality of civil society representation that can engage effectively with government (DFID, Netherlands, CIDA). CIDA mentions that it may be difficult for some governments to adjust to more participatory policy formulation. For similar reasons the Netherlands is more cautious about governments' ability to embrace extensive participatory processes.

Some donors voice concerns about the **Bank's strong role in the PRSP consultation process**. Canada feels that the Bank had to take a strong role in the consultation process, but worries that this may risk greater country ownership. Japan's concerns are with the process by which NGOs and citizen's groups are selected for consultation. Germany indicates that the PRSP consultations still have to prove that emerging messages are integrated systematically into the process, rather than anecdotally. In Tanzania, Sida and DFID note that separate consultation processes for the PRSP and the Tanzanian Assistance Strategy (TAS) have imposed a burden on government, undermining ownership, and delaying some activities, such as the Public Expenditure Review (PER).

In Kenya, some donors acknowledge that I-PRSP preparations have succeeded in starting a consultative process. This is a welcome development (Sida, DFID) as stakeholder seminars have been organised with NGOs, the private sector, women's groups, opposition movements, and donors. Whether the Kenyan PRSP will reflect the results of consultations remains unclear.

Zambia is also mentioned as a country that has not had extensive consultative processes in the past. The PRSP process is seen to be introducing a new type of dialogue. However, given a preoccupation with elections next year, there are doubts about the extent of government commitment to poverty reduction processes (Sida).

---

[2] e.g. Uganda, Tanzania, Mali, Zambia, Burkina Faso.

## *1.2: Co-ordination*

### iii. Donor/Government

Q6. What efforts are underway to improve donor co-ordination with government over PRSPs? Is there a need for donor co-ordination to improve, and if so, how best could this be achieved?

Many donors feel that **overall co-ordination** has been **improving** (Norway, Japan, Netherlands, US); although Japan notes that donors without in-country presence are less well informed.

**Co-ordination between bilateral donors** is generally described as **good** (DFID, Sida, Japan, Norway). The Netherlands mentions joint reviews and joint PRSP statements in Tanzania, Uganda, and Mali. Sida identifies the existence of donor fora, such as the DAC in Tanzania. However, to date, these arrangements have not produced practical results; especially regarding co-ordination and subordinating bilateral requirements to common procedures (Sida, Norway, DFID).

**Co-ordination with government varies from country to country**. Some donors (US, Sida, DFID, EU) note overall improvements, especially in countries with established sector programmes and/or MTEFs (e.g. in Uganda, Mozambique, Tanzania) or in countries moving in that direction (Rwanda), and/or where arrangements are government-led (Uganda and Tanzania).

The Netherlands expects improved co-ordination in Zambia from the new informal donor-government PRSP group. Sida reports that donors are cautiously optimistic about new initiatives in Kenya. DFID cites patchy government co-ordination in Lesotho. USA indicates there is generally weak government leadership of the co-ordination process.

Donors have **various suggestions on how to improve co-ordination**. CIDA, the EU and DFID stress the importance of being sensitive to government leadership and for the need to strengthen government's consultative capacity. In addition to this, CIDA urges the World Bank and UNDP to define their roles in co-ordinating donors in the PRSP process. The EU notes that for better donor co-ordination under the PRSP umbrella, donors would need to adapt their programmes. The Netherlands and Norway call for (further) harmonisation of administrative and financial procedures. In the case of Uganda, Norway suggests common funding mechanisms and procedures based on the PEAP.

### iv. Leadership

Q9. In the preparation of PRSPs, who is taking the lead (Bank, Fund, government department, donor, civil society groupings, etc.) in driving the process forward? Which locally-represented agencies have been excluded?

There is a variety **of perceptions about who is taking the lead** in preparing PRSPs. At one end of the spectrum the EU, Germany, Canada and Japan feel that the **IFIs** are clearly leading the process ('in the driving seat'); possibly with a measure of government co-leadership in the case of Uganda, Ghana and Mozambique.

Sida believes the Zambian PRSP was IMF-driven, and agrees with the Netherlands, that in Tanzania the Bank has played a dominant role. In some countries, Germany notes contests between IFIs, UNDP, and bilateral donors regarding poverty reduction processes.

DFID identifies the **IFIs and central government** (Ministry of Finance) as joint leaders—processes not too dissimilar from the old-style PFPs. In only a few cases are other donors mentioned to be leading. In Rwanda, Sida identifies DFID as playing a role. In Burkina Faso, Japan notes the contribution of the EU. And in Zambia and Rwanda, DFID mentions the prominence of UNDP.

Some donors perceive **leadership to vary across countries**. For Sida, the balance tilts towards the IFIs; and for Norway it is in favour of government. Three quarters of USAID country offices saw government to be in the lead. The Dutch believe **government**, specifically the Ministry of Finance, has been **leading the PRSP**. In only one case (Sida citing Kenya) is civil society seen as pushing the PRSP agenda.

Reactions on **which agencies have been excluded** from PRSP preparations are limited. German country offices find no civil society groups taking or bidding for the lead. Sida reports that in Mozambique that there is little participation from civil society and the private sector. And in Zambia, NGOs see the arrival of PRSP to be an outcome of Jubilee 2000, but are unclear whether they will be able to play an important role (Sida). The EU points out that the problem is not exclusion, but the quality of the consultation process and the resulting lack of influence.

### *1.3: Effects of PRSP on donor policies and operations*

v. Donor policies

Q3. In what specific ways have the policies of your regional/country office been influenced/re-shaped by the PRSP process?

All donors indicate that the PRSP policy is too new to have changed policy substantially. For one group of donors a fundamental **change in policy direction** was **unlikely as poverty reduction already was a core organisational objective** (US, DFID, Sida, Netherlands, Norway). The EU is in the process of elaborating and implementing guidance on greater engagement with PRSPs, although there are capacity constraints. However,

emphasis on poverty reduction objectives within country strategies may intensify (DFID, Sida). A number of donors feel that national sector programmes provide a platform for elaborating a PRS, and would aim to increase such support. In Uganda, Netherlands and Norway hope to base their assistance strategy on the PEAP/PRSP.

Canada welcomes the fact that PRSPs are promoting internal discussion within CIDA and on a range of issues: focus of aid on poverty reduction, ownership, participation, and capacity building. Japan reports no change in policy in country offices, but PRSPs may strengthen the social and poverty focus of JBIC's projects. One USAID mission thinks that the I-PRSP would influence the new country strategic plan. The AfDB intends to use new information from the PRSP process to orient Country Strategy Papers towards poverty reduction objectives.

Responses from Germany indicate that **changes in policy at this point in time would be premature**, and remain sceptical about using PRSPs to guide country policy.

vi. Donor operations

Q4. How have PRSPs affected your existing operations? What changes are planned to align instruments to support national PRSs? How are programmes likely to be affected?

Q5. In operational terms, how have PRSPs been influential and/or likely to change practices in the future? Please be as specific as possible.

Most donors indicate that it is too soon to comment on the operational impact of PRSPs; though for some, **operational changes have begun**. In some countries, DFID plans to align operations more directly with the PRSP and the PRGF processes. In Tanzania and Mozambique there are signs that like-minded donors are aiming to make their projects and programmes more consistent with the PRSs.

**Future changes are likely**. DFID expects more **cross-cutting staff** may be required in-country. Other donors intend **changing instruments**. Sida plans to work more with districts and local government and to give BoP support a bigger poverty focus (Tanzania). Norway hopes to target funds to four main goals of the Ugandan PEAP. The EU is linking its new budget support operations to the objectives of the PRSP. Germany remains sceptical about budget support for the PRSP, but would probably begin to provide **sector budget funding** (e.g. Uganda and Tanzania health). CIDA may consider similar support, but is cautious. Good quality PRSPs and sector policies are likely to influence Germany's **choice of countries and sectors**.

USAID suggests that the impact of PRSPs **on government and IFI practices is potentially revolutionary**: wider participation in planning and decision making could reduce official corruption and increase accountability, and a

joint PRSP with suitable funding would permit an integrated and trackable 'growth with equity' approach.

vii. Supporting capacity of governments

Q1. What plans do you have (or have under way) to support the capacity of national governments to engage in PRSP processes?

Germany is preparing comprehensive PRSP support projects in pilot countries[3], and will support PRS capacity building in half a dozen African countries. In addition, some of its TA projects are being reoriented towards capacity support for PRSs. DFID has provided some financial and technical assistance for capacity building, including support for mainstreaming poverty and gender, supporting government's PRSP lead agencies, and improving statistics. The EU is using existing TA to support the PRSP process in Kenya. Germany[4] and CIDA plan to strengthen statistical capacity.

Several donors note that while some county offices have **in principle agreed to support capacity building, they have not yet received many specific requests** (Norway, some Sida and USAID offices, and DFID Lesotho). The Netherlands is setting up central trust funds for capacity support with the World Bank, AfDB, and ADB.

DFID points out that policy towards capacity building is not a straight forward issue. Some governments may want to fund capacity support for the PRSP, e.g. by using freed resources from debt relief. In such cases donors would support an MTEF and SWAps, and assist in implementing the PRS more generally.

CIDA, Japan and AfDB are **strengthening their own capacity** to contribute to the PRSP process. AfDB is organising PRSP workshops and is responding to requests for support. Japan indicates no firm plans for capacity building as yet.

### *1.4: Are I-PRSPs developing in the right direction?*

Q3. Please explain how content you are that the I-PRSP process at a country level is developing in the right direction

8.1. fostering national ownership?
8.2. moving at a realistic pace?
8.3. and, in the medium term, that the process will lead to a good PRS?

There are mixed responses on whether PRSPs are fostering greater ownership. Japan notes the potential for greater ownership, as does Norway, although believes that weak capacity limits this. USAID reports some countries have assumed full responsibility, while in others there is little

[3] Including Mauritania.
[4] In Tanzania, Kenya, Uganda and Côte d'Ivoire

progress. But USAID believe ownership should increase over time. The Netherlands hope that PRSPs will bring more country ownership. The EU feels that the I-PRSP process has not fostered ownership. CIDA too believes ownership has not improved; and only with time would government capacity constraints be overcome. Sida makes a similar point for Rwanda.

DFID also agrees that the lack of capacity means that there is likely to be a trade-off between ownership and quality. Changing the way IFIs interact with governments could improve ownership and increase capacity. The drafting of I-PRSPs has served to undermine national ownership; and there is a risk that PRSPs will not be very different 'in process' to PFPs (e.g. Mauritania). Germany reports some IFI efforts to foster ownership, but despite naming African officials as authors, documents were in effect being drafted by IFI staffs. Germany also highlights that in some countries claims about civil society participation are exaggerated, e.g. in Burkina Faso.

In Tanzania there are some concerns that ownership often does not extend beyond the Ministry of Finance, and that the Bank has a strong presence (Netherlands). Uganda is the only country where a number of donors perceive government ownership to be strong. DFID attributes this to good internal leadership, and points out the core document for government is its national poverty strategy—the PEAP—not necessarily the PRSP.

Most donors (Norway, USAID, CIDA, Sida, Germany, DFID, EU) believe that the **I-PRSP process has developed too fast**. Considerations of a consultative process have been overridden by time pressures, and expediency has compromised quality. Donors recognise the tension between the need to deliver HIPC relief and encouraging greater ownership of PRSPs. Norway, for instance, remarks that time pressures have prevented the inclusion of good outcome indicators in strategies. The EU, however, points out that PRSPs are evolving documents, and the balance between pace, quality and ownership will change over time.

The Netherlands provide a more mixed response: that the pace is realistic in Uganda, Ghana and Mozambique; that there are hopeful possibilities for meeting deadlines in Zambia, Tanzania, and Mali if these are based on existing poverty reduction strategies; and that in Burkina Faso, developments have advanced at an unrealistic pace. Fifty percent of USAID offices state that they consider the PRSP process is moving too fast. Japan notes the PRSP process has been slowed down because of the requirement to reach consensus with civil society.

Donors are not **convinced that the I-PRSP process necessarily would lead to a good PRS** in the medium term (DFID, Germany, Sida, Norway, CIDA, Japan, Netherlands). **Success** depends on improving **ownership** (Japan, CIDA), increasing **participation** (CIDA) and adjusting the pace to suit country capacity (CIDA). DFID indicates that where PRSP processes are

running in parallel with existing national processes, there is a risk of the latter being undermined, e.g. Mozambique.

DFID and Germany believe that whilst I-PRSPs contain information about progressing towards full PRSPs, they are not sufficient as 'road maps'. They lack operational detail for dialogue with the poor, and for objective and transparent monitoring. And they are insufficiently detailed regarding strategies for improving poverty analysis (and how capacity constraints will be addressed). This is not the case in those countries where the I-PRSPs have been based on existing national PRS processes, as for example the PEAP in Uganda (Netherlands, Norway, DFID) and the APRAP in Mozambique (Netherlands).

Germany, CIDA and the Netherlands suggest that one way of improving the process would be to allow more flexibility, for example by allowing different standards and formats to emerge in PRSP documents. Some German country offices (e.g. Malawi, Sierra Leone, Liberia) also stress the need to build minimum capacity prior to embarking on a PRSP process. The EU and Germany would also like to see a greater role for parliament. Donors also suggest more use be made of the media and parliament for stimulating debate. Wide dissemination of important documents (e.g. Uganda budget plans) and better dialogue with civil society would also increase transparency and broaden ownership of PRSs.

## SECTION 2: HEADQUARTERS LEVEL RESPONSES

Q1. In what ways has the new PRSP policy influenced your corporation's strategy?
Q2. Does your organisation have an explicit corporate strategy regarding PRSPs? If yes, please attach.
Q3. Is there a central policy message regarding PRSP process that you wish to communicate to the BWI via the SPA?

### *2.1 Effect of PRSP on strategy*

All donors do not expect the PRSP policy framework to have induced fundamental changes to their policies, as most already have poverty reduction as their core objective (DFID, Sida, USAID, Germany, Netherlands, Japan, Norway).

Japan's country assistance strategies will continue to take I-PRSP into account. USAID's next corporate strategy will reflect the influence and changes of the PRSP on international development co-operation. Internal debates are ongoing within CIDA. Japan, CIDA and Norway mention that the PRSP would strengthen the poverty focus of their policies. And Germany reports that the PRSP process has helped to rekindle a strategic debate on the relative merits of programme and project aid, and the significance of the poverty objective in bilateral aid.

The Netherlands intend using country PRSPs to inform their country assistance programmes. None of the other donors have explicit corporate strategies as yet on PRSPs. However, DFID, Norway and Germany have established internal discussion groups, and DFID, the EU and Germany have produced internal guidance and position papers. Discussions in CIDA are ongoing, and Sida plan to publish a PRSP strategy in June 2001.

## 2.2 *Policy messages to IFIs*

**Main messages**

1. Adapt pace to suit country capacity, and allow more local ownership to develop (Germany, DFID, Sida, Norway, Netherlands, EU).

2. Open up the PRSP process to other donors (DFID, Sida, Japan, CIDA, Netherlands).
   - Resist tendency for a tripartite process.
   - PRSPs should not become PFPs with a few add-on passages on poverty reduction.
   - There is a need for sharing information more widely with donors.

3. Be more flexible.
   - Do not make PRSPs a condition for debt relief or new IDA loans (Sida, Germany), or at least be more flexible, either in time or expectations regarding the quality of the PRSP at specific points in time (DFID, CIDA).
   - Accept different format and standards for PRSPs (Germany, CIDA, Netherlands).
   - Avoid duplication of efforts with national poverty reduction policy processes (DFID).

**Other messages**

- Need to base decisions on debt relief and new loans on outcomes and on binding agreements to a credible schedule of broad based consultations leading to a PRS, rather than policy statements (Germany).
- Define IFI roles in PRSP process (Code of Conduct), and define areas within the PRSPs that are flexible, and those not (i.e. conditional) (Sida).
- Use comparative advantage of donors in supporting PRSPs (Germany).
- Governments may feel threatened by broadening the PRS debate to external actors (civil society etc). A careful role needs to be played in facilitating consultations (Netherlands).
- Undertake further poverty and policy analysis to inform the PRSPs (EU).

- Donors are concerned that limited government capacity is being overloaded by multiple donor and IFI demands.
- Attitude and thinking of IFI staff needs to change regarding how PRSPs are formulated and how national ownership can be promoted more effectively.

# Annex A: Questionnaire

## Key Process Questions

**At country level**

- What plans do you have (or have under way) to support the capacity of national governments to engage in PRSP processes?

- Are you satisfied that in preparing PRSPs, we as donors have been adequately consulted by the BWI, and our views taken into accou in PRSPs negotiations? If you feel dissatisfied explain precise areas of concern and how the process could be improved.

- In what specific ways have the policies of your regional/country office been influenced/re-shaped by the PRSP process?

- How have PRSPs affected your existing operations? What changes are planned to align instruments to support national PRSs? How ar programmes likely to be affected?

- In operational terms, how have PRSPs been influential and/or likely to change practices in the future? Please be as specific as possible.

- What efforts are underway to improve donor co-ordination with government over PRSPs? Is there a need for donor co-ordination t improve, and if so, how best could this be achieved?

- What concerns do you have about the (quality and coverage) of previous and planned consultative processes (with national stakeholder government departments and civil society representatives) regarding PRSPs?

- Please explain how content you are that the I-PRSP process at a country level is developing in the right direction
  8.1. .....fostering national ownership?
  8.2. .....moving at a realistic pace?
  8.3. .....and, in the medium term, that the process will lead to a good PRS?

- In the preparation of PRSPs, who is taking the lead (Bank, Fund, government department, donor, civil society groupings, etc.) in drivin the process forward? Which locally-represented agencies have been excluded?

**At headquarters level**

In what ways has the new PRSP policy influenced you corporation's strategy?

Does your organisation have an explicit corporate strategy regarding PRSPs? If yes, please attach.

Is there a central policy message regarding PRSP process that you wish to communicate to the BWI via the SPA?

# Annex B: Responses by donor and country

| | DFID | Sida | Germany* | Netherlands | Japan | Norway* | US 13 field offices | Canada | AfDB | EC | No. of donor responses |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Benin | | | X | | | | | | | | 1 |
| Burkina Faso | | | X | X | X | | | X | | | 4 |
| Cameroon | | | | | | | | X | | | 1 |
| Cote d'Ivoire | | | X | | | | | | | | 1 |
| Gambia | X | | | | | | | | | | 1 |
| Ghana | X | | | X | X | | | | | | 3 |
| Guinea | | | | | | | | X | | | 1 |
| Kenya | X | X | X | | X | | | | | X | 5 |
| Lesotho | X | | | | | | | | | | 1 |
| Mali | | | | | | | | X | | | 1 |
| Malawi | X | | | X | | X | | X | | | 4 |
| Mauritania | X | | | | | | | | | | 1 |
| Mozambique | X | X | X | X | | | | | | X | 5 |
| Nigeria | X | | | | | | | | | | 1 |
| Rwanda | X | X | | | | | | | | | 2 |
| Senegal | | | | | | | | X | | | 1 |
| Sierra Leone | X | | | | | | | | | | 1 |
| Tanzania | X | X | X | X | | | | X | | X | 6 |
| Uganda | X | | X | X | | X | | X | | X | 6 |
| Zambia | X | X | | X | | X | | | | | 4 |
| Zimbabwe | | | | | | | X | | | | 1 |
| No. of countries referred to | 13 | 5 | 7 | 7 | 3 | 3 | 13 | 8 | n.a. | 4 | |

ote: * only countries mentioned in the text

***ummary***

21 countries, 10 donors (8 bilateral plus EU and AfDB)
Countries: 9 Francophone, 11 Anglophone, Mozambique
Donors: 5 European, 2 North American, Japan, EU, AfDB

**SPA PRSP-Process Task Team**

**USAID Responses to Key Process Questions**

**For synthesis and presentation at SPA June 14-15 Plenary**

USAID is quite pleased with the response we have received to this questionnaire from our field Missions. Of the 21 sub-Saharan African countries where we operate bilateral programs through in-country offices, we have received information on the status of the PRSP process from 13 of our field offices. In addition, a last minute attempt to seek information from our U.S. and African NGO partners through the Africa Liaison Program Initiative prompted several responses, although more importantly we anticipate that these networks will provide invaluable information later on in the work of the SPA PRSP Process Task Team.

While many of the responses share common answers, there also is a fair amount of differentiation depending upon the progress of the PRSP process in each country and, more than anything else, the strong influence that particular country contexts will continue to play in the entire Poverty Reduction Strategy process.

A synthesis of USAID responses to each question follows:

**At country level**

1. **What plans do you have (or have under way) to support the capacity of national governments to engage in PRSP processes?**

All responding USAID Missions indicate that in one fashion or another they are supporting the capacity of national governments to engage in the various PRSP processes, but only two respondents note that they might directly fund aspects of the PRSP development such as regional workshops or the provision of technical expertise. The other respondents note mention existing programs that support government capacity to conduct analysis and to improve strategic planning and monitoring and evaluation, all of which contribute directly to establishing the institutional capacity to needed to prepare and implement a national poverty reduction strategy. Finally, one Mission, USAID/Zimbabwe, states that currently Zimbabwe is not a country in which the PRSP process would be appropriate, due to missing public trust ion good governance, lack of accountability and a track record of fiscal indiscipline.

2. **Are you satisfied that in preparing PRSPs, we as donors have been adequately consulted by the Bretton Woods Institutions (BWI), and our views taken into account in PRSPs negotiations? If you feel dissatisfied explain precise areas of concern and how the process could be improved.**

Mission responses to this question are quite interesting and fairly similar. First, a couple of Missions reiterate the point that they do not think that PRSPs would significantly change the way USAID does business. In terms of influencing host country and BWI practices, however, most Missions enthusiastically state that at least in theory the PRSP process has the potential to be a powerful instrument for coordinated change, perhaps even "revolutionary" in its impact. Missions cite the opportunity for PRSPs to increase and broaden participation in development planning and decision making, thereby reducing official corruption and increasing public accountability. Two Missions note that by coordinating inputs and participation from donors, government and civil society, and including an articulated and comprehensive monitoring/evaluation system, the PRSP would permit a more integrated and trackable "growth with equity" approach for all involved.

**6. What efforts are underway to improve donor co-ordination with government over PRSPs? Is there a need for donor co-ordination to improve, and if so, how best could this be achieved?**

Missions express encouragement about the initial efforts on the part of the BWIs and governments to coordinate over PRSPs, but again indicated that it is for the most part early in the process and how the coordination holds up in the future remains to be seen. Efforts to date in some countries have only been for information purposes and it is not yet clear what role the various actors, particularly bilateral donors, will play in the actual PRSP development. Several respondents mentioned that fairly good donor coordination mechanisms exist already, particularly within the individual sectors. In some cases the PRSP process is organizing around these coordination structures, while in others they remain potentially useful vehicles. For the most part, however, it was noted that government leadership of the coordination process is still weak.

**7. What concerns do you have about the (quality and coverage) of previous and planned consultative processes (with national stakeholders, government departments and civil society representatives) regarding PRSPs? Have you heard concerns expressed by host country individuals and institutions? What are they?**

USAID Missions express a number of concerns about the process to date and the plans for the future. These concerns vary depending on country context and degree of PRSP advancement, but the two most commonly expressed are the need to broaden participation plans to ensure a genuine airing of issues and the fact that the PRSP process is moving too rapidly to achieve authentic participation. One respondent mentioned that many people in the country are skeptical about the whole idea of a PRS since poverty reduction is supposed to have been a national goal for a long time.

country-level engagement in PRSP processes without the necessity of centralized changes in strategy.

**2. Does your organisation have an explicit corporate strategy regarding PRSPs? If yes, please attach.**

Not yet.

**3. Is there a central policy message regarding PRSP process that you wish to communicate to the BWI via the SPA?**

Although the principles articulated by the IFIs in PRSP processes encourage the use of the PRS as a means of reinforcing country-led donor coordination around a unified strategy for poverty reduction, USAID's country-level experience suggests that the practice has diverged from the principle in some countries. We would urge the IFIs to encourage the countries to fully include the bilateral donor partners in the PRSP process.

# *PRSP Institutionalisation Study*

## *(Scoping Phase)*

# Report on Progress and Preliminary Findings

prepared for the Strategic Partnership with Africa

Nov 2000

**Overseas Development Institute**
111 Westminster Bridge Road
London SE1 7JD
Tel: +44 (0) 20 7922 0300
Fax: +44 (0) 20 7922 0399
Website: www.odi.org.uk
Email: odi@odi.org.uk

# Contents

*Summary* iii

1 Introduction 1
2 Country contexts 4
3 Initial processes and responses 6
4 Potential for institutional change 13
5 Monitoring and information systems 18
6 Emerging issues 21

Annex 1: Terms of Reference 25
Annex 2: Research teams and mission dates by country 32
Annex 3: Considerations on method 33
Annex 4: Pointers from country studies 37

# List of acronyms

| | |
|---|---|
| CWIQ | Core Welfare Indicators Questionnaire |
| DAC | Development Assistance Committee (OECD) |
| CSO | Civil Society Organisation |
| HIPC | Highly Indebted Poor Country Initiative |
| HIPC2 | Enhanced HIPC |
| IDA | International Development Association |
| IFI | International Financial Institution |
| IHS | Integrated Household Survey |
| I-PRSP | Interim Poverty Reduction Strategy Paper |
| MIS | Management Information System |
| MoSD | Ministry of Social Development (Mali) |
| MTEF | Medium Term Expenditure Framework |
| NEC | National Economic Council (Malawi) |
| NGO | non-governmental organisation |
| OECD | Organisation for Economic Cooperation and Development |
| PER | Public Expenditure Review |
| PERC | Public Expenditure Reform and Credit (World Bank) |
| PFP | Policy Framework Paper |
| PPA | participatory poverty assessment |
| PRGF | Poverty Reduction and Growth Facility (IMF) |
| PRSP | Poverty Reduction Strategy Paper |
| SAPRI | Structural Adjustment Participatory Review Initiative |
| SNLP | Stratégie Nationale de Lutte contre la Pauvreté (Mali) |
| TA | technical assistance |

# Summary

This is a second report on the first, "scoping" phase of an 8-country study of the institutionalisation of PRSP processes in Africa. Commissioned by the PRSP-Process and Poverty-Monitoring Task Teams of the SPA, it is being carried out by a large international team of researchers based in Europe and Africa.

The report begins by highlighting the importance of the national contexts in which PRSPs are being prepared. Important contextual factors include the scale and nature of previous efforts at planning for poverty reduction at the national level. Previous plans in most countries were at least partly project-oriented, and did not have a strong "mainstreaming" mission.

The first substantive focus of the study is initial responses by national stakeholders to the new form of conditionality implied by PRSPs, and the levels of commitment and capacity demonstrated by governments. The scoping stage of the study indicates little outright opposition to the new conditionality, but quite varied perceptions across countries about aspects of implementation. The degree to which these differences reflect the pattern of previous poverty programming in the country, as against more ephemeral factors, is identified as a topic for further investigation.

Bilateral donors appear supportive of PRSP processes in principle, but in many cases they are still unclear about what the implications are for them. National stakeholders' perceptions of donor behaviour underline a number of longstanding issues that, it is argued, are becoming less easy to understand and accept in a PRSP context.

Governments are taking PRSP preparation seriously, if the criterion applied is the seniority of the officials and institutions that are placed in charge of the process. In many instances, the PRSP process has produced a shift in institutional responsibilities for poverty reduction into ministries of finance. This implies an upgrading in most cases, and it brings the benefit of firmly linking poverty policy to central resource-allocation decisions.

Both general and specific capacities in government are being stretched to the limit by PRSP processes. However, there are ways in which national resources outside government can be tapped for this purpose. Where this is not the case, national ownership need not be compromised by carefully-provided technical assistance.

The second main topic addressed by the study is how widely and deeply institutional changes are being introduced, especially in public financial management and the governance framework, as a result of PRSP-related initiatives. The dominant theme in the country scoping reports is the way the actual and prospective impacts of PRSPs are shaped by the volume and vigour of other reform efforts in the country. This is a rather obvious finding, but it needs to be borne firmly in mind by the international community in responding to what are sure to be contrasting national experiences with PRSPs. The more difficult question of how PRSP preparation is expected to influence the pace of reform generally will be addressed in Phase 2 of the study.

There do not appear to be grounds for expecting highly participatory PRSP processes in the majority of countries. However, this is partly because non-governmental interest groups are poorly organised for policy dialogue, and an important second-round effect of PRSPs may be that this capacity is enhanced. Parliaments do not at present seem to be accorded a principal role, and the reasons for this need to be investigated.

PRSP monitoring and information systems are the third focus of the study. It is reported that survey-based data collection is experiencing a revival after several years of neglect in many of the study countries. The demand side is more problematic. There are broad and narrow concepts of what PRSP monitoring is for, and neither is well established in national policy arenas, partly because of the weakness of performance-based incentives in government. Much remains to be done on refining indicators and ensuring that these have some means of feeding back into policy processes.

At the conclusion of the scoping stage of the study, four further issues emerge strongly and seem worthy of closer attention.

- First, politics matters. It needs to be clearly understood that poverty-reduction policy is, for better or worse, embedded in living political systems.
- Second, key concepts in the assessment of PRSPs, like national ownership, refer to complex problems with more than one dimension. Preliminary indications from the study are that there are – at least in the short run, and in some countries – unavoidable tradeoffs between different dimensions of national ownership.
- Third, the question of the PRSP time-scale is not all it appears to be at first sight. Although almost everywhere, the tightness of the time-table will tend to limit what can be achieved, it is not clear that the gains from a more relaxed approach would be substantial. It seems better to pay close attention to second-round effects and follow-up.
- Finally, in these and other respects, new ideas about nationally-owned strategies need to be informed by realistic assessments of national situations. Otherwise, there is a danger that the international community will be rightly accused of emitting mixed and confusing messages that countries cannot possibly comply with.

# 1 Introduction

## The study

1 The PRSP Institutionalisation Study is investigating the extent to which poverty reduction policies, programmes, practices and monitoring systems are being institutionalised in selected African countries. The study is intended to explore whether the enhanced HIPC framework and the corresponding changes in IFI conditionality are helping to promote poverty-reduction plans that benefit from greater national ownership and stand a better chance of being effective.

2 The research is based on case studies of the experience of eight countries: Benin, Ghana, Kenya, Malawi, Mali, Mozambique, Rwanda and Tanzania. It is being carried out by an international team coordinated by the Overseas Development Institute, London. The Terms of Reference are reproduced as Annex 1 below. Details of the research teams conducting the country studies and the synthesis work are provided at Annex 2.[1]

3 Recognising that the PRSP process is at an early stage, the study is limited to identifying initial tendencies and key constraints. Three areas are of particular interest:

- the attitudes, commitments and plans of governmental and non-governmental stakeholders;
- the institutional changes that are being introduced, with particular reference to 1) public financial management, and 2) the governance framework;
- the development of monitoring and information systems.

4 These topics are being investigated in two phases, over a fifteen-month period. Phase 1 (Sept 2000 – Jan 2001) is an initial scoping exercise, designed to identify key issues for further investigation, and provide a baseline against which to gauge later developments. Phase 2 (Feb – Nov 2001) will involve further work in the study countries, and a larger effort of analysis and synthesis.

5 The scoping stage of the study is based on in-country interviews and documentary work of about two weeks' duration. It is designed to cover all three areas of the terms of reference, but in a preliminary way in all cases. It was initiated with a workshop held in Brighton on 5 September, which identified the main features of the team's approach to its Terms of Reference.[2] A second workshop will be held to discuss the results of the scoping exercise and initiate Phase 2 in February.

## This report

6 This is the second of two progress reports on Phase 1. A First Progress Report was presented to the SPA Technical Group in October. This summarised the team's approach to the main issues of the study, and indicated topics of emerging

---

[1] The work was commissioned by the SPA PRSP-Process and Poverty-Monitoring Task Teams, with financial support from Germany, Japan, the Netherlands, Norway, Sweden and the UK.

[2] "SPA PRSP Study: Further Guidance on Terms of Reference: Revision of Workshop Aide Mémoire in the Light of Discussion", team document.

concern on the basis on partial returns from four countries. Some of the discussion of issues and approaches in the First Progress Report has been reproduced as Annex 3.

7 A full set of country scoping missions has now been completed, with one partial exception (Kenya). Draft field reports have been submitted by the country teams. They form the main basis of the discussion that follows.[3]

8 Although some preliminary findings are able to be reported, it is important to keep in mind the purpose of the scoping exercise – to identify issues and establish a baseline for further enquiry in 2001. At this point, the process being investigated is immature and the evidence that can be drawn on is comparatively slim. In all cases the preliminary findings reported are subject to revision, refinement and amplification in Phase 2 of the study.

**The nature of the evidence**

9 The country team conducted between 25 and 50 interviews each in the scoping phase. Interviewees were treated both as "key informants" and as stakeholders whose opinions on different subjects are of substantive interest to the study. Great care was taken with the conduct of the interviews and their interpretation, for the reasons explained in Annex 3. In all cases, it is the picture that emerges from the *combined and cross-checked* testimony of the different actors that counts, not the views of individuals on their own.

10 The lists of interviewees appended to the country reports include senior government officials with responsibility for the PRSP process or poverty monitoring; officials of other echelons of government (e.g. line ministries); parliamentarians, including members of opposition parties; private business representatives; heads of civil-society membership organisations; leaders of national or international NGOs; independent consultants or academics; technical assistance personnel; and embassy, donor-agency and IFI staff. In all cases, interviews were conducted with individuals in several different categories.

11 Where particular opinions are summarised in the field reports, these are generally attributed to persons or a person of a particular social type and level of seniority. This allows the views to be suitably weighted and contextualised for the purposes of analysis, while maintaining confidentiality.

12 The coverage of relevant stakeholders is by no means complete at this point. Only the Mozambique study, which had a somewhat longer initial mission, included significant work outside the capital city (in Niassa Province). Local-government officials and traditional leaders were not included in the scoping for the other

---

[3] In preparation for the in-country work, the team has assembled and digested a considerable volume of background information in written form. This includes guidance material issued by the IFIs and other agencies, and the early surveys of donor and international NGO opinion, including those carried out by the SPA, DFID and Eurodad. This report does not attempt to synthesise this material or repeat its findings. Emphasis is placed, instead, on the types of issues that may represent the value-added of a study undertaken by independent consultants, and focused especially on domestic attitudes, institutions and capacities in Africa.

countries. The country teams are conscious of this limitation, and Phase 2 will attempt to address it as far as time and travel budgets allow.

**Structure of the report**

13 An obvious difficulty facing the synthesis of findings in an exercise such as this is that the different countries are indeed different, and much of the interest in the reports is embedded in the detail. We attempt to handle this by entering key information and useful "pointers" from the country studies in the matrix that forms Annex 4. In the main text, we provide an overview of the topics that the country reports have concerned themselves with, and the issues that are emerging, for at least significant sub-groups of countries, as worthy of further attention. Generally, the issues are identified as calling for further *research* attention in Phase 2 of the study. Occasionally, we highlight particular issues that may be considered relevant from a current *policy* perspective.

14 Following the structure of the matrix, we devote a section to features of the country contexts, then one section each to the three areas of enquiry indicated by the Terms of Reference (para. 3 above). A final section identifies cross-cutting and emerging themes.

# 2 Country contexts

## Key features of the institutional framework

15 The country contexts we are concerned with are obviously varied and contain some significant contrasts. The commonalities are also very significant from the point of view of a study of the institutionalisation of poverty-reduction strategies.

16 Briefly stated, we are dealing in all cases with semi-democratised states, with quite fragmented policy processes (low coordination between different centres of decision making, and between policy formulation and implementation). Domestic politics tends to be patronage-based, with fragmented party systems and weak civil societies. The countries are all characterised by high levels of institutional aid dependency, and correspondingly low accountability to domestic actors. Public expenditure and revenue management systems have, at least until recently, been only weakly driven by public policy objectives. Administrative systems have similarly been characterised by low morale and weak performance incentives. These features affect in obvious ways the range of outcomes that can reasonably be expected from PRSPs.

## Key features of the external finance situation

17 All of the study countries are in principle eligible for Enhanced HIPC relief, except Kenya, where concessional loans were not available for much of the past decade, and a major accumulation of domestic debt has taken place. With Kenya, Ghana is preparing its PRSP with a view to general access to IFI finance, having opted not to seek HIPC2 relief at this stage. This is based on the Ghana authorities' understanding that accepting HIPC2 relief would bar them from access to important Japanese credit lines.

18 The remaining countries are preparing PRSPs with a view to HIPC2 relief. All submitted their Interim PRSPs (I-PRSPs), satisfying the main conditions for HIPC2 Decision Point during the middle months of 2000, as recorded in Annex 4, page 1.

19 Tanzania was permitted to proceed quickly to complete and submit its PRSP, which it has now done. However, Completion Point will not now be reached until the PRSP has been subject to its first annual review in mid-2001. Current understandings on the timing of other countries' processes are not in all cases very clear, and in most cases they are likely to be revised. The current target dates, according to official sources in the study countries, range between March 2001 for Mozambique, and September 2001 for Benin. In almost all cases, national stakeholders regard these dates as optimistic, and as very constraining if a high-quality plan-preparation process is intended.

## Previous poverty plans

20 In no case except Rwanda is the PRSP process the first experience in developing a national poverty-reduction strategy. However, in all the countries covered by the study, these previous efforts have taken a form that differs systematically from the PRSP approach in two respects at least. First, poverty

reduction was typically handled as a special activity, added on to existing programmes and thus requiring special structures and activities. Second, the emphasis has been on providing a new focus for attracting project funding, not on influencing the mainstream processes of public resource allocation through the national exchequer.

21 That having been said, previous poverty plans have in a number of cases absorbed considerable national effort. In some cases, this has included broad participation by non-governmental interest groups and experts. In some cases, they are considered to have acquired extensive national "ownership", according to the criterion that large numbers of stakeholders are aware of them and have some degree of identification with them.

22 This is not the only possible or perhaps the most important criterion of ownership that needs to be applied. However, the fact that some previous exercises in national poverty planning do benefit from a sense of national ownership at this level, is an important feature of the context into which PRSPs are being placed.

# 3 Initial processes and responses

## Stakeholder views on the new conditionality

23 With the exception of the single fast-track case among the study countries (Tanzania) the experiences being considered in the scoping phase of the study are limited to the preparation of an Interim PRSP. The arrangements for the full PRSP are not yet fully agreed and the implications are not widely grasped outside the small circle of officials who are involved in the key decisions. On the other hand, most countries have seen a full year elapse since the preparation of an I-PRSP was first proposed. Some stakeholders have had therefore some considerable time to reflect on the merits of the general ideas enshrined in the PRSP approach.

24 Recalling that the purpose of the study at this stage is to identify issues and establish a baseline, it is of limited usefulness to go into specific details on the opinions expressed in the scoping interviews. What is important is the *pattern* of responses, and how this varies across the country cases.

25 One thing that the country reports do seem to suggest is that the climate of opinion among national stakeholders is strongly variable between countries. There are also, of course, differences of view within the countries. But in regard to the specific topic of the new conditionality and the PRSP concept, at this point in the enquiry these seem less striking.

*Differences across countries*

26 Initial indications suggest that the IFIs' new requirements in respect of PRSPs/I-PRSPs are not regarded as an inappropriate extension of conditionality. The principle of making a more systematic approach to poverty reduction a condition for increased external funding does not seem to be contested, at least among governmental stakeholders, in any of the study countries. However, the application of the principle is viewed differently in different countries.

27 On the one hand, in Malawi and Mali the perception of some official stakeholders was that the I-PRSP process had an element of unreasonable imposition, because it involved "starting over" with a task in which the government had already been engaged for some time. There was felt to be strong pressure to put aside the results of these previous poverty-planning efforts, which, in turn, seems inconsistent with the principle of encouraging national ownership. Moreover, the efforts that were being sidelined were considered to have been more broadly consultative than the I-PRSP process was required to be, meaning that in the short term a more inclusive process was sacrificed for the sake of a less inclusive one.

28 In these two cases, perceptions were influenced by the timing and nature of the recent exercises. In late 1999, when the PRSP concept was mooted, Malawi had only just completed a PFP process that had involved more extensive consultations than had ever been held before in Malawi, as well as extended discussions on a National Safety-Net Strategy. In Mali, officials and other observers compared the process of drafting the I-PRSP with the consultative process lasting

several years that had led to the UNDP-supported Stratégie Nationale de Lutte contre la Pauvreté.

29 In other countries, the new conditionality seems to have been regarded as a more reasonable type of imposition. In these cases, it has seemed more natural to view the PRSP process as an extension of, and even a welcome addition to, what was already happening in the country. In some cases, such as Mozambique, the I-PRSP picked up and largely incorporated a very recent poverty-reduction action plan (PARPA). In a number of cases, interviewees expressed the view that, far from the IFIs' being guilty of imposing new concerns on the country, it was good that the IFIs were at last "coming on board", and adding their support to the poverty-reduction efforts already under way.

*What accounts for the difference?*

30 It seems, then, that the existence of other recent moves to raise the profile of poverty reduction in the country cannot *per se* be held responsible for the sense of irritation that seems to have been felt in a few countries. An issue for further investigation is whether the degree to which the previous efforts are on balance of the project-seeking or the mainstreaming type is a critical factor. In principle this might affect both the willingness of the IFI staffs to accept something less than a completely fresh start, and the attachment of officials to the previous approach. On the present evidence, it is not clear either way, because as reported earlier, most previous poverty programmes have had quite a strong project orientation, including in the countries where the I-PRSP process was easily accepted.

**Perceived changes in IFI behaviour**

31 An alternative possibility is that IFI staff have been more sensitive to maintaining continuity with previous efforts in some countries than in others, or that they have become more or less so over time. There are definite suggestions from Benin and Mali that flexibility on such questions may have increased between the earlier and later missions.

32 More evidence will need to be collected on this issue in Phase 2 of the study. It forms part of the wider question of how far the behaviour of IFI staffs is perceived to have changed as a result of the guidance issued in connection with HIPC2 and the PRSP process.

33 In some countries, such as Ghana, this is said not to be a significant issue. With a relatively self-confident administration that takes for granted that it will sit in the driver's seat in national planning exercises, less attention may be paid to whether IFI staff act in a way that is consonant with new partnership ideas. In most countries, however, this is an issue of some sensitivity and both the substance and the style of IFI missions are closely observed.

*Two issues*

34 There are two questions here that should be distinguished, although they are both relevant. One is how the behaviour of IFI missions that are directly concerned

with HIPC/PRSP issues is perceived in countries. The other is the overall perception of IFI behaviour, including missions that are concerned with negotiating new PRGFs or IDA credits.

35 On the first issue, the evidence to date is patchy and unreliable. In a few countries, the staff of resident Bank and Fund missions are credited by some observers with a more consistent position on national ownership than visiting missions. In Tanzania, the only country in our set to have reached the stage of presenting a full PRSP, a more appropriate "hands off" position was taken on the PRSP drafting than had been indicated by the drafting of the I-PRSP. The resident missions are widely said to have done a good job of guiding a nationally-led process. It remains to be seen whether this is a pattern to be expected generally.

36 The second issue is more straightforward, although the policy issues arising from it are rather challenging. The context is that I-PRSPs have been undergoing drafting and redrafting at the same time as formal negotiations have been going on, sometimes involving the same people, on PRGFs and/or IDA credits. Initial indications from some countries where this has been the case suggest that the language and bargaining style in the latter sessions appear not to have been significantly modified. This sets up a contrast with the new thinking about country ownership that is being promoted when I-PRSPs are under discussion.

37 In a couple of cases (Malawi and Mali), official stakeholders have been struck by what appears to them inconsistent behaviour, giving off "mixed signals" – to use the more polite of the formulations used. That is, the same institutions are perceived as talking national ownership on the one hand, while "talking turkey" with orthodox conditionalities on the other.

*Topics for Phase 2*

38 Phase 2 of the study will need to deepen the investigation of this problem. Questions to be settled include the reasons why the other country studies have not picked up a similar tension at the level of perception; the degree to which the perceptions become more muted as time passes; and whether the issue is more one of style or one of substance. In the Mali case, the way the issue of cotton-sector reform is handled will be an important test, as it is an issue on which Government and IFI positions are currently very different.

**Perceived donor behaviour**

39 As is to be expected, there are differences across the study countries in the perceived willingness of donor agencies to support PRSP processes, either directly or by promising to increase aid commitments subject to HIPC2 Completion. From the sample of eight countries, Tanzania perhaps represents one end of the spectrum of possibilities, while Mali looks to be closer to the other end. The indications are that most of the study countries lie somewhere between the extremes. That is, a fair number of donors are committed in principle to the PRSP idea, but hesitant in practice in coming forward with intellectual or financial contributions.

*Two sorts of hesitation*

40 Donor hesitation seems to arise from two sources. One is legitimate doubts about the validity and sustainability of the process, given the level of government commitment and capacity and other factors. The other is a possible, though, we would suggest, mistaken, feeling that increased donor involvement would be at variance with increased national ownership.[4]

41 As discussed below, in relation to capacity issues, sensitivity to ownership should certainly affect the *form* in which any support is made available; it should not imply abstention. Particularly where agencies are making a big point about the need for participatory PRSP formulation, they need to make sure that they themselves are making the necessary effort to participate. Official stakeholders in Mozambique saw some shortcomings in this regard.

42 The country reports do not suggest, unfortunately, that excessive caution is the only weakness on the donor side. Three other types of problem are highlighted by, at least, some stakeholders in some countries. Each will need to be further investigated in Phase 2.

*Three kinds of failing*

43 First, competition between donors is continuing to fuel rent-oriented behaviour by officials and NGOs, thereby further weakening the capacity of government to head a strategic process. This is highlighted particularly in the Benin scoping study, but is not restricted to that country. The general pattern was well described in the 1995 Helleiner Report on Tanzania, on the basis of which some progress has been made in that country at least.

44 Second, donors remain unequally convinced about the merits of flexible budget support, sector-wide approaches and other examples of a programme approach to poverty-focused aid. That may be no more than is to be expected at this stage in the development of credible public financial management systems in the study countries (on which more below). On the other hand, some official stakeholders in countries like Mozambique are reported as taking the view that the PRSP logically implies a general shift to programme support.

45 In Mozambique, some Government officials complain that too few donors are accepting this logic so far. For Kenya, it is reported that donors supporting special poverty funds and those preferring a mainstreaming approach are promoting their causes in an unduly adversarial fashion. A frank and open debate of the merits of these alternative perspectives seems to be lacking.

46 Third, especially if the majority of agencies continue to provide most of their support as projects, there remains the question of accountability to national governments. This clearly is part of the PRSP agenda, and has special urgency

---

[4] It is clear that in several places (Malawi, Mali, Tanzania) bilateral agencies feel they have been rather marginalised by the IPRSP/PRSP discussions so far, which have tended to take the form of a dialogue between the national authorities and the IFIs alone. This may and may not have been inevitable. It imposes a particular responsibility on agencies to exercise good judgement about when, how and on what scale to be involved.

where budget reforms and the MTEF approach are being introduced. The low level of reporting of aid disbursements highlighted in the recent DAC review of Mali remains a chronic problem in that country despite recent OECD initiatives. Even though substantial progress has been made on other aspects of the aid relationship in Tanzania, accountability of donors to government remains a major challenge there too.

47 In summary, perceptions of donor behaviour remain a cause for concern in a number of respects. Although not a particularly strong theme in the Terms of Reference, the topic of donor responses to PRSPs may justify further attention in Phase 2.

**Government commitment/institutional location of leadership**

48 The government commitment to the strategic prioritisation of poverty reduction that is implied by the PRSP approach is, of course, extremely hard to assess. In states where the policy process is notoriously fragmented and cabinet authority is weakly established, the very existence of a policy can always be questioned. There are no countries in our set about which one could confidently affirm the contrary.

49 What can be said is that in all the cases reviewed in the scoping exercise, government appears to have charged quite senior officials and institutions with responsibility for the I-PRSP/PRSP process. In several cases, one of the most immediate and important effects of the process has been a re-location of the main responsibility for the coordination of national poverty-reduction efforts. In all of the cases observed, the shift has been from a weaker to a stronger part of the government system, the usual destination being the ministry responsible for the national budget.

50 Thus, for example, the centre of gravity of anti-poverty work is perceived to have shifted from the President's Office to MoFP in Kenya, from the NEC to MOFEP in Malawi, from the MoSD to Finance in Mali and from the Vice President's Office to Finance in Tanzania. In Mozambique and Rwanda, poverty policy has been mainstreamed by location in the central financial ministries from the beginning. In Benin and Ghana, the precise division of labour remains to be resolved between the financial and planning authorities.

*Mainstreaming and ownership*

51 This question about institutional leadership raises some of the same issues signalled above in the context of previous poverty plans and stakeholder responses. These issues will need to be probed further in the second phase of the study. For the moment, two things are clear.

52 First, there is an important sense in which the location of responsibility for poverty reduction close to the budget is an important, even essential, condition for achieving national ownership of poverty reduction plans. So long as discussion of priorities for poverty reduction is disconnected from decisions about the allocation of national resources, it will lack the backing of the national political system and, as a result, will not have broad-based and sustainable results. The institutional shifts

summarised above are, therefore, a net gain for national ownership – at least potentially.

53 Second, there may be in actuality, at least in the short run, some cost to national ownership, especially if this is understood in less structural and more attitudinal terms. In several study countries, the transfer of institutional responsibilities has not been complete, and there remains some sense of institutional rivalry or redundancy as a consequence. What is more, in some of these cases the signs are that some official and other stakeholders interpret what has happened as an instance of IFI interference in national institutional arrangements.

*Unavoidable tradeoffs*

54 It may be healthy to recognise it as precisely that, and as one of the areas in which necessary trade-offs – in this case, between shorter and longer-term ownership – need to be faced up to. In no case we are aware of has the removal of the poverty-coordination function from its former institutional home been formally attributed to IFI influence, or publicly advocated by the Bank or the Fund. On the other hand, there is an irresistible logic to the position that PRSPs should be handled by the same bodies that previously handled PFPs, and it would be odd if the IFIs had not added any necessary weight to this conclusion. The topic of tradeoffs and their policy implications is returned to at the end.

**Capacity issues**

55 Capacity limitations in government are a more or less serious problem in all of the study countries, according to the scoping exercise. In most cases, general constraints on the capacity of the public service are the subject of public service reforms that are still far from complete. Many stakeholders are of the view that progress in this area provides the essential backdrop to all capacity issues, including those affecting the formulation, implementation and monitoring of national poverty reduction strategies.

*Maximising use of national capacity*

56 Only one of the eight countries is sufficiently advanced to have tested the specific capacity required to produce a successful full PRSP. In this case, Tanzania, the relevant capacity in government is present, but reckoned to be only "surface-deep". In practice, the drafting of the PRSP was undertaken in Tanzania by Tanzanians, but extensive use was made of trusted independent think tanks and university-based economists. This arrangement was possible, and enabled the paper to be drafted and redrafted extremely quickly, because networks and working groups of an appropriate sort had already been established in connection with the consultative rolling Public Expenditure Review.

57 That governments can successfully tap into independent consultancy and academic expertise in the country is also suggested by the experience of Ghana. Ghana's previous "Policy Focus on Poverty" was backed by both an inter-ministerial committee and a Technical Group including a number of senior academics. The

same structures have been used for the I-PRSP. This seems to suggest important lessons for other countries such as Benin, for which it is reported that relevant skills are sufficiently available in the country but that it is difficult to recruit and retain highly trained personnel in the civil service.

58 In many cases, then, the capacity probably does exist to produce a PRSP using nationals of the country. But there are exceptions. In Rwanda, for example, the indications from the scoping study are that heavy inputs of technical assistance are going to be required to support basic poverty-planning functions for some time to come. The consultants urge donors to be realistic about national capacity and not to hold back from providing the needed support out of a misplaced concern that this will compromise national ownership. Appropriate ways of providing such assistance – so as to minimise institutional aid dependency – do, of course, need to be found.

*The PRSP Sourcebook*

59 So far, only Tanzania has been in a position to have made extensive use of the World Bank's PRSP Sourcebook. Indications from that country do not suggest, however, that it is widely available – or easily accessed for practical purposes. There is also a sense that it sets a high and probably unrealistic standard, on both content and process.

# 4 Potential for institutional change

## Changes resulting from institutional mainstreaming of poverty reduction

60 The focus of this study is on the degree to which the process of preparing PRSPs is resulting in the institutionalisation of more nationally-owned and potentially more effective policies, programmes, practices and monitoring systems for poverty reduction. At this stage of the enquiry, one general thing is clear, and others can be identified as suitable subjects for follow up in 2001.

*PRSPs and structural reforms*

61 The general finding is that the impact of the PRSP process depends a great deal on what else has already happened. The pre-existing institutional and policy context in a country affects how the PRSP initiative is initially seen, and its potential for producing positive shifts in behaviour in the short run. The changes that are particularly important from this point of view include the previous efforts to establish poverty as a national policy priority. They also include the reforms that have been undertaken in national budget, public-expenditure management, sector programming and policy monitoring systems – that is to say, the general measures taken to improve the effectiveness and accountability of the state

62 On the latter, the hypothesis suggested is that the further the reforms have advanced, the more easily accepted is the PRSP approach and the more likely further positive changes arising from the PRSP process. There is consistent support from the scoping studies for this main proposition.

63 An issue on which further exploratory work is necessary is: what impact is PRSP preparation having on the pace and effectiveness of these crucial complementary reforms? This rather more challenging question will need to be probed systematically in Phase 2 of the research.

*The Tanzanian case*

64 A good example of previous reforms enabling a better PRSP than would otherwise have been possible is Tanzania. The institutional framework of public finance management is in several ways quite propitious. The rolling Public Expenditure Review or proto-MTEF has created a situation in which resources are already, in principle, being allocated by reference to poverty-reduction objectives, with some effort at expenditure tracking and assessment of implementation. Together with the general improvements in donor-government relations arising from the Helleiner recommendations, the PER has set the framework for active dialogue on priorities involving donors and some NGO representatives. The PRSP has been able to fit easily into this situation, with, at worst, some complaints that it has diverted attention from other initiatives in the process of mainstreaming aid.[5]

[5] This refers to the feeling that the PRSP process overtook and detracted from the process of drafting a common Tanzania Assistance Strategy, to provide a framework for all Government and donor efforts. The scoping exercise suggests that, to the extent this is a concern, it is mainly a donor concern, and not a Government one.

65 It is important not to go overboard on this. Technical reforms on the government accounting system, the transition to programme budgeting and the introduction of results-based management in the civil service, have to be completed before the actions described in Tanzania's PRSP will carry real conviction.[6] Tanzania is currently embarking on an ambitious pilot scheme for fiscal decentralistion, which entrusts a range of basic service-delivery functions to district authorities. This introduces a major new element of uncertainty. So does the government's failure until now to follow up vigorously on the recommendations of the Warioba Report on official corruption.

66 That having been said, the Tanzanian PRSP gains substance and credibility from the institutional context in which it has been prepared. It is right that this should be taken into account in assessing the document and the process that produced it, both of which have some serious limitations.

67 It is unfortunate, for this reason, that relatively little is made in the document of the progress Tanzania has made in the last half-decade in implementing macro-economic and structural reforms. The document is in fact quite heavy on poverty concepts, priorities and proposed actions. One of the areas in which it is light is why future actions can be expected to be more effective than past actions. Discussion of the various reform programmes under way would have helped to fill this gap.

68 There are a number of possible reasons for this lacuna in the Tanzania PRSP. One is that the drafting teams themselves see structural reforms and anti-poverty actions as separate spheres. The other is that the process of consultation led to a de-emphasis on the relatively technical and poorly-understood linkages between public sector reforms and effectiveness in poverty reduction. It is to be hoped that future PRSPs will contain key contextual information of this sort, in part so that the IFI Boards have all the relevant facts before them in assessing whether a PRSP is a sound basis for concessional lending and debt relief.

*Can PRSPs work without budget reforms?*

69 We have written about Tanzania at some length both because it has a completed PRSP and because the hypothesis about the wider context of reform is well illustrated, in a broadly positive sense, by it. The country scoping studies are in fact consistently supportive of the general hypothesis that the place of the PRSP in the nexus of reforms is a key issue.

70 At the limit, the reports suggest that the absence of a favourable context of institutional reforms may be sufficient to guarantee the non-institutionalisation of the

---

[6] The Tanzanian MTEF itself is not yet formed. Some observers think that everything that has changed so far has been restricted to the Ministry of Finance. Also, as the Rwanda team emphasise and the Malawi and Ghana experiences confirm, what is needed to maintain the momentum of public finance management reform is a *working* MTEF and budget system. It is not just a matter of linking resource allocation to poverty-reduction objectives and plans for attaining them. The allocated resources have to be reliably delivered – a matter of improving national estimation of revenues and other aspects of cash management – to enable plans to be implemented. Otherwise disillusionment can set in very rapidly.

PRSP approach. That is, the trappings of the process may be adopted but the substance (national ownership under government leadership, a strategic approach to policy) will not.

71 In particular, requiring a PRSP in a country that has not taken *any* significant steps to implement the SPA guidelines on public finance management is a markedly different undertaking than what has been described for Tanzania. Some countries, such as Ghana and Malawi, have in theory already gone further down this path. However, doubts have arisen about the will to move on vigorously to the next stages. Other countries have embarked on a similar process, but have very different capabilities to proceed fast and close the gap with the early starters (Kenya, Mozambique, Rwanda).

72 Public sector reforms supported by a World Bank PERC are at a very early stage in Benin, leading some stakeholders in the country to take a fairly pessimistic view of the prospects for a government-driven, as distinct from aid-driven, PRSP process. Elsewhere, reform of the national budget system is not even in prospect. Mali may be an example.

73 In Mali, it appears that the comparison between the existing SNLP and the policy ideas sketched in the I-PRSP is generating some useful debate. The relative emphasis to be placed on social sector investments as against productive activities is one issue that is emerging. Another – as mentioned – is the role of the state in supporting or regulating the revival of cotton marketing. But the debate seems some way away from the sharp focus on spending priorities and implementation that is achieved when budget reforms begin to bite on the way sectors are managed.

*Inevitably different national stories*

74 It seems likely from this, as well as intuitively obvious, that there are going to be very different national PRSP stories. This implies the need for IFIs and donors to be adaptive, and conduct themselves in ways that are sensible in a particular country context.

**Changes resulting from widened participation or democratisation**

75 It is, of course, too early to pass judgement on the quality of participation in PRSPs in the countries for which we have scoping reports. With the exception of Tanzania, the comments we have collected so far about quality of participation refer to I-PRSPs. They tend to be reflect a comparison of what has been organised for the I-PRSP, with what has been done in the context of previous initiatives in the country. In several cases, we know something of what is *proposed* in the I-PRSP for the PRSP process. But what this will actually mean in practice is not yet clear.

*Early judgements on participation*

76 For what it is worth, some stakeholders in Mali have been struck by the non-participatory character of the I-PRSP process compared with what was organised with UNDP support over a number of years (1997-99) around the SNLP. This is, of course, an unfair comparison, as the I-PRSP process is not expected to be highly

participatory. On the other hand, it is interesting that in a number of countries, I-PRSPs have involved pioneering efforts by government to consult more widely.

77 In Kenya, for example, the I-PRSP draft was submitted to a fairly high-profile public consultation. Although some of those consulted were left with a sense that the final text was not influenced at all by this process, the experience has raised expectations around the comparatively ambitious plans for a country-wide participatory PRSP process.[7] In most other countries, expectations are much lower, given more limited proposals in the I-PRSPs and what is known about official willingness and capacity to lead discussions in an open and non-authoritarian way.

78 The completed PRSP process in Tanzania restricted itself to a rather routine and limited format (zonal workshops, each covering several large regions). Nevertheless, in a number of identifiable ways, the workshops seem to have influenced the final PRSP draft. The strength of the statements in the document about bad governance and the poor quality of service delivery seems to have been influenced by the way the workshop participants endorsed strong themes in the PPA exercises carried out in Tanzania in recent years. More substantively, a decision has been taken to abolish primary school fees, and the PRSP attributes this to the emphasis placed on this issue in the zonal workshops.

79 NGO views on the quality of participation in the Tanzania PRSP tend to be fairly negative. But two things are also worth noting. One is that a gradually maturing of attitudes seems to be under way. Observers see, for example, significant changes in the way government typically responds to criticisms of its approach to consultation. The other point is that participation is limited partly by organisational and other weaknesses on the side of the NGOs. Until recently, Tanzanian NGOs and CSOs were not organised collectively with a view to advocacy on public policy, and they remain under-resourced for such a role.

*Second-round effects?*

80 The debt issue and the PRSP process has prompted national and international NGOs in Tanzania to get organised in new ways. This augurs well for improved quality of consultation in relation to the first annual review of the PRSP, prior to HIPC2 Completion, and subsequent monitoring and revision exercises. It also provides one illustration of the hypothesis that the potential for institutionalisation of more participatory and democratic forms arising from PRSPs may lie more in the second-round effects, or spin-offs from the initial exercises, than in the immediate results of the consultations conducted.

81 Although they are at an earlier stage in the process, CSOs in Mozambique are reported to be getting organised to be able to place coherent demands on what they see as a not very consultation-oriented government. In Ghana, too, the government is seen as firmly wedded to a top-down style of public-policy dialogue, but weaknesses on the CSO side are also acknowledged. The still-recent experience of SAPRI – the Bank-supported government initiative to engage in

[7] The PRSP Unit in Rwanda, too, promoted consultation at the I-PRSP stage but was disappointed at the uptake by both the private sector and the Church.

dialogue about the social effects of structural adjustment – indicates, also, that such exercises can lead to substantial improvements in the ability of non-governmental actors to become serious interlocutors of government and international agencies.

*Why are parliaments not participating?*

82 An issue that needs further probing is the role of parliamentary institutions. As yet there are few clear intentions to involve parliamentarians in debating PRSPs. The Tanzanian PRSP was the subject of a special workshop for Members of Parliament before going to cabinet. MPs are said to have injected a greater concern with regional disparities into the document, but otherwise parliamentary influence seems to have been slight. Elsewhere – in Benin and Mozambique, for example – it is not clear from the I-PRSP that even this level of involvement is intended. In Kenya, some of the thinking around this issue reflects a concern that parliamentary influence would be largely exercised on behalf of non-poor client groups.

83 There is a substantial issue here. To what extent is national ownership of poverty-reduction plans a genuine possibility if the institutions of formal democracy in a country are by-passed? On the other hand, how important is formal representation, as against more informal mechanisms, in ensuring that the voice of the poor is heard in imperfectly democratised societies? We expect to pursue these questions as a major focus in Phase 2 of the study.

# 5 Monitoring and information systems

84 The fact that we have only one full PRSP among our sample of eight countries is a difficulty for even an initial discussion of this topic. It is clear from the reports, however, that a great deal is happening in the general area of improving systems of data *collection*. It is also obvious that much else remains to be done.

**Data supply**

85 A striking impression from several of the scoping reports (Malawi, Mali, Mozambique, Rwanda, Tanzania) is that the data-collection initiatives currently being implemented are ambitious and involve a quantum leap compared with has been the case in recent years. Not since the Social Dimensions of Adjustment period of the early 1990s has a comparable attempt been made to improve the scope, quality and comparability of data collection by surveys.

86 In all cases, these efforts are at an early stage, with several major surveys currently in the fieldwork phase. In all or most cases, cleaned and analysed data on poverty profiles will not be available in time to influence the design of PRSPs, even in the monitoring area. It is hoped that in Tanzania, some data will be ready by the time of the first annual review (the PRSP's poverty profile having been based on data from the early 1990s). Reliable trend data from full household surveys will not be available in most cases for many years. Because of this, several countries are going to undertake "light" monitoring surveys, using the CWIQ questionnaire-scanning technology pioneered in Ghana in some cases, on a more frequent basis (Mali, Mozambique, Tanzania)

87 One focus of active discussion in this regard is the relationship that needs to be established between full household surveys and the frequent monitoring surveys. The need for the new generation of IHSs to generate proxy measures for CWIQ surveys is one topic. Capacity constraints on national survey capacity, and the cost-effectiveness of CWIQs, are other issues being discussed. Whether systems for collecting routine administrative data, including the new generation of management information systems, can be upgraded sufficiently to be a factor in the situation is another big topic.

**Demand for data**

88 The demand for, and use of, data is a far more problematic topic. The background in most countries is that in the past survey data collection has been a largely donor-driven, as well as donor-funded, affair, heavily underwritten in most cases with expatriate TA. The same was true until the last few years of participatory poverty assessments. Clear notions about what data production is *for* have not developed within national policy arenas. Monitoring and evaluation have tended to be regarded as technical exercises enabling the checking of boxes, rather than as living instruments for assessing and improving performance and developing policies.

89 There is some danger that the monitoring side of PRSPs will continue to be viewed in this light, as a means of allowing officials to check the boxes that have been identified for IFI conditionality purposes. There is the further danger – from the

collected. This work seems to be programmed in most cases. As already mentioned, however, there is some danger that the incentive of HIPC disbursement will lead to a focus on easy measurement at the expense of filling the crucial gaps in knowledge.

95 So far, the study has not noticed much evidence of discussion of intermediate and process indicators. This is important in view of the somewhat intractable problems facing the statistical measurement of poverty outcomes, and the difficulty – in the best of cases – of using the results of such work to support the continuous critical policy improvement that PRSP implementation will require.

96 It is a promising sign that the Tanzanian full PRSP shows a developed awareness of the range of types of quantitative and qualitative intelligence that can be drawn on to provide continuous, quick-and-dirty checks on policy implementation. (The question of how widely and deeply this awareness is shared is another matter, of course.) In Rwanda, discussion has begun on possibilities of using NGOs as sources of critical poverty information, but there are major barriers to be overcome for reasons of recent history. Further information on all these issues will be sought in Phase 2 of the study.

**Donors' role**

97 The identification of key capacity constraints in the area of information and monitoring is complex, for the reasons suggested above. The relationship between national needs and donors' own information requirements is correspondingly difficult to establish.

98 For Tanzania, it is reported that there are difference of emphasis between the bilaterals and UN agencies on the one side and the IFIs on the other. The latter are said to be taking a narrower view of monitoring, based on conditionality concerns, with the former taking a wider perspective.

99 It is noted in several countries that donors are keen to fund surveys, to the point where donor competitiveness could be a threat to national ownership and quality. There are, of course, numerous ongoing projects supporting sectoral management information systems. Poverty monitoring units are also being supported in a number of countries. In others, donors are holding back. The degree to which they have good reasons for doing so will be explored in Phase 2.

point of view of making PRSPs effective instruments – that indicators will be selected on the basis of simple measurement and easy attainment of the associated targets, not as an instrument of learning and improvement.

*What are the incentives to use information?*

90 The weakness and narrowness of the demand for information seems to be related to the pattern of incentives in the study countries. The ability to use information for performance assessment and policy analysis is generally recognised as a major capacity constraint in Africa. The country reports tend to confirm this, but they also suggest that capacity limitations are not just about skill shortages – that they are crucially about the incentive structures facing civil servants. Until performance is encouraged and rewarded in a results-oriented way, demand for data within the official system seems likely to remain weak. This is a further aspect of the interdependence between the PRSP and the wider nexus of reforms.

91 In the meantime, much will depend on ensuring that data of all kinds get fed regularly into institutional channels which exercise leverage, either through budget processes or through public political pressure and the mass media. The institutional location of the poverty monitoring and analysis function is an important factor in this. Statistics offices are not themselves good sites for promoting the dissemination and use of data, but in some countries they seem to be continuing to exercise this role. In most countries poverty monitoring units or observatories have been established since the mid-1990s. However, not all of these are ideally placed.

*Institutional problems*

92 Even where leadership of the PRSP process has been shifted into a senior financial ministry, responsibility for information and analysis has commonly remained in an office which lacks clout and adequate staffing (Malawi, Tanzania). This weakens the prospects of data being used to lever compliance out of echelons of government that fail to deliver on PRSP commitments. It probably also reduces the chances of data being made available in attractive and accessible forms to the media, researchers and other actors in the national policy process.

93 The development of independent analytical capacity outside government is a possible solution to many of these problems, at least in the medium term. This approach has proven its worth in Tanzania. In other countries where substantial independent capacity exists, it continues to be the case that government offices are secretive about official data, especially where they suspect there is political capital to be made by opposition parties. The fact than data can be used erroneously is also used to justify releasing them only to experts who can be trusted.

**Suitability and credibility of PRSP indicators**

94 Early thinking on PRSP monitoring has resulted, in most of the study countries, in the compiling of very long and indiscriminate lists of indicators on which data are, or could be, collected. There is an urgent need to establish some criteria for selecting a much shorter set of indicators which are agreed to be valid indicators of progress towards poverty reduction and on which reliable data can be easily

# 6 Emerging issues

100 The previous sections address specific headings of the terms of reference of the study. In this final section, we pick up some cross-cutting issues and themes that call for further attention, either as research topics or as policy issues. Four such themes have been identified:

- the importance of recognising that PRSP processes are political;
- the complexity of "national ownership";
- issues around the question of the PRSP timetable; and
- the overarching importance of moderating new policy thinking with realism.

**Politics matters**

101 Policies and practices with relevance to poverty are determined politically in poor highly-indebted countries, just as they are in more affluent countries. The coming of PRSPs reflects, among other things, the growing international recognition of this elementary fact.

102 The gamble on which the PRSP approach is based is that if governments are obliged to discuss poverty and what they are doing about it with their citizens, they are likely to come to regard it more seriously, and to be held to account more effectively. If this happens, it will involve processes that are formally or informally political. The assumption is that politics matters, and that, while nothing is guaranteed, politics can work in ways that are favourable to reducing poverty.

103 It is too early to form a judgement on the second part of this assumption, although this could be regarded as the central issue for the study. The first part is, on the other hand, well illustrated by the way PRSP processes have taken shape so far in the study countries.

*Different ways politics can matter*

104 In Tanzania, the PRSP process seems to have been given urgency and impetus from being undertaken in an election year. The governing party was interested in showing itself capable of maintaining aid flows at a high level and dealing with the multilateral debt problem. It appears to have seen addressing poverty as to some degree a vote winner as well. In contrast, the uncertainties associated with the first post-Rawlings elections in Ghana are currently slowing down the pace of decision making on many reform issues in ways that are probably detrimental to an effective PRSP.

105 In Kenya, where the PRSP is closely linked to the other reform efforts being undertaken under the Change Team of coopted senior officials, the expectation of national elections in 2002 appears to provide a reason for moving ahead fast. The implication is that the direct impact of electioneering in a patronage-based political system is likely to prove unfavourable to pro-poor policy reforms. There is a similar suggestion in the scoping reports from Benin and Mali. In different ways, in those countries crucial reform measures are reckoned more likely when presidents are completing their final constitutional terms.

106 The point for policy is the simple and perhaps obvious one that PRSPs are inevitably to some degree a political football. This should be regarded as normal and natural, not an aberration. The important question is not whether they are politicised, but what sort of politics around PRSPs is likely to prove most helpful from the point of view of effective poverty reduction.

**Unavoidable tradeoffs on ownership**

107 "Ownership" of poverty plans is clearly not easy to assess, and different criteria can be applied. As has been argued here, ownership may seen primarily in terms of a broad-based identification with a plan that is well known to relevant stakeholders and has been widely discussed. Alternatively, it may be viewed primarily in terms of the structural integration of the plan into the mainstream policy processes, including the public-expenditure management systems, of the country.

108 Both types of national ownership are desirable in the PRSP concept. However, the scoping exercise strongly suggests that they are not necessarily compatible in the short run. In at least some countries, there have been and will continue to be significant tradeoffs between different dimensions of national ownership. Gains on one dimension may only be able to be had at the cost of some loss on the other.

109 Depending on the timing and sequencing with other reform and planning efforts, this may not be a problem at all. However, in a number of the study countries there appears to have been at least some loss of "identification ownership" as a result of the adoption of a more robust "mainstreaming ownership" as the basis of the PRSP. For Kenya, Mozambique and Tanzania, this appears to be the case in a limited way. In two other countries, a number of stakeholders appear to see a more substantial loss of identification ownership, as a result of the relative marginalisation of previous poverty plans and the associated institutional structures. They are Malawi and Mali.

110 It is hard to say at this point in the study how exactly the findings on Malawi and Mali reflect the play of interests within the different sections of government. It is also not clear how far the discontents identified could have been avoided by more sensitive handling on the part of IFI missions. However, to some extent such conflicts are probably unavoidable. In other words, there will inevitably be countries where there are strong legacies of nationally-owned thinking about poverty in traditional, project-oriented mode, and a relatively weak capacity to move quickly and visibly into new ways of working. In such countries, it will inevitably seem for some time that more is being traded for less.

*Building tradeoffs into expectations*

111 The point for policy is that the possibility, even likelihood, of tradeoffs on ownership should be built into expectations and dialogue. Rhetorical excesses on ownership that may seem to imply that the issues are simpler than explained here should be avoided. Otherwise, there is the danger that in this as in other matters, the international community will be accused of giving mixed signals or speaking with two voices.

**Constraints and trade-offs on timing**

112 As expected, a recurrent theme in the country reports is that I-PRSP/PRSP timetables are too short to permit quality thinking and quality participation. The other side of the argument is also put – that the timetable is driven by the importance that HIPC governments attach to accessing further debt relief as quickly as possible. On top of this, in some countries there are "window of opportunity" reasons for moving ahead quickly. Nevertheless, according to a number of the scoping reports, many stakeholders are unconvinced by the need for so much rush.

113 Some stakeholders take the view that, with a more relaxed timetable, the gains in terms of quality of participation and quality of policy analysis would be sufficient to compensate for the loss of debt relief. One worry is that, under extreme pressure of time, consultation exercises will be so perfunctory that they will give participation in policy dialogue a bad name.

114 Another is that the timetable will imply not only tokenistic participation, but a tendency for PRSPs to limit themselves to relatively well-trodden ground on the meaning of poverty and the priorities of the poor. That is, it will not allow discussion to move on to the more challenging and crucial topic of the different poverty impacts of current and alternative policies. This expectation seems to be confirmed by the first completed PRSP in our sample, the one for Tanzania.

115 Against this, some nuances and counter-arguments are suggested by the scoping studies. First, in some cases, both the tightness of the timetable and its importance as a reason for inadequacies in the process may have been exaggerated.

*Time constraints are not all they seem*

116 Sometimes, rather poor use seems to have been made of the time available for consultations around the I-PRSP (e.g. Malawi). The time factor is constraining because of severe capacity limitations. However, as always, capacity is about both capabilities and incentives.

117 Relevant capabilities are undoubtedly lacking. There are known techniques for soliciting worthwhile feedback on poverty plans. The same methods that work in getting government agencies the assistance they need also give those consulted a greater sense of being useful and a stronger incentive to continue participating. Such techniques should be able to be acquired through advisory inputs wherever there is good will towards wider participation in PRSP preparation but little real experience of policy debate outside government – which is to say in most places. However, not only would this take time, but knowledge of techniques may not be the main constraint. The incentive for governments to do more than the minimum expected to qualify for HIPC2 relief and continued concessional funding may not exist.

118 Along with the tradeoff between speed and quality, a theme in several country reports is that it would only be worth going more slowly if better participation or

quality of analysis would be sure to result. On present evidence, it is by no means clear that the kinds of extensions of the timetable that are feasible would make enough of a difference to be worthwhile.

*PRSPs are not once and for all*

119 The arguments on both sides of this debate will remain largely speculative, even when a larger body of actual PRSP-preparation experience is available to examine. What is not speculative is the observation that the PRSP is not a once-and-for-all experience, in respect of either participation or quality of analysis. We have noted the likely second-round effects of even quite constrained initiatives of government-CSO dialogue. The first annual review and subsequent revisions of PRSPs will be opportunities for deepening and strengthening their analytical content, as well as monitoring progress in implementation.

120 The implication for policy is that PRSPs may well be limited by the tight timetable that has been agreed. But it is probably not in anybody's interest to extend the deadlines to the point where a substantially better product would result. A more useful emphasis would be on preparing to build on the institutional relations and policy commitments that arise from the current PRSP process with a view to their deepening in the phase of implementation.

**Realism and the avoidance of mixed signals**

121 The central message from all of the above is about realism. A preliminary general finding from the study is that the international community needs to keep its feet firmly planted on the ground and avoid being carried away by its own rhetoric on PRSPs. Specifically, it needs to be clearly understood that poverty planning is, for better or worse, embedded in living political systems. Core concepts like national ownership need to be treated with respect, as complex, multidimensional and slippery. Discussions about timing need to be realistic on two fronts – allowing that what can reasonably be achieved in such a time may be limited, while not imagining that time is the only factor.

122 Realism is needed on both sides of the aid relationship. Governments and other national stakeholders should be getting realistic assessments of the likely scale of HIPC2 relief, and of the improvements in funding and accountability that donors are prepared to offer in addition. This is important as erroneous impressions on these subjects are a potential source of future disillusionment. Donors, for their part, should ensure that they do not set excessively high standards of PRSP performance as preconditions for their support. The problem of "mixed signals" is likely to be exacerbated if donors' judgements are based on abstract principles without a careful appreciation of national constraints and possibilities.

# Annex 1: Terms of reference

SPA PRSP-Process and Poverty Monitoring Task Teams

**Study to investigate the extent to which poverty reduction policies, programmes, practices, and monitoring systems are being institutionalised in selected African countries**

**Background**

1. The Strategic Partnership with Africa (SPA) is the donor forum that co-ordinates support for low income debt-distressed African countries which have economic reform programmes in place with the International Financial Institutions (IFIs). In January 2000 the SPA began the fifth phase (2000-2003) of its programme, and made poverty reduction a core objective. In so doing, the SPA embraced the decision of the international community to provide assistance to low income countries based on their presentation of Poverty Reduction Strategy Papers (PRSPs) to the Boards of the IFIs. The PRSP framework, and the accompanying guidance announced by the IFIs in December 1999 was fully endorsed.

2. At the December 1999 meeting of the SPA Plenary, approval was given for establishing seven Task Teams to help advance the SPA-5 agenda. For of a number of these Task Teams, the PRSP framework provides the main focus. Task teams are responsible for investigating particular technical issues and for generating best practice materials. The mandate of the PRSP-Process Task Team is to monitor the development of the PRSP framework over a three-year period. The mandate of the Poverty Monitoring Task team is to strengthen nationally-owned poverty information systems that can serve the requirements of PRSPs.

3. Under the enhanced HIPC framework, debt relief, access to IDA resources, and PRGFs require recipient countries to present poverty reduction strategies to the Boards of the IFIs. Under the new arrangements, actual financial flows will depend on the joint assessments of country-prepared PRSPs by the staffs of the Bank and Fund (the so-called JSAs).

4. Most African HIPCs have begun preparing poverty reduction strategies (PRSs); and a number have either submitted, or have nearly completed preparing their interim PRSPs (I-PRSPs). In Africa alone, about a dozen or so countries now have I-PRSPs or PRSPs that have been discussed by the Boards.

5. The financial incentive for countries to prepare the interim and full PRSPs is considerable; and will remain high as long as development assistance continues to be made available in *addition* to debt relief. Whilst a framework of conditional assistance remains, there is also the widely-held belief that without good ownership of programmes by countries, substantial progress will not be possible.

6. The new PRSP framework is expected to provide the general basis for setting IFI conditionality associated with specific lending instruments. The changed framework of conditionality and the compulsion on countries to prepare PRSs, brings the risk that once strategies are approved by the IFIs, implementation (at least in some countries) may weaken. In cases where PRSPs are based on existing national

programmes (e.g. Uganda and Mozambique) a higher level of commitment can be expected. Since in most African HIPCs, a substantial focus on reducing poverty has not been strongly evident, the PRSP requirement could stretch existing capacity.

7. The potential for bringing about substantial changes between partner countries, the IFIs, and donors, through the PRSP framework is enormous. There are already signs that donors will support credible PRSPs, and aim to improve donor co-ordination (regarding finance, procedures and reporting). However, continued support from donors will largely hinge on good country performance (observed through measured changes in outputs and outcomes), and on demonstrable improvements in governance.

8. Given that all HIPCs are required to produce a PRS *paper*, a solid independent assessment of shifts in desired directions is therefore needed, identifying key constraints. Both the PRSP Process Task Team and the Poverty Monitoring Task Team have outlined specific projects that aim to examine different aspects of this shift in a representative set of African HIPCs. In order to maximise efficiency and cost savings, and to avoid "mission overload", it is proposed that the two Task Teams fold their individual projects into the same framework, and make use of the same consulting expertise to achieve their objectives. Combining project work in this way also ensures that poverty monitoring—an issue that is sometimes relegated to technical experts outside mainstream policy debates—is included as a central part of the PRSP agenda.

**Objectives and scope of the combined study**

9. In selected African countries, to investigate the extent to which the PRSP framework is being integrated into national policies and programmes, and leading to changes in government practices. The study will focus on assessing how far poverty reduction concerns and PRS processes are being articulated and institutionalised, especially within government.

10. The combined study of in-country PRSP processes will be comprised of three components.

    10.1. First, the aim will be to capture attitudes of key stakeholder representatives (government, civil society and private sector)[8] to the new PRSP framework, the changed conditionality associated with the enhanced HIPC framework, and the behaviour of IFIs and donors in the process. This component of the study will include a record of new plans, priorities, and policy and programme changes generally initiated by the government as a result of the PRSP requirement. An attempt will be made to ascertain levels of commitment among key staff in central and local government to PRSP processes. This will also entail assessing staff capacity constraints for preparing poverty reduction strategies and documents.

---

[8] Key stakeholder representatives will include the following. In government: representatives will be chosen from different levels in finance, economic and line ministries; local and regional government; and various legislative bodies. Representatives from civil society national advocacy organisations will include national, regional and local service delivery organisations, the media; academic organisations; and syndicates and unions. Within the private sector, views from a variety will be sought: big business; agribusiness; small, medium and micro enterprises. To aid comparison, stakeholders will be asked a common set of questions. Where possible the views of donors on in-country PRSP processes will be obtained.

10.2. In order to deepen the assessment of government commitment to PRSPs, the second component will explore how widely and deeply institutional changes are being introduced for reducing poverty (as outlined in key policy documents such as the PRSP).[9] Given that this covers a broad spectrum of activities, the scope will be limited to assessing changes in two main areas.

10.2.1. The fiscal framework and budgetary processes. Here, consideration should be given to general concerns regarding public expenditure management. To assess how far public finance systems have begun to incorporate the medium term budget framework, and to identify problems concerning the budgetary processes (preparation, reviews, execution, adjustments, etc) from a pro-poor perspective. Concerns over the quality of public financial management should also be identified, and should indicate government strategies for tackling these. Government and civil society stakeholders will also be asked what donors should do in order to help improve budgetary processes.

10.2.2. The governance framework, and specifically in respect of consultative and participatory processes entailed in setting priorities, and in establishing accountability norms. This should include a review of the role played by parliament, the press, and other democratic institutions in shaping the poverty agenda. A core concern will be to consider the extent to which participatory evaluation systems are being established, and to identify feedback mechanisms designed to influence policy.

10.3. The third component will assess the present role and status of poverty monitoring and information systems in the PRSP process. This includes an appraisal of how existing systems generate information for - and feed into - pro-policy processes, whether credible monitoring indicators are being identified, and the degree of awareness and participation of different national stakeholders. It also includes an analysis of the extent to which donor requirements promote or constrain the effective functioning of poverty information and monitoring systems, and recommendations for future donor activity in this area. Issues for investigation include:

10.3.1. the nature of demand for and supply of information among key stakeholders, and analysis of the relationship between supply/demand;

10.3.2. the extent to which information produced is incorporated into policy processes, and reasons why it may/may not be incorporated;

10.3.3. the suitability of core indicators being used in-country to track PRSP progress;

10.3.4. the capacity of poverty information systems to deliver reliable information to monitor these indicators and recommendations for action;

10.3.5. the nature of donor information requirements and their impact on the effective functioning of poverty information/monitoring systems.

---

[9] In several countries it may be too early to assess how widely and deeply institutional changes have been introduced. In these cases consultants will focus on proposed changes, and aim to gauge the likelihood of successful implementation.

11. In component 2 (item 10.2), the emphasis will be on identifying the processes and institutions supporting national poverty reduction strategies. Assessing whether institutional shifts have occurred will require making fine judgements. Most critically, in each of the identified areas, this will need changes to be gauged against two limiting factors: current capacity to transform in the desired direction, and existing knowledge of international good practice that realistically can be implemented.

12. For each of the above areas, likely constraints blocking progress should be identified, and recommendations made for overcoming these (items 10.2.1, 10.2.2, and 10.3); including, where possible, ameliorating actions to be taken by specific agents (including donors).

13. With the exception of the third component (10.3), this study will primarily not focus on technical evaluations and recommendations. Rather, the emphasis will be on tracking *processes*—judging *movements and assessing government commitment* towards known desired outcomes—and pointing out strategies for overcoming difficult constraints.

**Method and proposed activities**

14. A variety of techniques should be used to address each of the above-mentioned components. These will include: a visit to the country to interview key individuals and collect critical information, a review of press and donor reports of recent changes following implementation of the new PRSPs policy, and an analysis of available (published and unpublished) secondary information (e.g. on poverty monitoring systems, quality of participatory processes, and implementing processes leading to the preparation of MTEFs and good budgeting practices).

15. In order to form a judgement on whether (and how) policies, programmes and practices embody poverty reduction concerns for each of the identified three areas, the team of consultants will be required to have:

    15.1. a good grasp of the PRSP policy framework, including—recent policy thinking within IFIs, country-level implementation details, familiarity of debates among donors, academics, NGOs and other stakeholder groupings;

    15.2. a good knowledge of a range of African countries (histories, recent policies and programmes, and institutions);

    15.3. familiarity with available best practice materials within specialist areas in order to gauge institutional shifts;

    15.4. familiarity with other PRSP monitoring exercises that are currently under way (and being conducted separately by donors, IFIs, and NGOs).

16. Good judgement will be needed for teasing out specific poverty policies from policies and programmes that have an indirect bearing on poverty. While consultants will need to consider both, the contents of the PRSP document (and associated national policy documents) should be used as the principal guide for this study.

17. Although there is some scope for determining the selection of countries, the final list should include a mix of Anglophone and Francophone countries that will have only recently embarked on developing poverty reduction programmes, and with I-PRSPs either approved by the Boards of the IFIs, or almost ready for presentation. Given this requirement the following countries are possible case studies: Rwanda, Tanzania,

Benin, Mali, Kenya, Ghana, Malawi, Senegal, and Zambia. Subject to funding, a six to seven countries should be covered. Although consultants are free to determine the allocation of consultants' days, a minimum of forty days per country is recommended (some of which will be spent in-country during both phases).

18. Developments in Mozambique will be reported to the SPA PRSP-Process and Poverty Monitoring Task Teams by a separate study commissioned by Sweden and Norway. Close contact will be maintained between the two study teams to ensure comparable results.

**Phases of the study, reporting, and principal outputs**

19. The study will be carried out in two phases over a fifteen month period. Phasing will allow an initial survey of responses and a scoping of the central issues to be combined with a substantive investigation of core concerns outlined for this study. The phases will permit consultants to follow in-country developments over a period of time, and capture real shifts as the PRSP process takes root. Both phases will include country visits.

20. Phase one (September to December 2000) will involve an initial scoping exercise to identify key issues for further investigation, and provide a baseline against which to gauge later developments. Given the above-mentioned requirements for this study, consultants will form an initial perception of the PRSP process among key national stakeholders. All aspects identified in 10.1 to 10.3 above will be scoped. Phase two (February to October 2001) will involve a substantive investigation of the priority issues identified by the scoping exercise, but within the terms established for the study.

21. Specific outputs of the respective phases will be as follows.

    21.1. **Phase one.** The first progress report (due mid-October 2000) to the SPA Technical Group will be in the form of a ten-page written report and a (20-30 minute) PowerPoint presentation on work conducted and findings obtained to date. This will indicate the likely content of the second progress report that will be for the December 2000 Plenary. Given timing constraints, the first progress report is likely to reflect field visits to a limited number of countries, possibly two to three.

    21.2. The second progress report (due mid-November) for the SPA Plenary will be in the form of an updated ten/fifteen-page paper and a *revised* (20-30 minute) PowerPoint presentation. Comments and suggestions made by members of SPA's Technical Group will be taken into account in subsequent drafting. The second progress report will incorporate findings emerging from the scoping work undertaken in all countries investigated. By the time of the December Plenary, it is expected that approximately five to six, and possibly more, countries will have been investigated. A revised and updated (and possibly longer) progress report, incorporating comments and suggestions made by SPA Plenary participants, and peer reviewers (see below), will be submitted to the chairs of PRSP-Process and Poverty Monitoring Task Teams at the end of January 2001.

    21.3. **Phase two**: The first output (due mid-May 2001) will be a report containing

the preliminary findings of the substantive study.

21.4. The second output (due end September 2001) will be the final report of the study, and a (45-60 minute) PowerPoint presentation to the SPA's Technical Group in October 2001. The final report will be comprised of separate chapters each reporting a country case study, an overview (stand-alone) chapter on poverty monitoring, and an overview (stand-alone) chapter on PRSP processes.

22. **Structure of the final report.** Each case study chapter should clearly identify the development of the national PRSP process, and should include:

22.1. a brief narrative of the process by which the poverty reduction strategies was prepared;

22.2. an account of the attitudes of key agents—to the PRSP agenda, the process, and interactions with donors and IFIs (item 10.1);

22.3. a comprehensive review of the two areas identified for assessing how pervasively poverty reduction concerns are institutionally embedded (items 10.2.1 - 10.2.2).

22.4. a comprehensive review of the nature of demand/supply in poverty information systems across a range of key stakeholders, analysis of the capacity and constraints of such systems to deliver against a set of key indicators, analysis of the choice of indicators to measure progress, and the implications for donor support to strengthening nationally-owned systems (item 10.3).

22.5. a realistic appraisal of the constraints blocking poverty concerns and poverty monitoring from being more firmly embedded in policies, programmes and practices (item 12.0 above);

22.6. a list of recommendations, including messages to governments, donors, and IFIs.

23. The overview chapters will synthesise case study results. They will highlight general lessons, and identify main messages and recommendations to governments, donors, and the IFIs. It is hoped that the some of the papers produced under this study will be of a sufficiently high standard (subject to review—see below) to warrant publication in an edited book.

24. In a separate report the consultants will document interesting and innovative experiences developed and identified by people/organisations within the countries surveyed, which have demonstrably improved poverty reduction policies, programmes and practices (within areas identified above). During 2001/2 it is expected that a workshop(s) will be organised to share best practices with participants across the case study countries. At these meeting(s) the consultants will be expected to present the overview chapters.

**Project management**

25. The principal consultants appointed for this study will manage the study for the sponsoring donors. Based on these common Terms of Reference, each sponsoring donor will establish separate contracts with the consultants. Decisions over the composition of the research team for each case study will be taken by the main managing consultants. Where possible, collaborating African researchers should be included in study teams.

26. On behalf of the SPA, DFID will be responsible for the overall co-ordination of the study, and for maintaining regular contact with the managing consultants. A small reference group (comprised of researchers and policy advisers from Europe and Africa) will be established to provide technical guidance and to review key outputs, especially the second progress report of Phase one, and the two reports generated under phase two.

# Annex 2: Research teams and mission dates by country

| *Country* | *Staffing* | *Timing of work in-country* |
|---|---|---|
| Benin | Nassirou Bako-Arifari, Cotonou; Thomas Bierschenk, University of Mainz; Elisabeth Thioléron, ODI associate, Paris | 27 Oct – 11 Nov |
| Ghana | Charles Abugre, ISODEC, Accra and London; Tony Killick, ODI senior associate, with contributions by E. Gyimah-Boadi, E. Muggeridge and E. Ofei-Aboagye | 2-14 Oct |
| Kenya | Harriet Dudley and Lucia Hanmer, ODI; Walter Eberlei, University of Duisberg; Gerrishon Ikiara, Nairobi | 16 Oct – 20 Nov |
| Malawi | Rob Jenkins, Birkbeck College, University of London; Maxton Tsoka, Centre for Social Research, Zomba | 6-19 Sept |
| Mali | Idrissa Dante, Bamako; Jean-François Gautier and Marc Raffinot, DIAL, Paris | 17-30 Sept |
| Mozambique | Hans Falck, University of Lund; Kåre Landfald, Oslo | 8-27 Oct |
| Rwanda | Jim Gilling and Simon Stone, Oxford Policy Management Ltd.; Fred Golooba-Mutebi, Kampala; Neil Thin, University of Edinburgh | 19-26 Sept |
| Tanzania | Alison Evans, ODI associate; Erasto Nglawea and Joseph Semboja, REPOA, Dar es Salaam | 25-29 Sept and 16-22 Oct |
| Coordination and synthesis | David Booth and Harriet Dudley, ODI; John Healey, ODI senior associate | |

# Annex 3: Considerations on method
**(adapted from First Progress Report)**

### Overall approach

The team is deeply conscious of several potential pitfalls of what is being undertaken. We indicate briefly here what these are and the way we have aimed to avoid them.

First, we wish to avoid contributing to the notorious problems of mission overload and study fatigue. We have therefore made strenuous efforts, which may and may not have been sufficient, to "tread lightly" in the study countries and not add further burdens to already burdened actors in the events being investigated.

Second, we are conscious that major sensitivities of different kinds are involved in the issues to be explored. We have tried to allay the fears of informants by describing the study as an early listening exercise being undertaken by an independent group without strongly developed preconceptions.

Third, we are strongly aware of the dangers of being misled or jumped into faulty or premature conclusions. To avert this, we are seeking to cross-check evidence and read views critically and in context; but we are conscious that we are still liable to make mistakes. With this in mind, the tentative and provisional character of the initial findings will be continuously underlined. We think this is necessary even if it may contribute to rather tedious reading in some places.

### Stakeholder views/Government plans and commitments

*Issues*

This part of the study is concerned with three sets of issues. What are the attitudes of key stakeholders to the PRSP process so far, to the changed conditionality associated with HIPC2 and to the changes – if any – in IFI and donor behaviour? What new plans, priorities and policies or programmes have been initiated by governments in response to PRSP requirements? And what levels of commitment and capacity are being demonstrated?

*Approach*

In advance of the first work in-country, the teams committed themselves to a certain way of approaching this part of the enquiry. A broad spectrum of stakeholders would be considered relevant, but different direct and indirect approaches to assessing their views would be adopted. Different lines of questioning would be pursued with different types of informant. We would avoid leading questions, or questions that produce automatic responses. Responses would be recorded and assessed in context, to avoid the major deficiencies of "attitude survey" styles of work for addressing the type of issues confronted by the study.

Examples of new plans and policy initiatives may be considered less subjective and easier to interpret. But it was agreed that judgements would still be needed – especially about the relationship between new plans and any pre-existing policies.

Levels of governmental commitment to poverty-related objectives and processes should also be treated warily, we believe. However, there are some objective criteria that can be applied, so that the analysis does not need to rely on the testimony of policy makers alone. The level of authority at which responsibility for poverty reduction efforts is located is a

| | | | | |
|---|---|---|---|---|
| **Mozambique** | *IPRSP targets*<br><br>Pursue and implement policies contained in the 1999 Action Plan for the Reduction of Absolute Poverty (PARPA), the Economic and Social Plan, the Three-Year Plan for Public Investments and the Annual State Budget.<br><br>Maintain macroeconomic stability<br><br>**Health: improvement in the access and quality of primary health care, (in particular for women, children and youth), prevention endemic diseases and HIV-AIDS (National Strategic Plan to fight STD-HIV-AIDS for 2000 – 2002), improvement of family planning**<br><br>**Education: access and quality of primary education, literacy**<br><br>Water and sanitation: improve access<br><br>Improve Social support and pension systems<br><br>Rural development: Agricultural productivity, rural infrastructure, food security policies, employment<br><br>Reduce regional disparities (promote rule of law, decentralisation)<br><br>Put in place 'a set of global policies which incorporate aspects related to international trade liberalisation, tax policy reform, a more efficient expenditure policy, 'red tape', improvement of customs, basic infrastructure, law, order, justice and internal security', **reform of the legal and judicial system** | *IPRSP targets*<br><br>**MTEF to allocated resources so as to reduce poverty (harmonise the Economic and Social Plan and the State Budget)** | *IPRSP* targets<br>*Examples of expected outcomes 2000 – 2004. Estimates for annual targets are also provided in the PARPA policy matrix:*<br><br>- GDP growth 7 – 10 %, inflation 5 – 7 %<br>Education: Gross admission rate 93 %, gross enrolment rate 88.1 %, provision of 33,516 classrooms and 49,622 teachers<br>- School Fund Programme cover 75 % of children from poor households<br>- - increase proportion of girsl in EP1 to 45 %<br>- all districts offer literacy services in rural areas<br><br>Health – reduce intra-hospital maternal mortality to 100 per 100 000<br>- 90 % of women have ante-natal consultations<br>- family planning coverage 12 %<br>- reduce under five mortality to less tan 200-1000<br>- immunization: 75 % of children have complete immuization before age one; 98 % polio and DTP3 immunisation coverage for children aged 9 – 23 months<br>60 % tetanus imm of women in fertile age<br><br>Rural Development and Agriculture: - increase use of pesticides and fertilisers to 6 % (2000: 1,8 %)<br>- 27 % of population have access to extension services (17.5 % in 2000)<br>- adequate financial services for 100,000 clients in low income rural areas<br>- involve 20 districts and 100 rural communities in public investments<br>- proportion of urban population dependent on agriculture 25 % (45 % in 2000)<br>Infrastructure: - reduce proportion of impassable roads to under 5 %<br>- reduce proportion of bad roads to 25 %<br>Water: 50 % of urban and 40 % of rural population have access to water supplies<br>Direct Social assistance: provide food subsidies for 90.132 women, 16,000 children, 630,000 elderly; ensure workers' insurance coverage (accident at work)<br>Monitoring: produce annual matrices for each sectors, distinguishing between input, process and impact indicators | *IPRSP targets*<br><br>Incidence of poverty 60 % in 2004 and 50 % in 2010 (70 % in 2000) |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| *Mozambique (cont.)* | *HIPC Conditions*<br><br>Preparation of full PRSP including a regional poverty profile and a three-year policy matrix and appropriate macroeconomic framework (PRGF). Bank/Fund endorsement of the PRSP and track record of one year's successful implementation<br><br>Strategic plan for a judicial system;<br><br>Drafting a new commercial code and regulations for private sector involvement in telecom and energy sectors<br><br>Publication of quarterly budget execution reports including a sectoral classification of expenditures;<br><br>Review of tax and custom exemptions<br><br>Development of a strategic plan for public sector reform, including a functional review of ministries<br><br>Development of policy regarding remaining public enterprises and companies with majority private ownership<br><br>*Development and approval of a new Health Sector Strategic Plan*<br><br>*Implementation of the National Multisector Strategic Plan on HIV/AIDS* | *HIPC Conditions*<br><br>Satisfactory progress in tracking of budgetary resources for poverty reduction<br><br>Increase current health and education expenditures as share of total current expenditure | *HIPC Conditions*<br><br>Improving key social indicators<br><br>In assessing performance, due consideration given to the impact of floods | *HIPC Conditions* |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Senegal** | *IPRSP targets:*<br><br>- **prepare full PRSP** by December 2001<br><br>- **macroeconomic policies**: improve revenue generation and systems for public exp mgt.<br><br>- adopt the UEMOA Common External Tariff in full<br><br>- structural reforms: pursue reforms in the following areas: regulatory and legal framework, transportation, private sector development, good governance, energy, mining, fisheries, agriculture, rural development<br><br>- Education: continue implementation of ten-year Education and Training Prg (1998 – 2007). Includes classroom construction, contract-based hiring of teachers, encourage private sector involvement in education etc.<br><br>- Health: implement National Health Development Plan (1998 – 2007); AIDS, endemic disease control and reproductive health. Finalise hospital reform, strengthen health infrastructure.<br><br>- implement National Action Plan for Women<br><br>- implement National Environmental Management Programme<br><br>- implement the National Employment Policy with focus on employment creation for vulnerable groups<br><br>- implement policies in field of water and sanitation | *IPRSP targets:*<br><br>- apply government spending pattern in accordance with 20/20 initiative<br><br>- Share of health in general budget: 9 % by 2002<br><br>- share of education in general budget: maintain at 33 % | *IPRSP targets :*<br><br>- **information and monitoring system for measuring impact and outcomes of policies**<br><br>- basic budget surplus remain at 1.7 % of GDP in 2000 and 2001<br><br>- annual growth rate of 4% in the agricultural sector<br><br>- primary education enrolment rate 70 % in 2000 (60 % for girls), 75 % in 2001<br><br>- number of individuals per health center 150,000 in year 2000 (158,000 in 1997)<br>- number of individuals per health post 10,000 in 2000 (11,000 in 1997)<br><br>- Pre-natal care overage: 50 % in 2000, 75 % in 2003<br><br>- coverage rate for rural electrification 15 % in year 2000<br><br>- equip all municipal district seats of more than 2000 inhabitants with at least one telephone line in year 2000<br><br>- credit more available for local projects and for business that employ vulnerable groups<br><br>- 10,000 sewer connections for 4 main cities<br>- increase water capacity to 425,000 $m^2$ per day | *IPRSP targets :*<br><br>- Poverty incidence (defined on the basis of the 'energy approach') 57 % in 2000, 48 % in 2003, 30 % in 2010<br><br>- Stunting rate among children under five: 22% in 2000, 17 % in 2003, 5 % in 2010<br><br>- Underweight children under five: 21 % in 2000, 16 % in 2003, 5 % in 2010<br><br>- Wasting rate among children under 5: 19 % in 2000, 16 % in 2003, 5 % in 2010<br><br>- infant mortality rate (per 1000) 65 in 2000, 58 in 2003, 48 in 2010<br><br>-maternal mortality rate (per 100,000) 480 in 2000, 410 in 2003<br><br>- literacy rate 48.6 % in 2000, 45.8 % in 2003, 29.4 % in 2008 |

| | | | | |
|---|---|---|---|---|
| *Senegal (cont.)* | *HIPC conditions:*<br><br>Privatization of the streamlined 11 public sector enterprises<br><br>Removal of distortions in the energy sector including partial liberalisation of the petroleum sector in accordance with existing IDA arrangements<br><br>Establishment of a single taxpayer identification number in all revenue collecting agencies and establish a Large Tax Payers' Unit<br><br>Bank credit: cap net bank credit to the central government<br><br>Preparation of PRSP | *HIPC condition*<br><br>Supporting IDA's Quality Education For All program focussing on recruitment of teachers: 2,000 teachers to be recruited per year on a contract basis. Parallel recruitment of teachers into the civil service structure be eliminated<br><br>Focussing IDA's Integrated Health Sector Credit on primary health care, child immunization, pre-natal care and prevention of endemic diseases | *HIPC condition*<br><br>*Improvement in public savings by targeting fiscal surplus to be at least 1 percent of GDP in 2000 and 2.2 percent in 2001 (excluding the investments that the Government will undertake as part of its PRS))*<br><br>Increases in primary education to 44 percent<br><br>Establishment of an accurate database for monitoring poverty along with a comprehensive household survey and the establishment of poverty lines and indicators based thereon | *HIPC condition*<br><br>*None* |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Tanzania** | *IPRSP targets:*<br>**Prepare a PRSP by August 2000**<br><br>Continue implementation of macroeconomic reforms<br>Tax reform: E.g. Adopt guidelines for rationalization of local taxes and import taxes, strengthen system for tax collection,<br><br>Infrastructure: E.g improve mgt of water system, improve regulatory framework for utilities<br><br>Privatization:E.g. remove public enterprise units from government control, unbundle electricity company,<br><br>Governance:E.g. Adopt and disseminate national anti-corruption action plan; actions in the area of public expenditure mgt, incl **submitting the Public Finance Management and Audit Bill to Parliament;**<br>civil service reform, local gov reform),<br>Improve collection of statistics<br><br>Policies to improve efficiency of financial institutions/intermediations (banking regulations, microfinance etc)<br><br>Sector policies: **power, petroleum, mining, land (incl necessary action so that land can be used as collateral for commercial lending), agriculture, roads, railways, ports.**<br><br>General policies in employment and environment<br><br>Education:<br>- policies to improve cost-effectiveness and quality of basic education, rationalize higher education, complete and start implementing Secondary Education Master Plan<br><br>Health: E.g. review revenue collection, HIV/AIDS awareness campaign, action plan for malaria control | *IPRSP targets :*<br><br>**Shift budgetary resources to meet specified poverty reduction targets** (agriculture, education, health, rural roads, water supply)<br><br>Education:<br>- maintain basic edcuation recurrent spending at 65 % minimum and increase non-salary spending per student by 0.5 % annually<br>- reallocate teachers in 35 local authorities<br><br>Health: develop a public sector resource envelope for the health sector within the MTEF | *IPRSP targets:*<br><br>Establishment of a set of medium-term poverty reduction targets, including monitorable indicators, for objectives that can be achieved within one to ten years.<br><br>**Improved economic statistics for monitoring and analysis of development**<br><br>Household survey and pilot labor force survey be carried out by mid 2001.<br><br>Tax reform:<br>**- consolidated taxes on petroleum products,**<br>- unified rates of withholding tax on interest,<br>**- reduce excises from 52 to 6,**<br>**- abolish withholding tax on goods and services,**<br>- establishment of taxpayer identification numbers<br><br>Education:<br>**- A comprehensive district based school mapping (50 % be covered by end of 2000).**<br>-<br><br>Health:<br>**-Immunization: 75 % of children under 2 years; measles and DPT**<br>**- HIV/AIDS awareness campaign visit 75 % of districts** | *IPRSP targets:*<br><br>Annual growth rate at least 6 % by year 2002 |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| *Tanzania cont.* | *HIPC conditions:*<br><br>Preparation of PRSP and satisfactory implementation for at least one year<br><br>Improvement in utilities performance; concession agreement assigning assets of DAWASA to private mgt companies, initiate process of unbundling TANESCO; adoption of framework for the establishment of regulatory authorities for the utilities<br><br>Issuance of land regulations to ensure land can be used as collateral for commercial transactions<br><br>Governance: Adoption of a national action plan for the control of corruption<br><br>Submission to Parliament of the Public Finance Management and Public Audit Bill.<br><br>Substantial completion of the tax reform agenda:<br>- Reduction of excise taxes from 52 to 6;<br>- introduce VAT on petroleum;<br>- abolish withholding tax on goods an services,<br>- repeal of import-specific partial remissions on customs duties and abstention from imposing additional minimum dutiable values and basing existing ones on international prices,<br>- reduction in scope of exemptions;<br>- start operating a unified tax appeals system;<br>- establish a more efficient duty drawback system | *HIPC condition*<br><br>Adoption of MTEF with budgetary appropriations in line with poverty objectives, including for a rationalisation of higher education, introduction of a revolving fund in all hospitals. | HIPC condition<br><br>- Improvement of the poverty database and monitoring capacity of social indicators by implementing a household budget survey and system for tracking social change. Strengthened capacity to collect and analyse poverty data.<br><br>Education: Completing the mapping of schools covering 50 percent of all local authorities<br><br>Health:<br>- Completing the immunization of at least 75 percent of children under two years against measles and DPTs;<br>- campaign against HIV/AIDS with visits to 75 percent of all districts | *HIPC condition*<br><br>*None* |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Uganda** | *PRSP targets*<br><br>Based on the 1997 Poverty Eradication Action Plan (PEAP)<br><br>Macroeconomic framework: sustaining growth and macroec. stability, tax reform, debt mgt, poverty focus of expenditure, financial sector reform, infrastructure, telecom, commercial law reform<br><br>Good governance: improve transparency, decentralization, rule of la, criminal justice reform, public awareness of human rights and democracy<br><br>Actions to directly increase the income of the poor: rural transport, access to land, agriculture, rural energy, vocational education, microfinance<br><br>'Quality of life': strategies for improving public health, education, housing, environment | *PRSP targets*<br><br>MTEF: 32.5 % of gov budget allocated to the Poverty Action Fund (service delivery that directly benefits the poor) in fiscal year 2002/03 (26.3 % in fiscal year 2000/01) | *PRSP targets*<br><br>Performance indicators be developed for all sectors:<br><br>Examples of monitoring indicators and targets for 2001/02; (figures in brackets 1999/00):<br><br>Macroeconomic framework: 7 % annual GDP growth, 5 % inflation, higher ration of tax to GDP in medium term<br><br>Education: pupil-teacher ratio 48 (58); pupil-classroom ratio 99 (118); pupil-book ratio 4 (6), enrolment in tertiary education in 2003: 50,000 (25,000)<br><br>Health: DPT3 immunization rate 60 % (45 %); share of health centers with trained staff 61 % (55 %)<br><br>Water: 1100 boreholes drilled (1060); protected springs 900 (900); protected shallow wells 1100 (1000)<br><br>Vocational training of the poor: 100,000 trained by 2003 | *PRSP targets*<br><br>Income poverty 10 % in 2017 (44 % 1997)<br><br>Child mortality 103 per 1000 (147 in 1997), matemal mortality 354 per 100,000 (506 in 1997) |
| | *HIPC Conditions*<br><br>Preparation of PRSP<br><br>Implementation of the PEAP; Adjustment and reform efforts satisfactory | *HIPC Conditions*<br><br>*None* | *HIPC Conditions*<br><br>*None* | *HIPC Conditions*<br><br>Acceptable "overall progress" in poverty reduction |

sound general criterion. Another is the existence or otherwise of historical linkages between current efforts and other efforts known to have been characterised by high levels of ownership/commitment. The quality of the insight demonstrated by key government figures, including awareness of capacity constraints and ways of meeting them, are other possible criteria of judgement.

**Institutional changes, actual and potential**

*Issues*

At the most general level, the terms of reference ask us to establish the extent to which the PRSP framework is being integrated into national policies and programmes, and leading to changes in government practice. This calls for an assessment of both the degree to which poverty-reduction *concerns* are being adopted, and how far the elements of a *strategic approach* to poverty reduction are also in place. The latter include the setting of clear objectives and targets, the linking of resources to those objectives, and the setting up of means of monitoring effectiveness.

Related general issues have to do with the degree to which poverty-reduction plans, whatever their nature, benefit from a high degree of national ownership. This is seen as a precondition for effectiveness and sustainability. The level of national ownership relates in turn to the quantity and quality of the democratic participation and accountability that surrounds the policy process in respect of poverty.

The terms of reference imply, correctly, that the relationship between these different elements of "good" or promising PRSP experience is complex. Conflicts and tradeoffs are to be expected at various points. At the very least, national ownership needs to be assessed in the context of emerging institutional arrangements. The same applies to accountability. A democratic design process is desirable in principle. However, whether a highly participatory design process is the key to a sound plan and serious implementation is one of the issues to be tested. And so on. The findings of the study to date encourage us to take these complications seriously.

*Approach*

Specifically under this heading, we are asked to look at both systems of public finance management, and processes and institutions of governance. The terms of reference ask for a deepening of the assessment of government commitment to PRSPs by tracking the introduction of institutional changes outlined in key policy documents such as PRSPs. It is pointed out that it will be too early to track actual changes in many cases, so that potential shifts need to be assessed instead.

The initial findings underline this caveat. They also suggest the importance of turning the question around and exploring the opposite type of linkage. This is the influence both on stakeholder perceptions and on the prospects of a good PRSP of institutional changes that have been under way, in some countries, for several years, certainly predating HIPC2 and the rethinking that took place after the Cologne summit in 1999.[10] Whether or not there is this sort of legacy of previous change in a given country is emerging as a crucial variable.

On governance, we have attempted to distinguish a number of levels at which more consultative, participatory or democratic procedures might emerge in response to PRSP-related initiatives. There is the narrow – important, but arguably not crucial – question of the

[10] The SPA "Institutions and Processes Study" completed in 1999 is a valuable source of baseline analysis in this respect.

quality of the PRSP (and in some cases, I-PRSP) process itself. Then there are the potentially more durable second-round effects of a form of conditionality that emphasises openness and accountability, on the society and on its political system, including parliamentary and legal institutions.

At this point in the study, we are certainly not able to do more than begin to establish a baseline for projecting possible medium-term trends. But we think it will be important – even when PRSP consultations are under way in all of these countries – not to be overly focused on the immediate quality of changes in styles of policy debate. The essential "hypothesis" which the PRSP experience is putting to the test is about medium-term dynamics linking external finance, accountability and effectiveness in poverty reduction. It is not about the possibility of building beautiful edifices of participation immediately.

One other aspect of our approach that is worth underlining concerns the relation between the two parts of section 10.2 in the terms of reference. There is some basis for separating the issues about public finance management from those about more democratic governance, as the ToR do. However, having been clearly distinguished, these areas do then need to be re-integrated. The quality of democratic participation is in part a function of the degree to which citizens are presented with clear options, and their decisions are able to be actually implemented. These preconditions do not exist so long as public finance management is weak.

An implication of the argument above is that a "good" PRSP has to be integrated closely with the institutions of public finance management. Similarly, national accountability is not likely to be built in a genuine and sustainable way if public finance management is unsound. This will be a central concern of the study.

**Poverty monitoring and information systems**

*Issues*

The third major area covered by the study is monitoring and information. An assessment is to be made of existing and emerging arrangements for using information to support pro-poor policy making and implementation. This involves looking at the demand for, as well as the supply of, data of different types to various stakeholder groups inside and outside government. Within this context, a closer and somewhat more technical assessment is required on the suitability and credibility of the indicators being incorporated in PRSPs, and the capacity of the existing or planned systems to deliver reliable information. The role of donor agencies, both as users of information and as sources of assistance in meeting key capacity constraints, is also to be considered.

*Approach*

The team are committed to ensuring that this part of the study is adequately covered. We also intend to keep a good balance between broad questions in the political economy of information and the more technical issues concerning data needs and data quality. The demand/supply relationship poses questions about the incentives to generate and to use information which are often not sufficiently probed when poverty monitoring is discussed by technicians in survey design and statistical analysis. "Information" needs to be treated broadly in several respects.

First, the formal PRSP indicators need to include a suitable mix of input, output, outcome and process measures. Second, there is likely to be a strong case for combining survey-based, administrative and participatory/case study data – what are conventionally called quantitative and qualitative – as well as different types of surveys, and different kinds of

participatory assessment or appraisal. Third, the use of information to support poverty reduction efforts can and should embrace the quality of journalism and the mass media, and the uses that are able to be made of these instruments by different kinds of stakeholders in poverty reduction.

Brussels, 12.11.2000

# SPA TASK TEAM
# ON CONTRACTUAL RELATIONSHIPS AND SELECTIVITY

# CONDITIONALITY REFORM
# THE BURKINA FASO PILOT CASE

Summary Report


Pour le Burkina Faso :

Tersius Zongo
Siaka Coulibaly

Pour la Commission Européenne

Gilles Hervio
Javier Nino Perez
Stefan Emblad

## 0. INTRODUCTION

This paper aims to present the major lessons drawn from the Burkina Faso pilot on Conditionality reform. The presentation is deliberately simple in its approach and avoids a detailed technical discussion, while restating the principles behind the work.

The paper begins with a "bullet point" overview of the objectives, as spelled out in the mandate of December 1996. The second section gives a summary overview of the chronology and main events that transcribed during the joint missions held to date. The third section summarises in bullet form the conclusions drawn by donors and the Burkina Faso government. A final section presents how the European Commission (EC) is putting the lessons of the test in practice. In the annexes the list of indicators is presented and some of the lessons learned from implementation of the EC support programme (which is the first one to be based on the new approach) are described in more detail.

## 1. MANDATE

The December 1996 terms of reference form the mandate of the pilot and they included:

**Four objectives:**

- **improve** and strengthen government **ownership** in programme implementation;
- **smooth** aid flows and **reduce** lumpiness of these flows and the number of **disruptive suspensions;**
- **enhance aid effectiveness** through programme monitoring on the basis of **performance indicators** for the areas of budget management and of equitable growth; and
- improve donor **co-ordination**

One of the main ideas behind a new approach was to treat **three areas** of conditionality separately from one another. The **first** was traditional macroeconomic fundamentals including stabilisation, the **second** was the quality of public finance management and the **third** was what was referred to as "equitable growth". The last was to focus on how public spending on health, education, agriculture and private sector development could assist in benefiting the poorest groups either through increased public services or by promoting growth that gave benefits more or less directly to these groups. The notion was that conditions in the first area would remain more or less unchanged and that the Bretton Woods institutions have the lead in this domain. In the two other areas efficiency and outcome indicators respectively would be agreed upon jointly between the donors and the government. The government would set itself targets for these indicators and donors would link their support to the achievement of those targets.

## 2. TEST CHRONOLOGY

The mandate was agreed in late 1996. In 1997 the Burkina Faso government agreed to participate and became the pilot country . Two joint donor missions[1] took place in 1998 (January and July) and another two in 1999 and the final mission took place in July 2000.

Prior to the first mission, the government had elaborated a matrix of performance and implementation indicators. The indicators in the matrix were extremely close to the criteria contained in the Policy Framework Paper and the HIPC initiative. This was slightly disappointing as the test aimed at getting the **government** itself to identify **new** methods of working rather than using "old" indicators suggested by donors.

Thus the first joint mission concentrated on:

- explaining the objectives of the pilot during meetings with representatives of each of the concerned ministries and departments (finance and budget, agriculture, education, health and trade) both at the political and the technical level;

- requesting the government to detail the major policy concerns and concrete objectives (expected end results) and relevant indicators in each field;

In this way, the first mission was able to achieve one of the shifts in mentality necessary for a transition away from traditional conditionality. It forced the government and donors to look beyond strategies/policy actions to a wider set of issues. What results do we want to achieve, are they realistic, how will we measure them, what strategies do we put in place to achieve them?

It structured debate around i) objectives, ii) measuring tools and iii) strategies rather than the traditional debate on strategies not connected to specified objectives.

For the second mission each of the departments concerned had prepared a new matrix of indicators. The main result of the second mission was to identify the most useful type of indicator to measure effectiveness and impact of government reforms on the general population. The main interest of the indicators was the way in which they allowed the government to monitor and re-orient its policies as necessary. However, data for the chosen indicators were either not available or of dubious quality. It was also clear that further work was necessary to analyse past trends in the chosen indicators.

The third mission revealed the important gap between the expected results and actual outcomes in many fields, the need to improve statistical information and the need to place more emphasis on actual outcomes including ways to link donor disbursements to performance.

The fourth mission further clarified the approach following certain confusion subsequent to the third mission, both among donors and the government. The mission continued

---

[1] Participants included Belgium, Denmark, France, Germany, the IMF, Japan, The Netherlands, Switzerland, The World Bank, under leadership of the European Commission.

Austria, Canada and the UNDP joined in 1999

evaluating progress under the indicators retained, which were modified slightly. A first attempt at simulating a disbursement link was made. The government agreed to certain methods and set itself targets for a number of the outcome indicators. Technical assistance was provided to help the government in producing and analysing the necessary data under these indicators.

The final mission briefly reviewed progress in each sector and went on to judge how the government had lived up to its targets. On the basis of this judgement, a joint simulation exercise was undertaken to test different types of disbursement links and what disbursement scenarios the government's achievement might have led to.

## 3. PRINCIPAL CONCLUSIONS

The conclusions drawn by the participants in the test are presented below.

### 3.1. As regards the objective of increased ownership

The joint missions show clearly a low ownership of the reforms programme and of the conditionalities. Few members of the government knew the content of the reform and even when they did there was (both on government and donor side) very little understanding of the expected impact of the reforms. Why are you privatising that cotton company? : Because the World Bank is asking us to do so. It is clear that it is necessary to change.

It is interesting to note that in the mandate the question of ownership was addressed in the following way:

« enhance and reinforce government ownership during program implementation ».

Since that time, and in particular though PRSP approach, there is an increasing consensus that ownership is not the adoption by stakeholder of the politically correct policy and that it is meant to give more flexibility to the government. There are strong arguments for that. First experience shows that donor advice or conditionalities were not always the best, and countries which did not follow "correct policies" had sometimes more success than the others. Secondly, there is no world agreement on what is the best poverty reduction policy. Even in developing countries there are very different views and behaviour. In fact, there is a strong political dimension in the choices which are made by any government on this issue.

If there is agreement to give more flexibility, there is little thought for the consequences of this approach in terms of donor accountability. How can a donor support a policy which he does not consider to be the best, or even which he considers to be bad policy (for instance in cost recovery)?

One of the lessons of the test is that if we really want to give more flexibility to the government they have to show the impact of its policies. Donors have to move from an

agreement on the policies (conditionality of measures) to an agreement on general goals and results.

The focus on results gives the government a strong incentive to understand better the impact of its strategies and actions than it did before. The use of outcome indicators also serves to hold the government accountable before its electorate for its actions and their effects. It also fundamentally changes the nature of the dialogue between the government and donors. For too long the government has tended to try and justify its actions and its progress under programmes that were resented because they were imposed from outside.

One of the main conclusions of the test has to be that the focus on results has led to a greater degree of ownership for the economic reform programme and a larger sense of responsibility on the part of the government.

### 3.2. As concerns the indicators

#### *3.2.1. Importance of outcome indicator*

It was seen as useful to distinguish between three types of indicators.

- *Output or implementation indicators:* these are related to the concrete actions of the government e.g. number of schools.
- *Intermediate or outcome indicators:* they measure the concrete results of the government's policies both in the short- and medium-term, e.g. share of pupils receiving a primary school graduation certificate or the vaccination rates.
- *Impact indicators:* they measure the sought after developmental results. They progress more slowly and depend on a number of complex factors beyond the government's control. Nonetheless, government action does influence them heavily. E.g. literacy rates or infant mortality rates.

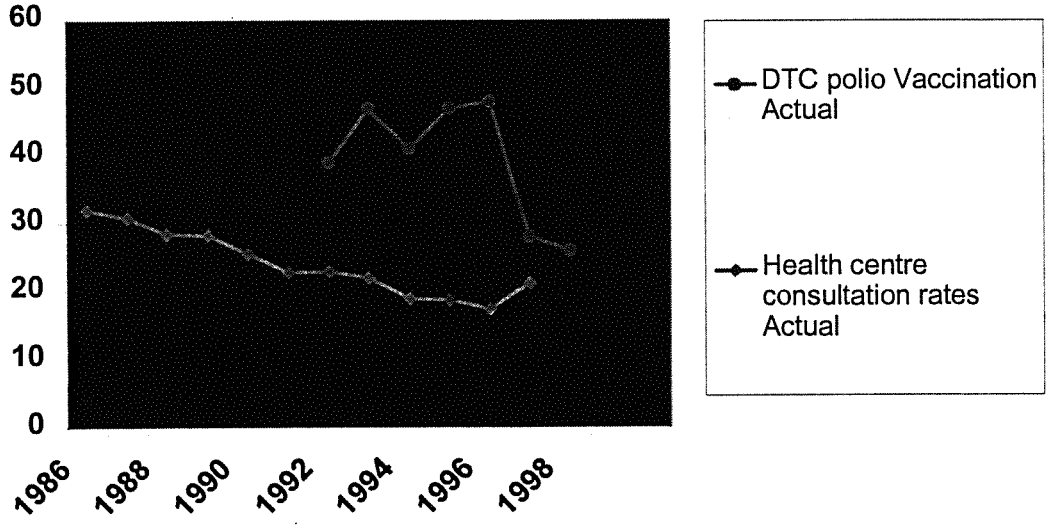
The output indicators are important for the government in day-to-day operations. However, they are well-established and say little of the effect of government policies on the ground. The third group of indicators is too indirect, difficult to collect and subject to influence by external factors beyond government policies to be of any immediate use.

It was clear that donors and government had previously focused on output indicators while little or no follow-up had been made on outcome indicators.

It was decided to put more emphasis on outcome indicators, which reflect services provided by the government to target populations. The test showed that, while this is sometimes a difficult exercise and improvements in statistical data and systems are needed, such indicators can be identified and tracked and must be common to all donors in order to improve effectiveness.

The examination of outcome indicators revealed some startling facts. For instance, despite 10 years of increasing sectoral budget allocations and donor support, as well as new cost recovery schemes in the health sector, attendance rates at health centres have steadily decreased. This came as a surprise to many. Results in the education sector were more encouraging yet they remained far from what is needed to meet the (overly) ambitious long-term goals the government has set itself.

## Development in Health Indicators




Both the government and donors seemed to lack knowledge and data of even basic results and trends. For instance, trade officials had no reliable up-to-date data on the volume of exports and imports. Surprisingly, few people seemed preoccupied by this lack of knowledge either on the donor or on the government side.

During the course of the test it became clear that classic outcome indicators have to be complemented by information from basic user-surveys at regular intervals. These looked at cost of public services to households, attitudes regarding quality of the same, etc.

The test also proved the value of a distinct set of indicators to measure the quality of public finance management. These were termed "efficiency indicators" and looked both at classical (execution rates, sectoral shares of total expenditure, etc) and newer (share of budget allocation actually reaching most decentralised structures, unit price differentials between public contracts and average market prices) measures. More work remains to be done on how to properly define and collect data for these indicators but those used in the test have already shown serious problems in the public finance management field.

The indicators should be as conceptually simple, and their number as limited, as possible.

The discussions that the focus on outcome and efficiency indicators engendered were extremely rich and very different from discussion on conditionalities. The indicators facilitate a follow-up of the impact of government policies, but above all they are tools that allow the government to spot problems quickly and adapt their strategies accordingly. Indeed, on the basis of the surveys on user costs and health centre attendance rates, the Burkina Faso government has decided to provide school books free

of charge and to halt all further construction of health centres pending a review of the health development policy.

Nonetheless, outcome indicators have their limitations. This is particularly true in sectors like agriculture or as regards private sector development. It became clear that in a sector where the results depend to such a great degree on external factors beyond the government's control (climate, terms of trade, etc), it is extremely difficult to find objective criteria to judge the impact of government activities. If the government has either a regulatory or facilitating role and is less involved in the actual production or distribution of goods and services, identifying relevant outcome indicators is less meaningful.

Indicators are not settled for ever. It can be useful, after some time, to change some of them when it appears than another indicator is more relevant but it seems that some basic indicators cannot be avoided, such as: attendance rates at health centres; essential vaccination rates; gross enrolment rates in primary schools; costs of basic services in education and health.

#### *3.2.2. Setting targets for each indicator*

It is essential to set ambitious yet realistic targets. There is a tendency on both sides to choose unrealistic goals, as evidenced by those retained in the HIPC 1[2] initiative. Yet targets must be ambitious enough to promote significant advances in the fight against poverty. The link between disbursement and performance can push both sides to be excessively cautious (see annex 2 for details).

When possible, analysis of past trends is essential to set realistic targets.

#### *3.2.3. Quality of data*

The importance given to the indicator leads to a greater demand for timely and reliable data and information regarding the situation on the ground.

The improvement of statistical data is a necessity for the new conditionality approach. The approach must, therefore, be accompanied by institutional support and mechanisms to validate the data.

#### *3.2.4. Interpretation or assessment of outcomes indicators*

- The assessment must be carried out with past trends and ultimate objectives in mind while paying attention to the specifics of the sector being studied. Tracking developments in the final impact indicators (infant mortality, etc) and taking into account deeper studies are also necessary.

- The assessment should not be to mechanical but must take into account previous trends and projected future developments. Analysis of any regional

---

[2] HIPC: Heavily Indebted Poor Countries

disparities in achievement should be undertaken to see if there are successful initiatives in an area that are masked by overall figures. Possible external influences must also be given due consideration.

- The assessment must be based on regular analyses including sectoral experts, macro-economist and should be carried out in an open dialogue between the government, civil society and the donors.

### 3.3. As regards greater donor co-ordination

The test led to the creation of a framework for regular dialogue between donors regarding budget support to Burkina Faso. It proved to be highly effective and much appreciated.

Once donors have agreed the targets and indicators with the government, it is essential that donors support the government's policy, provide their support through the government's budgetary framework and, as far as possible, use a single set of conditions for budgetary aid.

The government pointed out that donor co-ordination is easier if aid takes the form of direct budgetary support or sectoral budgetary support. Obviously, greater transparency and efficiency in public spending, the development of coherent sectoral policies and better institutional capacity all facilitate the shift to budgetary support. The above are in turn assisted by the adoption of a PRSP, which acts as the framework for donor interventions. There were different appreciations from donors on the possibility and the advisability of moving from project to budget support.

### 3.4. As regards disbursement links/ smoothing aid flows

The test created a consensus on certain principles such as the need for greater predictability of aid flows. There was also agreement on the need to find mechanisms to link the level of disbursements or future allocations to the impact of government policy.

- A stable macroeconomic framework agreed with the Bretton Woods institutions is a prior condition for any budgetary support.

- It is unavoidable that the results in the field of public service delivery in the social sectors must be taken into account in future international aid. In the coming years, the link between outcomes in this domain and support, concerning disbursement or future allocations, will become increasingly important.

- Performance-based allocation systems should preferably be multi-annual in nature and the disbursement mechanism should be graduated ("more or less" support) depending on results rather than the current "all or nothing" systems.

- Again this should not be carried out in mechanical fashion; relevant external factors must be kept in mind. Credit should be given for any specific activities that show the potential to be adopted and beneficial at national level.

- The analysis of results is the moment for the government to reflect on its policies and to dialogue with donors. On the basis of this discussion the government may wish to amend its strategies.

- While certain donors and the government feel that there is value in maintaining certain traditional conditionality based on implementation indicators, others feel a need to move more rapidly to outcome indicators and performance-based disbursement. One of the main reasons for this shift would be to give the government a greater responsibility for its actions.

## 4. DISBURSEMENT LINKS

Based on real data and on the EC programme indicators (similar to the ones of the test but more limited in number), the test carried out several simulations of what assessment donors and government would arrive at using different disbursement mechanisms. One of the main observations is that the assessments based on outcome indicators were much more homogenous than those based solely on traditional implementation indicators.

There was a consensus to eliminate disbursement systems that rigidly applied: 1) equivalence between level (percentage) of target achievement and level of aid disbursement; 2) "yes or no" assessment of target achievement. On the other hand, it became clear that the greater the scale of assessment (e.g. 0 to 3 or 0 to 10), the greater the level of perceived subjectivity in the assessment. Some saw this as advantageous as it allowed more external factors and circumstance to be weighed into the assessment. For most it represented a disadvantage, as the complexity and the subjectivity levels became so high that they undermined the credibility of the mechanism.

The test also examined how to link the level of aid to the above assessments of outcome and efficiency indicators. The link can either be immediate, in that it impacts on the size of the next tranche under a running support programme, or it can be deferred. In the deferred case the assessment would have an impact on the size of future allocations to the country (in a transparent and up-front manner). The advantage of the first method is that the link is clearly seen as more or less immediate between results in year n-1 and disbursement in the year n. A link that impacts on future allocations increases the predictability of aid flows (support for the year n+1 would be affected).

In the disbursement decision-process of the EC support programme, three different disbursement schemes were tested. The first proposes that a fixed share of donor support should be tied to the macroceonomic framework (assessed by the IMF) and a second share to the achievement of targets in the field of public finance management and the social sectors. The first is traditional and disbursed in all or nothing form.

The second scheme introduces a portion of support linked to an overall assessment of the government's policies on top of the two shares of support seen in the first scheme. The purpose would be to take into account any recent extraordinary efforts by the government. The third scheme is more complicated in that it introduces a link to more traditional implementation indicators in the areas of public finance managment and social sector service delivery.

As a final point, it is worth mentioning how the test facilitated the preparation and finalisation of the Burkina PRSP. Thus, donor coordination functioned much better than in previous exercises and the underlying principles of the test were included in the PRSP. Its evaluation will be carried out on the basis of a list of performance indicators chosen from the test matrix.

## Annex 1: Performance Indicators For The Burkina Faso Pilot

### Health

- Attendance rates at health centres: number of new consultations/population
- Number of caesareans performed[3]
- Essential/basic vaccination rates
- Number of 2nd pre-natal doctor consultations
- Level of user satisfaction, costs, level of recourse to care in the event of illness (survey).

### Education

- Gross enrolment rates (boys/girls) (private public/)
- Gross enrolment rate in first year of primary (boys/girls)
- Success rate at primary school leaving examinations
- Number of books per pupil (statistic or survey)
- Level of user satisfaction, costs, level of recourse to informal/adult education (survey).

### Budgetary management/ public finance

In the field of budgetary management the indicators selected aim to measure: (i) coherence between the budget and the goals of the government's policy; (ii) the proper implementation of the budget (at the central and local levels); and (iii) the effectiveness of the budget (cost efficiency).

- Divergence between budget expenditure and sectoral objectives (if data is available at sectoral level)
- Implementation rate of the budget (overall and by priority sector)
- Share of the budget going to the peripheral structures (using survey)
- Unit costs in public procurement contracts (central and local) awarded to the private sector or donors (using survey)

| Sources of information: government statistics departments (important improvements necessary), specific rapid surveys. |
|---|

[3] Later dropped due to controversy among sector experts

## Annex 2: Lessons learned in applying performance based disbursements.

Below are certain lessons learned from the disbursement simulations carried out on the basis of the EC programme indicators.

Without going into detail, through a consensus the test arrived at the following judgement scale:

Achieving the government target is given a grade of 1.

Not achieving the target but showing "good" progress relative to the reference year is graded 0.5

Little or no progress is graded a 0.

The grades were totalled for each sector and a percentage disbursement rate for the sector is reached e.g. 7.5 marks out of 10 possible yields a 75 per cent disbursement of the tranche tied to that sector.

1. Define the indicator in very precise terms

This seems obvious enough but we ran into certain difficulties when interpreting the results the government had achieved in 1999. As an example we had chosen the level of turnover (chiffre d'affaires) of the CAMEG – a body supplying essential generic medicines - as an indicator. The idea was that this figure should rise showing that more hospitals were receiving cheaper drugs. As it turned out the CAMEG also sells a certain amount on the private market. These sales had not developed very strongly and so overall turnover did not reach the target. However, this masked a positive development in the so-called "ordinary turnover", thus presenting us with a dilemma.

In the education sector we did not specify which academic year we were relating to either. Instead we spoke of the "primary enrolment figures for 1999". The government could, without stretching things too far, claim that it meant the 1998/99 school year and would then overshoot the performance target by some margin.

Finally, there is the situation where we asked that a study or survey be carried out in order to establish a base line situation from which to measure progress in future years. Here the form that data should take and what analysis it should undergo must be clearly stated. The government target only stated "survey of price differentials between public procurement and private sector prices". A shoddy survey was done and, going strictly by the letter of agreement, the target had been met.

2.Weighting within and between sectors

The weighting between sectors can take place at a number of different levels. Firstly according to how much of a tranche is tied to the indicators in a particular sector. In the Burkina simulation one tranche of support was dependent on results in public finance management alone and an equivalent amount on results in health and education. De facto

public finance management was given twice the weight of each of the other sectors, which seems a reasonable order of priority.

However, the fact that one tranche depends on results in two sectors (health and education) was perhaps not ideal. As we had seven indicators in the health area and only three in education (four but one "neutralised"), there was an implicit weighting between the sectors that had not been explicitly paid attention to. Ironically, this led to a feeling that Burkina would get a higher disbursement than the situation in the two sectors warranted.

The problem is also that, according to sector specialists, certain indicators are more important than others (no consensus on which) and also progress takes longer to achieve under some indicators. This would argue for giving these "important" indicators a greater explicit weight than less important ones.

3. Discussion of the objectives

Under the logic of the test, we let the government set itself its targets for 1999 and accepted these as given without further discussion. While this certainly aids ownership it does carry certain pitfalls. In the health sector – which is in a poor state and generally viewed as under-performing – the ministry set itself very modest targets. The education sector – perceived as in somewhat better shape – in contrast, stuck with the targets in its 10-year plan that are largely over-ambitious.

Naturally, the health sector met practically all of its performance targets and education failed to achieve half of its targets. This presented donors with the dilemma of rewarding the government for results in a sector which performs badly while punishing one that is functioning somewhat better simply because of the nature of the targets chosen. There is a clear incentive for the government to be particularly modest in order to guarantee itself future support. Donors, however, cannot be seen as supporting "low performing" countries year after year.

There has to be a thorough discussion, therefore on the objectives the government sets itself in order to ensure that they are realistic and yet ambitious enough for donors to feel they are worth supporting.

4. Choice of reference year

When looking at the exercise over only one year, as was the case in Burkina, this does not seem to create a problem but if the government set itself targets over a three year period the point of reference becomes important.

As an example one could say that the starting point for an indicator is 50, the target for the first year is 55, for the second 60 and for the third 65. Now how does one judge a 58 during the second year? The answer depends on what the outcome for year 1 was. Achieving a 58 if the achievement during year 1 was only 52 is more impressive than if it was 56. In the first case a progress grade of 0.5 is warranted but in the second a 0 grade seems more appropriate.

As a rule of thumb, participants felt that to be able to judge a 2$^{nd}$ year performance as being "good progress" then at the very least the first year target must have been surpassed.

5. Validation of data

Two consultant missions had been sent to evaluate the quality and reliability of the data provided. Overall, Burkina has surprisingly solid statistics though there were a number of flaws. The main one was that the census data is very outdated and the growth rate with which the data has been adjusted to arrive at annual population estimates has been an erroneous one. This means that all indicators such as enrolment rates, health centre attendance rates that have population in the denominator have been systematically underestimated. When measuring progress or trends over time this is less of a problem but it remains unsatisfying that in absolute terms the figures are skewed.

There is also the larger question of what assurances donors need internally and *vis-à-vis* their governing bodies regarding the validity of the data on which performance assessments and disbursements are based. Does an external bureau have to check the data for each disbursement decision or can donors be satisfied with an institutional review and capacity building effort alongside their programmes? Either way, TA and consultancy provisions have to be made in each financing proposal.

6. Timing of evaluation

In order to increase the predictability of the aid a country will receive, an evaluation and the resulting disbursement decision should be communicated to the government early enough for it to take it into account when preparing the following year's budget. However, in a number of countries some of the data requested, particularly in the education sector, is not available during the first half of the year (e.g. pass rate at primary graduation exams). An in-depth study of when data is normally available and what is the most appropriate time for an evaluation relative to the budget cycle should be undertaken when preparing financing proposals. Possibly, it could lead to the decision to omit certain indicators in particular countries.

Some of the data is not available because statistical services are trying to gather too much information (heavy surveys requiring a lot of work to synthesise and publish results). Other times institutional capacity is a bottleneck. This is a further reason to consider having a statistics TA as a regular feature in donor programmes.

E:\SPA\test Burkina\BKF test final04-sally.doc

EUROPEAN COMMISSION
DG DEVELOPMENT

Development Cooperation
**Macroeconomics issues, Structural Adjustment**

Brussels, 22 November 2000
CT D(2000)

**SPA TASK TEAM ON**
**CONTRACTUAL RELATIONSHIPS AND SELECTIVITY**

**Subject: Review of Conditionalities used for the floating HIPC completion point**

## 1. INTRODUCTION

The first ten countries to have reached decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative have the irrevocable release of assistance for debt relief linked to floating conditions. The WB/IMF Progress Report on HIPC (September 2000) states that a country will automatically reach its completion point when it has implemented '*a set of key, pre-defined social and structural reforms and maintained good macroeconomic performance*'.

The requirements that so far have been put in place are divided into *three functional categories*: (i) macroeconomic performance; (ii) structural reforms and (iii) social policies and additional poverty reduction requirements. According to the Progress Report, the conditionalities nail down those reforms that are the most critical for poverty reduction, given the particular priorities and needs of the countries concerned. The conditionalities are limited in number in order not to overload the reform agenda and preference shall have been given to conditions that are monitorable.

But in practice, the type, number and scope of conditionalities vary greatly from country to country. The purpose of this analysis is to look more closely into what *type* of criteria have been used and provide a structured overview of the early cases of HIPC completion point conditionality. We aim to distinguish between <u>four different types</u> of conditionality: **policy** requirement**, input** (allocation of financial or other means to specific activities), **outcome** (specific results and the physical availability of means/services) or overall **impact** on poverty. Within each category, it seems useful to consider the <u>scope (</u>**specific** or **broad/general)** and the degree of <u>measurability</u> (whether the benchmark for judging progress is **quantified** or **non-quantified).**

The link between HIPC conditionality and the country's iPRSP/PRSP will also be discussed.

Rue de la Loi 200, B-1049 Bruxelles/Wetstraat 200, B-1049 Brussel - Belgium - Office: G-12 07/29.
Telephone: direct line (+32-2)2902 - 295 45 59, switchboard 299.11.11. Fax: 29.....
Telex: COMEU B 21877. Telegraphic address: COMEUR Brussels.

X.400: G=Cecilia; S=THORFINN; P=CEC; A=RTT; C=BE Internet: cecilia.thorfinn@cec.eu.int

When analysing HIPC conditionality, it is however important to keep in mind that seven out of the 10 cases are "retroactive", meaning that they had already been considered for decision points under the original HIPC Initiative.[1] Only the decision points for Honduras, Mauritania and Tanzania were not "retroactive". This distinction is vital, as the Fund and Bank Boards determined that retroactive cases merited a more flexible approach, with the timing of completion points decided on a case-by-case basis. In those cases, less detail were therefore called for in the requirements for the participatory process, progress in poverty reduction and economic performance.[2]

## 2. HIPC COMPLETION POINT CONDITIONALITY

### 2.1. Macroeconomic performance

The starting point for all HIPC conditionality is continued implementation of WB/IMF supported programmes. Except for Mauritania, the relevant IMF program in all cases involves satisfactory performance under a program supported by an arrangement under the Poverty Reduction and Growth Facility. In contrast, and as the WB normally operates through the implementation of several parallel instruments in each country, it is unclear what is covered by the general references to 'WB program'.

### 2.2. Structural reforms

All countries except Bolivia and Uganda have to demonstrate improvements in the field of structural reforms. Almost all conditions consist of **policy measures** and most, except the conditions relating to good governance, **fall within the scope of 'classic' conditionality**:

(1) **Privatisation.** The requirements **range from being specific** (Benin: privatise SONAPRA; the public enterprise on primary marketing of seed cotton; Mauritania: Privatisation of Air Mauritanie and of parts of major utility companies OPT and SONELEC) **to general** (Mali: 'Privatisation of public utilities and banks').

(2) **Sectoral reform**. Some policy requirements are **vaguely formulated, wide in scope** and **not linked to a benchmark** for evaluation (Mali: continued reform of the cotton sector; Mozambique: Strategic plan for a new judicial system. Honduras: 'implementation of social investment projects based on participatory planning methodologies'). Being a "non retroactive" case, some social policy and financial sector reform requirements for Honduras are however more concrete and specific (implementation of the reform plan Honduras committed itself to in May 2000 covering health and pension systems and increase in capital adequacy ratios from 9 to 10 per cent'). Also Mauritania has an outcome criterion linked to financial sector reform

[1] Benin, Bolivia, Burkina Faso, Mali, Mozambique, Senegal and Uganda.

[2] See the Concluding remarks of the Chairman of the IMF Executive Board, December 27, 1999, available on the Fund Web Site

('compliance by commercial banks with prudential regulations on capital adequacy ratios').

(3) **Budget management**. Policy requirements are generally **linked to a particular activity**: Benin: production of treasury balance on a monthly basis with a delay of no more than 30 days; Burkina: completion of budget execution report with a three year history to be audited by Supreme Audit court. In the case of Senegal, a **quantified target** is specified (improvement in public savings by targeting fiscal surplus to be at least 1 % of GDP in 2000 and 2.2 percent in 2001).

(4) **Tax reform**: Traditional VAT-reform, is required in Mauritania (unification of VAT rates, elimination of tax exemptions and creation of a Large Tax Payers Unit) and Tanzania (e.g. reduce excise taxes from 52 to 6, apply VAT on petroleum). Senegal needs to establish a single tax payer identification.

(5) **Good governance.** An **anti-corruption strategy** is required in Benin, Honduras and Tanzania while Burkina Faso has to adopt **a broad national plan for good governance**. In the case of Burkina, there is a specific time limit for dissemination of the Action Plan (March 31, 2001). No such time constraint exists for Tanzania. Mauritania is encouraged to adopt standard bidding documents for public procurement contracts and an overall strategic plan for the justice system shall be put in place in Mozambique.

## 3. SOCIAL POLICIES AND ADDITIONAL POVERTY REDUCTION REQUIREMENTS

### 3.1. Policy requirements

- **PRSP preparation / overall poverty strategy**. All countries are required to prepare a full PRSP. However, 'successful' (Honduras) or 'satisfactory' (Mauritania and Tanzania) PRSP implementation for at least one year is in addition required for the three non-retroactive cases. In the case of Bolivia, the adoption of a 'fully defined anti-poverty strategy' and completion of dialogue with civil society are oddly enough mentioned as policy requirements in addition to adoption of the PRSP.

- **Policies in social sectors, education and health**. Mali and Mozambique are required to meet **general policy requirements** for the health and education sectors, phrased as developing and implementing sector-wide strategies. In the case of Mali, the condition refers to implementation of reform programs that already have been adopted by the government. Honduras is required to implement social investment projects based on participatory planning in all beneficiary municipalities. The condition for Burkina is **specific** and linked to a time limit (adopt action plan to recruit additional teachers by March 31 2001)

### 3.2. Input requirements

- **Financial resource allocation** criteria are identified for six countries and focus on redirecting spending to social sectors. Again, the conditions range from **very general and not quantified** (Tanzania: 'adoption of budgetary appropriations in line with poverty objectives'; Mozambique and Honduras: increase budgetary

allocations to health, and education; Mauritania: 'increase expenditure in social sectors', Benin and Tanzania: adopt a medium-term expenditure framework for the basic health and basic education sectors) to being more **specific and quantified** (Benin: allocate CFAF 500 million in 2001 to reproductive health and the prevention of HIV/AIDS).

- **Staff**: Conditions are **specific and quantified** and focused on the education sector. Senegal is required to focus IDA's Quality Education for All Program on the recruitment of 2,000 teachers per year and Benin must provide grants to local communities to hire teachers and to compensate schools for loss of school fees.

### 3.3. Outcome requirements

More than half the countries (the three "non-retroactive cases" plus Benin, Burkina and Senegal) have one or several **specific outcome requirements that are linked to quantified benchmarks**. They are concentrated in the traditional areas of health and education.

- **Health:** Several conditions concern immunisation (child vaccination rates for Burkina, Benin, Mauritania and Tanzania) and others the provision of basic health service (e.g. Honduras: strengthen the basic health service reaching at least 100,000 beneficiaries in poor communities; Burkina: 65 % of health centers meet staffing norms in 2000). Tanzania must make sure that the campaign against HIV/AIDS with visits to 75 percent of all districts and Mauritania must maintain the HIV prevalence at the level of 1998.

  Other conditions refer to essential drugs (Burkina: maintenance of the incidence of insufficient stock of essential generic drugs, Mauritania: establishment of a central procurement facility) and the introduction of a revolving fund in all hospitals (Tanzania).

- **Education**: Targets for enrolment rate are set for Senegal (primary education 44 %) and Mauritania (primary school enrolment rate reach 99 %, ,share of girls 49 %, and secondary enrolment rate 29 %) .The survival ratio at entrance of the 5$^{th}$ grade in Mauritania shall reach 67 %. The requisite performance for Benin is to ensure free schooling in rural areas (elimination of school fees) and to eliminate repetition at grade 1. Tanzania is required to rationalise higher education and complete an exercise that involves mapping of schools covering 50 % of all local authorities.

A more **general outcome requirement** is the establishment and/or improvement of comprehensive **set of indicators to monitor poverty reduction** (Bolivia, Senegal and Tanzania), often including the requirement to conduct a comprehensive household survey.

### 3.4. Impact requirements

Only Mauritania has a **specific and quantified impact requirement**: the share of population below poverty line must fall below 40 %. Bolivia, Uganda and Mozambique have more **general and vaguely formulated impact conditions**:

'Acceptable progress in reducing poverty' (Bolivia and Uganda) 'Satisfactory progress in tracking budgetary resources for poverty reduction…' (Mozambique).

### 3.5. A schematic overview of HIPC completion point conditionalities

Table 1 sorts the conditionalities for HIPC Completion point for the first ten countries according to type, scope and measurability of the criteria:

**Table 1: Overview of HIPC Completion Point conditionality for the first ten countries to qualify.**

| | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **General / No benchmark for evaluation** | Preparation full PRSP<br><br>Sectoral reform (Mali, Honduras, Mozambique)<br><br>Good governance (Burkina, Tanzania)<br><br>Sector strategies in health and education (Mali, Mozambique) | Adoption of budgetary appropriations in line with poverty objectives (Tanzania); | Macroeconomic performance as evidenced by strong performance under a program supported under the PRGF (all countries) | 'Acceptable progress in reducing poverty' (Bolivia, Uganda, Mozambique) |
| **Specific / No benchmark for evaluation** | Good governance / anti-corruption strategy; (Benin, Honduras)<br><br>Recruitment of teachers (Burkina)<br><br>Privatisation (Mali) | Increase budgetary allocations to health, education and AIDS prevention program (Mozambique, Benin)<br><br>Focus IDA program on the recruitment of teachers (Senegal)<br><br>Provide grants to hire teachers and to compensate schools for loss of school fees (Benin). | Indicators to monitor poverty reduction to be put in place (Bolivia, Senegal and Tanzania).<br><br>Comprehensive household survey (Senegal) | |
| **General / Benchmark for evaluation** | | | 'Successful' implementation of PRSP for at least one year (Honduras, Mauritania, Tanzania) | |
| **Specific / Benchmark for evaluation** | Privatisation (Benin, Mauritania)<br><br>Financial sector reform (Honduras)<br><br>Budget management<br><br>Tax reform (M | Increase allocation from internal budget for basic health service by allocating CFAF 500 million in 2001 (Benin) | Immunisation (Burkina, Tanzania, Mauritania)<br><br>Provision of basic health service (Honduras, Burkina)<br><br>Outreach HIV/AIDS campaign (Tanzania)<br><br>Enrolment rates (Senegal, Mauritania)<br><br>Free schooling in rural areas (Benin) | Share of population below poverty line must fall below 40 % (Mauritania). |

**Data Source: IMF Progress Report on the implementation of HIPC, September 2000**

The overview demonstrates that

- There is great variation in the *type* of conditionalities that are required for the floating completion point (policy, input, outcome, impact).
- Within each category, the conditionalities vary in scope (specific/general) and with regard to measurability. This is in part explained by the different circumstances of retroactive and non-retroactive cases respectively.
- Policy conditionality of a traditional kind is predominant.
- Outcome requirements are heavily concentrated in the fields of education and health.
- There is considerable variation between the number and type of conditionality applied to each country. A few countries (e.g. Mauritania) have conditionalities of all types and of varying scope and measurability. Others have few, mainly general impact related conditions (Uganda, Bolivia and Mozambique).

## 4. CORRELATION HIPC CONDITIONALITIES AND INTERIM / FULL PRSPS

The contributors to HIPC have agreed that access to debt relief shall depend on a country's demonstration of a comprehensive poverty reduction strategy set out in a PRSP. It appears logical that the conditions for HIPC completion point therefore directly, or at least indirectly, should correspond to the PRSP. Another way of looking at the HIPC/PRSP link is the Bank/Fund claim that conditions shall be selected as a function of the particular priorities and needs of the countries concerned. Presumably, such key priorities are clearly spelled out in the PRSP.

But because of the imperative to move as fast as possible to provide debt relief, most of the first ten countries to have reached decision point on the basis of an *interim* PRSP only. In fact, the only country to have completed a full PRSP at decision point is Burkina Faso. The iPRSP can be seen as a road map for preparing a full PRSP, most likely leaving the analysis contained therein incomplete. The Bank/Fund has claimed that in these circumstances, it has been necessary to agree with the authorities on measures that do *not* figure in the iPRSP.

With the exception of **Tanzania**, it appears that the degree of correlation between HIPC conditionalities and the country's iPRSP PRSP indeed is rather low, as demonstrated by the table set out in Annex 1.[3] In certain cases, sector priorities or even highly specific targets in HIPC conditions are not reflected in the iPRSP. Conversely, for some countries, the HIPC conditonalities remain very vague even though the iPRSP is comprehensive and includes input and outcome indicators that could have been extracted and used as benchmarks.

---

[3] The table contains a country-by-country comparison of the iPRSP and conditions for HIPC. For clarity and overview, the typology described above (distinguishing between policy / input / outcome / impact) has been applied to each iPRSP.[3] It should be noted that the table is not fully exhaustive with regard to the details contained in each iPRSP-PRSP. However, the schematic representation of the each strategy enables a comparison with the conditions for HIPC.

Moreover, for most countries, the iPRSPs has a very broad scope, with the motivation that poverty is multidimensional. For example, most countries include policies for rural development, infrastructure, water and sanitation as important parts of their poverty reduction strategy. But apart from the general impact criteria, the HIPC policy and outcome conditionalities are concentrated in certain fields (Policy: traditional structural reforms. Outcome: health and education). Therefore, the HIPC conditions do not reflect the broad scope of poverty reduction strategies.

Criteria that has been 'added on' to a iPRSP/PRSP or singled out among many possible criteria from a iPRSP strategy are generally not wrong or irrelevant. The quality of the iPRSP of the country concerned, in particular their forward looking sections, might have been insufficient to serve as an adequate basis. But for reasons of ownership and transparency, a HIPC policy measure or target which is not included in the iPRSP/full PRSP should nevertheless be signalled. It should also be clarified on which basis the particular criterion has been chosen.

### 4.1. Examples of HIPC conditionalities that are not covered in the iPRSP / PRSP

- **Benin:** A number of HIPC conditionalities for Benin are not covered in Benin's iPRSP. For example, this is the case for the specific condition in the field of budget (production of treasury balance monthly). The input condition for spending on basic health services is not covered either in the iPRSP, though the intention to allocate financial resources might be traced indirectly through the policy commitment for reform in the health sector. Moreover, the immunization target for children below one year to 85 percent cannot be found in the PRSP-strategy for the health sector.

- **Mozambique:** The required reform of judiciary system and the drafting of a new commercial code and regulations for private sector involvement in telecom and energy sectors are not discussed in the iPRSP.

- **Honduras:** The iPRSP has no mention of an anti-corruption strategy. Promotion of good governance is in fact not discussed at all under the heading 'Modernisation of the State' in the PRS. The target in the health sector to strengthen the basic health service for the poor measured by delivering a basic package of health services to at least 100,000 beneficiaries (emphasising maternal/child care) in poor communities can also be questioned. Though support for the health sector is part of the overall poverty alleviation strategy, no such quantified target is spelled out.

- **Senegal:** Several HIPC conditions in three categories cannot easily be traced to the iPRSP (policy: privatisation, energy, tax reform; input: focus of IDA spending; and outcome: fiscal surplus target) while a number of outcome and impact targets in the iPRSP are ignored.

### 4.2. Cases where the iPRSP/full PRSP contain indicators that could have been used as benchmarks, but where those criteria are NOT included among HIPC conditionalities

In other countries, the situation is the reverse: HIPC conditionalities are very general or vague even though a range of indicators to measure progress are included in the iPRSP/PRSP.

- **Uganda** is a case in point. The PRSP includes a rage of explicit long- and short-term goals that could be used as benchmarks for measuring outcome progress. The only poverty reduction requirement for HIPC, however, is 'acceptable overall progress in poverty reduction'. Perhaps this refers to progress towards Uganda's overall outcome objectives (e.g. reduction in drop-out rates, reduction in child mortality from 146 to 103 per thousand and maternal mortality from 506 to 354 per 100,000, reduce HIV prevalence by 35 %). The Medium Term Expenditure Framework (MTEF) embedded in Uganda's PRSP includes a range of detailed medium – and long-term targets on sectoral level. To enable monitoring and projection of results, a limited number of indicators are pinpointed for education, health and water for the period until 2003, including a projection of results on an annual basis.

- A similar case is **Bolivia**, which also has very vague HIPC conditionalities while the policy matrix in the iPRSP contains a mix of policies and strategies in a wide range of areas (although there are few specific/quantifiable targets for individual policy measures). Overall impact targets are set out in the PRSP for the growth in GDP, GDP per capita, poverty rate and the poverty gap with estimates for 2001, 2002, 2005 and 2010. These targets could of course be used for evaluating Bolivia's overall progress in poverty reduction.

- HIPC conditions for **Mali** are predominantly policy-focused. However, the iPRSP contains a number of outcome indicators with quantified outcome targets in the areas of health and education.

It should however be recalled that Uganda and Bolivia were retroactive cases and among the first countries to reach decision point. The Bank and Fund have pointed out that the Boards in those cases did not wish to set a high barrier for these good performers and thus opted for more general conditions for completion point.

## 5. HIPC COMPLETION POINT CONDITIONALITIES: OBSERVATIONS AND ISSUES FOR FURTHER DISCUSSION

- **Unclear links with PRSP documents and opaque motives for the selection of HIPC conditionalities.** Except for Burkina Faso and Tanzania, it is difficult to see how the iPRSP/PRSPs have served as basis for selecting the conditionalities for HIPC completion point. Though considering that iPRSPs might have been an inadequate basis, it must be pointed out that an arbitrary choice of criteria implies unjust treatment of the HIPC countries and undermines transparency in the process. 'New' criteria (i.e. not included in the PRSP) will most probably be detrimental to ownership, as the conditions provide governments with a strong incentive to neglect their own broad policy agenda in favour of fulfilling the specific HIPC requirements.

- **Wherever feasible, there is a need to focus more on measurable outcome conditionalities instead of policy/input/impact indicators.** Outcome indicators promote ownership and leave the country space for choice with regard to policy and input. Thus, it will avoid undermining the PRSP process. Outcome indicators are also measurable in the short and medium term (in contrast to broad impact indicators). Care must however be taken that the selected measures are included in the iPRSP/PRSP. There will however continue to be a need also for conditions which include policies and inputs, since these remain important steps in the process of raising growth and reducing poverty, and will often be more likely to deliverable by governments in the near term.

- **Measurability** is important in order to make the system predictable for the beneficiary countries. Vaguely formulated conditions (both policy and impact indicators) without a clear benchmark will make it as the evaluation process arbitrary.

- **In the interest of fairness, less variance across countries seems desirable**. The conditionalities could of course not be identical in actual content (e.g. with regard to outcome requirements). But a similar set of conditions, with regard to type, scope and number of conditionalities, should be applied to each country. However, here again, the different stages at which countries have reached decision points is relevant. Differentiation might also be motivated by the fact that countries vary widely in terms of key impediments, political environment and institutional development. It is impossible to measure precisely the strength of the effort (if that is indeed the right criterion) and we are therefore left with difficult judgements comparing quite different sets of priorities.

## Comparison iPRSP-PRSP targets and HIPC conditionality

**Note:** The purpose with this table is to provide a schematic overview of the iPRSP-PRSPs. All targets in the iPRSPs-PRSPs are not accounted for in detail.

IPRSP-PRSP target that match a HIPC conditionality are marked in **bold.**

HIPC conditionalities that cannot be traced back to the iPRSP-PRSP are underlined.

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Benin** | *IPRSP targets:*<br><br>- **prepare a full PRSP**<br>- **pursue implementation of macroeconomic and structural reforms**<br>- implement budgetary reforms launched in 1999<br><br>- **pursue privatization** (telecom, energy, cotton (**SONAPRA**), textile, transport)<br><br>- strengthen tax administration and improve revenue collection<br><br>- good governance: **adopt anti-corruption strategy** and implement reform of civil service<br><br>Health:<br>Improve quality, equity and coverage of health services through implementation of three-year development plan<br><br>Education:<br>- promote universal access to good education<br><br>References to actions in areas of Social protection, Water, rural development, environmental protection. | *IPRSP targets:*<br><br>- share of budget allocated to education and health: 27 % in 2000<br><br>- ' transfer resources to local communities to recruit teachers' | *IPRSP targets:*<br><br>Health:<br>- establish 23 additional health districts by 2003<br>- system for annual performance evaluation in place<br><br>Education:<br>- **eliminate grade repetition system in primary school**<br>- **eliminate tuition fees in rural areas**<br>- **transfer central government resources to help local communities recruit teachers to fill vacant posts** | *IPRSP targets:*<br><br>- annual real term growth rate between 5 and 6 % in 2000 – 2003<br><br>- subscription to 2015-targets. Full PRSP will include medium term poverty reduction goals. |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| | *HIPC conditions:*<br><br>Preparation of PRSP through a participatory process<br><br>Continued implementation of the WB/IMF-supported program as evidenced by satisfactory performance under a program supported under the PRGF<br><br>Adoption of a strategy to privatize SONAPRA after its monopsony is abolished<br><br>Production of treasury balance on a monthly basis with a delay of no more than 30 days<br><br>Adoption of an anti-corruption strategy<br><br>Present a strategy plan to fight HIV/AIDS to the National Assembly | *HIPC condition*<br><br>Establishment of a medium-term expenditure allocation program, including the expansion of basic health and education services, and set performance indicators for the Ministries of Education, Health, Transport, Rural Development and Environment<br><br>Increasing allocations from the internal budget for reproductive health and the prevention of HIV/AIDS by allocating CFAF 500 million in the budget 2001 | *HIPC condition*<br>DPTC3 Immunization of children at one year to 85 percent and at least 75 percent in each region; equivalent target for measles 80 per cent overall and 70 percent in each region<br><br>Adopt a monitoring and evaluation system for the health sector<br><br>Elimination of school fees for all pupils in rural schools and provide grants to schools for loss of revenue; provide grants to rural communities prepared to assume the responsibility for hiring teachers to fill school vacancies.<br><br>Eliminate repetition at grade 1 | *HIPC condition*<br><br>*none* |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Bolivia** | *IPRSP targets*<br><br>**Prepare full PRSP**<br><br>Public sector reform centered on decentralization.<br><br>Reform of the judiciary.<br><br>Broad policies identified within several 'pillars':<br>- create opportunities for the poor (promote economic development and comparative advantages, develop non-renewable resources, equity)<br>- education: implement reforms under way in primary and secondary education centered on equal access. Higher education reform.<br><br>- health: Basic health care service, control of transmissible diseases, health infrastructure, nutrition<br>- housing, water and sanitation<br>- participation<br>- reduce vulnerability (ownership rights, assets, exclusion, security) | *IPRSP targets*<br><br>Prioritize social sectors in resource allocation | *IPRSP targets*<br><br>Preserve macroeconomic stability:<br>- reduce the current account deficit<br>- broaden tax base and apply the customs reform<br><br>**Establish monitors for tracking social progress and the impact on poverty**<br><br>**Completion of the 'second National Dialogue'** by May 2000 | *IPRSP targets*<br><br>Overall targets are set for the growth in GDP, GDP per capita, poverty rate and the poverty gap for the short and long term (estimates for 2001, 2002, 2005 and 2010). |
| | *HIPC Conditions*<br><br>Continued observance of the programme supported by the Fund (PRGF) and WB (IDA lending and technical assistance programme)<br><br>Adoption of fully defined anti-poverty strategy covering a comprehensive set of indicators in a participatory process to monitor progress in poverty reduction. | *HIPC Conditions* | *HIPC Conditions*<br><br>Completion of National Dialogue with civil society, expected to be completed in August 2000<br><br>Comprehensive set of indicators to monitor poverty reduction | *HIPC Conditions*<br><br>Acceptable progress in reducing poverty |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Burkina Faso** | *PRSP targets:*<br><br>Education: 10-year policy to increase coverage of basic education, develop post-primary education and offer literacy training. Activities first 4 years:<br>- 'initial' activities in 20 provinces with the lowest enrolment rate<br>– prepare management tools for the ten-year plan<br>- implement program to strengthen decentralised education agents<br><br>Health: - Improve quality and coverage of health services<br>- expand vaccination program, eradication of drancunculiasis and leprosy, promotion of women's and children's health, combating TB, STDs and HIV/AIDS<br>- ensure availability of essential drugs<br>- ensure training of health personnel<br>- encourage private sector investment in health sector<br>- strengthen community participation in health services<br><br>Sector strategies for agriculture, water management, mining, promotion of SMEs, tourism, housing, environment, rural development,<br><br>Good governance:<br>**- Implement the National Plan for Good Governance**<br>- reform the judiciary and the public administration<br>- provide economic and social information<br>- decentralisation<br>- strengthen public finance mgt | *PRSP targets:*<br><br>Outline of an MTEF for period 2000 - 2003 is provided<br><br>Education:<br>- increase education's share of total gov spending from 21.6 % to 26 % in 2010<br>- 60 % of total spending to basic education<br>- literacy program 7 % of total spending | *PRSP targets*<br><br>Maintain macroeconomic stability<br>- annual growth rate 7 – 8 % for 2000 - 2004<br>- increase GDP per capita by at least 3 % per year between 2000 and 2002, and by 4 – 5 % per year from 2003 onwards<br><br>Education (until 2004):<br>- primary enrolment rate 50 % (43 % for girls)<br>- literacy rate increase from 18.4 % to 28 %<br>- repetition rate average 10 %<br>- dropout rates in non-formal training 10 %<br>- HIV/AIDS activities in all provinces<br>**- hire 29,000 primary school teachers until 2010**<br><br>Health (until 2004):<br>**- DPT3 vaccination rate 50 % in 2000,** 60% in 2001, 65 % in 2002, 65 % in 2003, 75 % in 2004. Similar targets for measles and yellow fever.<br>**- essential drugs breakdown rate <8 %**<br>**-100 % of health centers meeting standards in terms of staffing: (65 % in 2000)**<br><br>Water: 37 districts out of 42 meet village supply concept | *PRSP targets:*<br><br>- reduce poverty incidence to 30 % by 2015<br><br>- improve life expectancy by at least 10 years<br><br>- infant mortality 70 in 2004 and 50 in 2009<br>- maternal mortality 350 in 2004 and 250 in 2009 |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| *Burkina Faso (cont.)* | *HIPC condition*:<br><br>Preparation of PRSP<br><br>Continued strong performance under a program supported by an arrangement under the PRGF<br><br>Dissemination of the recently adopted national plan for good governance by March 31, 2001 to all district authorities, and organisation of workshops with local authorities and civil society<br><br>Complete and send the year-end budget execution report for 1998 to the Supreme Audit Court by March 2001 | *HIPC condition* | *HIPC condition*<br><br>Completion of budget execution report with a three year history to be audited by Supreme Audit court<br><br>Adoption of an action plan to recruit additional teachers in line with the 1998 civil service reform by March 31, 2001;<br><br>Increase the efficiency of primary schools by developing and introducing a plan to consolidate promotions and limit grade repetition<br><br>Implementing vaccination rates for DPT3 from 42 percent of children aged 12-24 months in December 1999 to 50 percent by December 2000<br><br>Increasing the proportion of health centers meeting minimum staffing norms from 60 percent in 1999 to 65 percent in 2000<br><br>Maintaining the incidence of insufficient stock (of 45 essential generic drugs) to less than 8 percent<br><br>Monitoring public resources channelled to health districts to support annual plans | *HIPC condition* |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Honduras** | *IPRSP targets*<br><br>Prepare full PRSP by March 2001<br><br>Poverty alleviation measures: continue implementation of short term measures in order to meet immediate needs in education, reform **social security and pension systems (services and health).** Target ethnic groups, women, children, the elderly.<br><br>Growth strategy: accelerate privatization, expand infrastructure supporting productive sectors, strengthen the financial sector, develop private sector, support SMEs<br><br>Rural development: strengthen Sustainable Rural Development Program, support agrifood sector, access to land,<br><br>Macroeconomic stability and debt sustainability: promote higher growth rate, maintain and strengthen public savings, enhance control of government expenditure, implement PRGF Agreement for 1999 – 2002<br><br>Social security, pensions: implement restructuring plan of Honduran Social Security Institute, increase efficiency in the public sector's pension schemes<br><br>Reform and modernise the public service, decentralise and deconcentrate responsibilities while encouraging community participation, strengthen the judiciary<br><br>Governance and the rule of law (strengthen the audit body, adapt role of armed forces 'to those of a more democratic state', increase transparency and **minimize the scope for corruption)**<br><br>Environment: education programs, waste water management, perform impact assessment, protect Middle American Corridor, sustainable forestry. | *IPRSP targets*<br><br>Increase spending on basic health care services<br><br>Transfer 5 % of total state budget to municipalities | *IPRSP targets*<br><br>Examples of expected outcomes:<br>- Update poverty maps<br>- Creation of National Council of Ethnic Groups<br>- land-titling for indigenous and Afrohonduran communities and women<br>- - wider access to education for girls<br>- nonformal education available to teenage girls<br>- expanded family counseling services<br>- improved pension and retirement system<br><br>Education: increase net enrolment, increase mean primary school attendance by 2 years, lower illiteracy rate, expanded scholarship programs<br><br>Health: lower infant and maternal mortality rates,<br><br>Housing: finish building 60,000 homes under NMPRT initiative<br><br>Financial sector: **application of capital adequacy rules to all banks based on Basle Committee standards,** increase number of on-site inspections<br><br>Private sector development: start-up of 10 SME 'incubators'<br><br>Macroeconomic stability: net domestic financing for the nonfinancial public sector be zero in year 2000, maintain central gov revenue at 18 %, reduce inflation to 'single digits' (9 – 11 % in 2000), overall deficit in public sector in 2000 4.1 %,<br><br>Decentralisation: decentralise functions of Honduran Fund for Social Investment, Increase tge scope of the PROHECO program (education) | *IPRSP targets*<br><br>Achieve 'substantial reduction in the number of persons living in extreme poverty by 2015' |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| *Honduras (cont.)* | *HIPC Conditions*<br><br>Reform of the social security system covering health and pension by implementation of the social security reform plan approved by IHSS Board on 24 May 2000 (separation of health and pension plans, strengthen regulatory capacity, improve coverage, efficiency and quality of health service provision, making pension system actuarially sound and rationalise pension benefits)<br><br>Strengthening of the financial sector by substantive application of the Basel Core Principles and by increasing capital adequacy ratios from 9 to 10 percent<br><br>Implementation of a participatory, comprehensive anti-corruption strategy including measures to strengthen control mechanisms such as the Offices of the Controller General and of Administrative Prohibity and to increase the automaticity and transparency of regulations that affect the private sector | *HIPC Conditions*<br><br>*None* | *HIPC Conditions*<br><br>Successful implementation of the full PRSP for at least one year<br><br>Improvement in the quality of education by increasing the number of schools with community participation to 1350 (PROHECO)<br><br>Increase the efficiency and targeting of safety nets by institutional strengthening and community participation. Trigger: implementation of social investment projects based on participatory planning methodologies in all beneficiary municipalities<br><br>Strengthening the basic health service for the poor measured by delivering a basic package of health services to at least 100,000 beneficiaries (emphasizing maternal/child care) in poor communities<br><br>Implementation of social investment projects based on participatory planning in all beneficiary municipalities | *HIPC Condition*<br><br>*Nones* |

| Country | Policy | Input | Outcome | Impact |
|---|---|---|---|---|
| **Mali** | *IPRSP targets:*<br>- **pursue adjustment measures**<br>– **Prepare a full PRSP**<br><br>- simplify procedures for direct taxation and improve VAT control<br><br>– prepare Action Plan to restructure financial sector incl **bank privatization**<br><br>**- conclude privatization initiatives in energy, telecom and transport sectors**<br><br>– Action plan for rural development<br><br>**– implement the ten-year education development plan adopted in 1998**<br><br>**– Implement ten-year health and social development plan (1998 – 2007)**<br><br>– implement drinking water and sanitation policy<br><br>– implement new mining code<br><br>– prepare sector rehabilitation plan in the cotton sector | *IPRSP targets:*<br>- invest more in social sectors (edu, health, housing, employment, vocational training) in line with 20-20 Initiative | *IPRSP targets :*<br>-put in place a full set of indicators to measure progress (full PRSP)<br><br>*Examples of Short/medium term Indicators in iPRSP:*<br>- fiscal deficit 9 % in 2002<br><br>– government revenue 17 % in 2002 (from 15.5 % in 2000)<br><br>– gov expenditure not exceed 26 % of GDP in 2002<br><br>–basic education enrollment rate 62 % in 2002 (from 50 % 1999)<br><br>- adult literacy 36 % in 2002 (from 31 % in 1999)<br><br>- Infant immunization rate 76 % in 2002 (from 45 % in 1998)<br><br>– Share of population reached by primary health care 60 % in 2002 (from 40 % in 1998) | *IPRSP targets :*<br>Measure impact on three dimensions of poverty:<br>- Income poverty<br>– human poverty (food, education, health, employment, housing)<br>– poverty of prospects; lack of capital (land, infrastructure, credit etc) |
| | *HIPC conditions:*<br><br>- Pursuit of the privatization program, especially of public utilities and banks<br><br>- Continued implementation of reforms under the cotton sector rehabilitation plan | *HIPC condition*<br><br>*None* | *HIPC condition*<br><br>*'Satisfactory implementation of reforms in the education sector as defined under the PRODEC, especially with respect to budget allocation, teachers' recruitment and scholarship policy'*<br><br>*Satisfactory implementation of reforms in the health sector as defined in the PRODESS, especially with respect to budget allocation and personnel policy'* | *HIPC condition*<br><br>*None* |

| | | | | |
|---|---|---|---|---|
| **Mauritania** | *HIPC conditions*<br><br>*Exchange rate policy that encourages export diversification (official rate be fully determined by the actual rate used in the transactions of the interbank market; spread between interbank and parallel market rate be maximum 10 %). Forex system free on restrictions on payments nad transfers for current international transactions)*<br><br>*Tax reform (elimination of of exemptions, unification of VAT rates, create a Large Tax Payers Unit) and good governance measures such as adoption of standard bidding documents for public procurement contracts*<br><br>*Privatisation of Air Mauritanie and of parts of major utility companies (OPT and SONELEC)*<br><br>*Observation of general prudential bank regulations (1995 Banking Law), and in particular the requirement for the ratio of risk exposure to captial: 20 % for single borrower, 40 % for group of connected borrowers.* | *HIPC conditions*<br><br>*An increase in expenditure on well-targeted social and poverty reduction programs* | *HIPC conditions*<br><br>Stable macroeconomic conditions (consistent and sustainable internal and external balances)<br><br>Education:<br>- gross enrolment rate of primary education 99 %, share of girls 49 %<br>- gross enrolment rate in lower secondary education 29 %<br>- survival rate at the entrance of 5th grade in primary education 67 %<br><br>Health:<br>- establishment of a central procurement facility for essential drugs and contraceptives<br>- child vaccination rate 70 %<br>- Maintain HIV prevalence rate at 1998 level (less than 1.2 % of blood donors HIV positive) | *HIPC conditions*<br><br>*Reduce the share of population living below the poverty line to 40 %* |

***Revised 1.11.00***

**Strategic Partnership for Africa (SPA) Task Team on**

**Public Financial Management and Accountability**

# Public Financial Management in SPA Countries: Key Challenges, Assessment Mechanisms and Role of SPA

## Terms of Reference for a Study

### *Purpose*

As a necessary starting point for the work of the SPA Task Team on Public Financial Management and Accountability, the purpose of this study is to identify more precisely the role of SPA within this field based on a discussion of:

- the key issues and challenges related to public financial management in SPA partner countries;
- existing guidelines, internationally agreed norms, principles and standards for sound public financial management and accounting; and
- existing mechanisms for assessing the public financial management situation in SPA countries.

The study should aim at being an issue-oriented "state of the art" study defining the key issues, challenges and gaps in our knowledge, rather than a heavy stock-taking exercise repeating what has already been written elsewhere.

### *Background*

Under the donor coordination forum Strategic Partnership with Africa (SPA) a task team has been established on Public Financial Management and Accountability. The overall objective of the task team[1] is to contribute to improving management of, and accountability for, public financial resources in SPA partner countries by:

1. Improving our understanding of financial management and accountability systems and their functioning in SPA partner countries;
2. Assessing the needs for improvements in financial management systems and practices, relative to some agreed norms or minimum standards;
3. Suggesting how SPA donors can contribute to improving these systems in a more coordinated manner; and
4. Suggesting ways of harmonising donor procedures related to financial management.

The financial management situation varies considerably among SPA partner countries, and a number of initiatives exist already within this field. As a starting point for the work of the task team, and before considering launching more in-depth country studies, we therefore need to have a more common and shared level of knowledge on the overall public financial

[1] Ref. the attached ToR for the task team

management situation in SPA countries, as well as a better picture of existing initiatives within the field.

The proposed study shall help task team and SPA members get a more even level of knowledge related to public financial management issues, and help the task team determine:

- What the most important remaining challenges and knowledge gaps are
- What role SPA donors can play in this field
- What the SPA TT should focus on in its further work.

## *Scope of Work*

The study shall cover the following areas:

1. The key issues and challenges related to public financial management in SPA countries.
2. Existing guidelines, internationally agreed norms and principles for sound public finance management.
3. Existing mechanisms for assessing the financial management situation in SPA partner countries.
4. Recommendations as to where more work is needed.
5. Key elements of a revised/new assessment mechanism.

More specifically, the following issues should be covered under the above 3 headings:

### 1. Key challenges related to public financial management in SPA countries

The review shall cover the following areas:

- Brief overview of design, organisation, systems and procedures for public financial management in selected SPA countries.
- A brief assessment of the capacity for budgeting, accounting and auditing in core economic institutions and ministries in SPA countries.

All SPA partner countries cannot be covered with the same level of detail. The study should rather aim at drawing on the consultant team members' country experience and supplement this with information on a selection of countries where information is easily available. This review shall include examples of public financial management assessments already undertaken in individual SPA countries.

The assessment of the financial management situation in SPA countries shall be summed up with:

- the most important existing bottlenecks in the current structure with regard to proper public financial management in SPA countries
- what efforts are being made to address the key challenges
- possible remaining knowledge gaps
- additional initiatives and/or interventions that could promote improvements in public financial management in SPA countries.

### 2. Overview of guidelines, international norms and standards for sound public financial management

Donors and SPA need to relate the work for improved public financial management to some standards or norms. A number of norms and standards exist on various issues and elements related to financial management. A presentation is therefore needed of existing norms and

standards for sound public financial management, focusing on internationally adopted standards, norms and guidelines for

- budget execution
- accounting
- auditing
- budget data dissemination.

This overview should be based on, and make reference to, documents produced by institutions such as the UN, IMF, World Bank, INTOSAI (International Organisation of Supreme Audit Institutions), IFAC (International Federation of Accountants) and other relevant institutions.

The study should try to answer to what extent relevant and realistic internationally agreed standards and norms exist that can and should be applied in SPA countries, or whether additional/revised standards are needed.

## 3. Mechanisms for assessing the financial management situation in SPA countries.

A number of mechanisms and initiatives exist for assessing the public financial management situation in SPA countries. This part of the study should present, discuss and assess various mechanisms and processes for such assessments in SPA countries, including:

- IMF's Safeguards Assessments
- IMF's Fiscal Transparency Review (ROSC)
- IMF/World Bank financial management assessment linked to HIPC
- World Bank's Country Financial Accountability Assessment (CFAA)
- World Bank's Fiduciary Framework for Adjustment Lending
- World Bank's Country Procurement Assessment Report (CPAR)
- World Bank's Public Expenditure Management (PEM) Assessment
- UNDP's Country Accountability and Transparency Assessment (CONTACT)
- Similar relevant assessments made by other institutions

The focus of this part of the study should be to describe:

- what donors and partner countries can get out of and learn from the various assessments and mechanisms
- to what extent SPA countries feel ownership with respect to these assessments
- to what extent the findings of these assessments can be shared with donor and recipient countries
- whether there are important gaps or shortcomings in the assessments and key issues that are not covered well enough requiring revision or new assessment mechanisms.

In order to undertake this part of the study, the study team shall consult with staff of the IMF and the World Bank in Washington.

## 4. Recommendations as to where more work is needed

The study shall conclude by presenting recommendations with respect to the following questions:

- What we can learn from what has been done
- What the most important remaining challenges and knowledge gaps are and the key issues to look at
- What role SPA donors can play
- What the SPA TT should focus on in its further work
- The need for further studies

The discussion of the above issues and recommendations should be rounded up by presenting the key elements of a more appropriate revised or new financial management assessment framework, if the development of such a framework is seen as necessary and desirable.

## 5. Key elements of a revised/new assessment mechanism.

What needs to be the key elements of such a new assessment framework? The discussion should include both substantive and process issues:

- what needs to be different relative to existing assessment mechanisms?
- what issues need to be looked at?
- how should the assessment process be organised, by whom etc?
- how can strong recipient country involvement be ensured?

## *Study Team*

The study shall be undertaken by a group of consultants with

- knowledge and experience with public financial management issues at a more general level, preferably with practical Ministry of Finance experience
- experience from studies and assessments of the public financial management situation in SPA countries
- a network of resource persons in Africa they can draw on to cover a satisfactory number of SPA countries in the overview.

## *Reporting*

Inception report end September 2000
Presentation to SPA Task Team meeting October 2000
Draft Issues Paper and Presentation for SPA Plenary end November 2000
Draft Final Report Mid February 2001

Henrik Harboe
NORAD
1.11.00

ZERO ORDER DRAFT, OCTOBER 2000
PLEASE DO NOT QUOTE

# Reforms, Recovery and Poverty Reduction in Africa: Messages from the 1990s

**Luc Christiaensen**
**Lionel Demery**
**Stefano Paternostro**

## I. Introduction

This note reviews the recent empirical evidence on trends in African poverty that is emerging from the work program on *Poverty Dynamics in Africa.*[1] Country studies have been completed or are currently underway in Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Nigeria, Madagascar, Mauritania, Uganda, Zambia, and Zimbabwe. A major inter-country study utilizing time series of Demographic and Health Surveys has also been completed. This paper attempts a first synthesis of this body of work. The country coverage through the paper varies, given the ongoing status of much of the work. The core analysis focuses on six countries (Ethiopia, Ghana, Mauritania, Uganda, Zambia, and Zimbabwe). As the work is completed, so the coverage will widen.

Our main objective is to assess systematically the *changes* in household wellbeing that have occurred during the past decade (broadly the 1990s) in the countries covered by the *Dynamics* work. This paper explores regularities in these changes, particularly interactions between economic reforms and recovery on the one hand, and household economic wellbeing on the other. Our approach in this preliminary synthesis is largely descriptive, setting out the major patterns as they have emerged during the decade.

Poverty is multifaceted. It can be viewed from a number of perspectives. To capture some of this, we begin with an overview of changes that have occurred across the various dimensions of poverty (income, health, nutrition, education, and so on). We then decompose the observed changes in wellbeing, focussing particularly on how the welfare of the poorest groups in African

[1] This is a structured program of empirical research into poverty trends during the 1990s in Africa. It seeks to exploit the enormous improvement in African data (especially at the household level). The work is being coordinated in the Africa Region of the World Bank, and has received support from a number of bilateral donors: the Netherlands, Switzerland, UK (DFID), and US(USAID).

society has evolved during the 1990s. Here we describe the trends in living standards for the poor across the range of welfare measures. Finally, the paper focuses especially on the economic dimensions of wellbeing, and how they have been affected by the performance of the economy at large.

## II. Living standards during the 1990s

To set the scene of this synthesis, Table 1 reports four basic measures of wellbeing: private consumption, primary school enrollment; child malnutrition; and child mortality. The first and obvious point to note is that living standards are very low in these countries. By the close of the decade, annual consumption per capita in all countries was less than $500, and in Ethiopia it was just $84. All countries are far short of universal primary enrollment, and in some (for example, Ethiopia) primary enrollments are extremely low. Malnutrition is also a very serious problem, especially in Ethiopia and Zambia. In Ethiopia, about two thirds of children exhibit signs of stunting (brought about by longer term malnutrition). Even in Ghana, Mauritania and Zimbabwe, there is evidence of stunting in about a quarter of the population under 5 years of age. Perhaps the most powerful indicator of the very low welfare levels of these countries is the incidence of child deaths. Under-age-five mortality exceeds 100 (per 1000) in all countries. In Zambia, almost one fifth of children fail to survive to their fifth birthday.

Second,, there are differences in the changes in these indicators over time. In four countries, real per capita consumption has increased significantly. In Zambia, consumption remained unchanged, while in Zimbabwe, it fell markedly. Primary school enrollments were more or less stationary in Uganda[2] and Zimbabwe, and declined in Zambia. But there were notable advances in Ethiopia, Ghana and Mauritania. A similar mixed picture emerges for long-term malnutrition (an improvement in Mauritania, but elsewhere only marginal changes). In all countries except Zimbabwe, the long term downward trend in child mortality appears to have continued through the decade. But child deaths have risen sharply in Zimbabwe, a result of (among other factors) the AIDS epidemic.

Third, the indicators of trends are generally consistent with each other. In Ghana and Ethiopia, for example, malnutrition remained unchanged, but all other indicators improved. Similar

[2] Since 1997 primary enrollments increased sharply in Uganda, as a result of the Universal Primary Enrollment policy.

consistency of message across the indicators is true for the other countries. Only in the case of Zimbabwe is there inconsistency (two indicators improving, and two deteriorating).

**Table 1: Evolving living standards selected African Countries in the 1990s**

| | *Real private consumption per capita (constant 1995 US $)* | | | *Primary School Enrolment Rates*[1] | | | *Child Malnutrition*[2] | | | *Child Mortality*[3] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Year one* | *Year two* | *Yearly change (%)* | *Year one (%)* | *Year two (%)* | *Change (% points)* | *Year one (%)* | *Year two (%)* | *Change (% points)* | *Year one (per 1000)* | *Year two (per 1000)* | *Change (per 1000)* |
| Ethiopia 1994-1997 | 80 | 84 | +1.3 | 13 | 25 | +12 | 66 | 67 | +1 | 190 | 175 | -15 |
| Ghana 1992-98 | 293 | 326 | +5.5 | 74 | 84 | +10 | 26 | 26 | 0 | 127 | 102 | -25 |
| Mauritania 1987-95 | 292 | 349 | +7.1 | 50 | 75 | +25 | 48 | 23 | -15 | - | 149 | |
| Uganda 1992-97 | 211 | 259 | +9.6 | 74 | 74 | 0 | 43 | 39 | -4 | 165 | 162 | -3 |
| Zambia 1991-98 | 296 | 296 | 0 | 84 | 72 | -12 | 40 | 43 | +3 | 194 | 192 | -2 |
| Zimbabwe 1991-96 | 627 | 458 | -34 | 84 | 87 | +3 | 30 | 23 | -7 | 77 | 108 | +31 |

(1) Net enrolment rates = % children of school going age enrolled in primary school as a fraction of the total number of children in that age group; data for Ghana and Zimbabwe from the national surveys analyzed in the Poverty Dynamics studies; others obtained from the World Development Indicators; figures for Mauritania and
Uganda reflect gross enrolment rates
(2) Child malnutrition defined as % children stunted, i.e. z-score less than 2; the reference periods for these figures approximate those in column 1;
(3) Child mortality under 5 (per 1000 live births); the reference periods approximate to those in column 1
Source: World Bank data and country studies under *Dynamics of Poverty* study.

As an important part of the *Poverty Dynamics* work, Sahn et al (1999) explore nutritional outcomes in greater detail for a larger sample of countries.[3] Anthropometric measures of weight, height and age yield critical information on nutrition status. Children (defined in their study as the population under 3 years of age) who have low weight for their height (relative to a reference population) are considered *wasted*, since this reflects very recent nutrition levels. Those with low height for their age are *stunted*, a condition resulting from longer term malnutrition. Children are considered wasted (stunted) if their weight (height) for their height (age) is less than two standard deviations below the norm of the reference population. Overall, the picture is a mixed one (Table 2). In some countries (Ghana, Tanzania, Zambia) there have been improvements among the urban populations, but deterioration in rural areas. Nutrition levels appear to have deteriorated generally in others, notably in Mali and Senegal. The evidence is mixed in the others, with stunting (height for age, reflecting long-term nutrition levels) and wasting (weight for height, reflecting short-term nutrition levels) giving different signals.

[3] The countries included in Table 1 are those for which robust poverty estimates over time are available. Sahn (et al) included all countries where at least two DHS surveys were available.

**Table 2. Summary of Nutrition Measures for Eight African Countries**

| | Percent malnourished: -2Z | | | | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | *First Year* | | | *Second year* | | | *(percentage points)* | | |
| | *HAZ* | *WAZ* | *WHZ* | *HAZ* | *WAZ* | *WHZ* | *HAZ* | *WAZ* | *WHZ* |
| ***Urban:*** | | | | | | | | | |
| Ghana *(1988, 1993)* | 24.6 | 25.2 | 7.3 | 17.0 | 19.5 | 9.1 | -7.6** | -5.7* | 1.8 |
| Madagascar *(1992, 1997)* | 40.5 | 32.0 | 3.8 | 44.8 | 35.6 | 5.3 | 4.3 | 3.6 | 1.5 |
| Mali *(1987, 1995)* | 19.6 | 25.7 | 9.9 | 23.9 | 35.4 | 24.9 | 4.3 | 9.7** | 15.0** |
| Senegal *(1986, 1992)* | 17.5 | 15.3 | 3.5 | 15.2 | 16.5 | 8.8 | -2.3 | 1.2 | 5.3 |
| Tanzania *(1991, 1996)* | 38.0 | 26.0 | 5.1 | 32.6 | 20.1 | 8.1 | -5.5* | -5.9** | 3.0** |
| Uganda *(1988, 1995)* | 24.8 | 13.4 | 0.6 | 22.7 | 15.3 | 1.4 | -2.1 | 2.0 | 0.73** |
| Zambia *(1992, 1996)* | 32.8 | 20.9 | 5.4 | 32.9 | 16.7 | 3.3 | 0.1 | -4.2** | -2.1** |
| Zimbabwe *(1988, 1994)* | 16.0 | 6.9 | 1.4 | 19.0 | 13.5 | 6.5 | 3.0 | 6.6** | 5.0** |
| ***Rural:*** | | | | | | | | | |
| Ghana *(1988, 1993)* | 31.4 | 33.0 | 8.5 | 32.3 | 33.6 | 13.1 | 0.9 | 0.7 | 4.6** |
| Madagascar *(1992, 1997)* | 50.6 | 40.3 | 6.0 | 49.5 | 41.3 | 8.3 | -1.1 | 1.0 | 2.3** |
| Mali *(1987, 1995)* | 26.2 | 33.6 | 12.3 | 36.2 | 46.6 | 24.4 | 10.0** | 13.0** | 12.2** |
| Senegal *(1986, 1992)* | 26.5 | 25.9 | 7.1 | 32.7 | 33.0 | 13.4 | 6.3* | 7.1* | 6.3** |
| Tanzania *(1991, 1996)* | 45.0 | 30.4 | 6.4 | 46.1 | 33.2 | 7.3 | 1.2 | 2.8** | 0.9 |
| Uganda *(1988, 1995)* | 45.2 | 24.2 | 2.0 | 40.7 | 27.5 | 3.2 | -4.5** | 3.2** | 1.3** |
| Zambia *(1992, 1996)* | 46.5 | 29.3 | 5.0 | 48.9 | 28.4 | 4.9 | 2.4 | -0.9 | -0.1 |
| Zimbabwe *(1988, 1994)* | 34.3 | 14.6 | 1.1 | 25.0 | 18.5 | 5.6 | -9.3** | 3.9** | 4.5** |

HAZ: height for age; WAZ: weight for age; WHZ: weight for height

* (**) indicates statistical significance at the 95 (99) percent level of confidence

Source: Sahn et al (1999)

## III. The distribution of the living standards

The indicators in Tables 1 and 2 are based on averages for the population as a whole. In this section, we review the results of the *Dynamics* work which describe the distribution of these indicators across the populations, focussing especially on changes in the wellbeing of the poorer sections. We begin with the human development indicators.

### *Inequality in human development*

One of the features of the DHS work commissioned under the *Dynamics* program is the disaggregation of the indicators by income group. The DHS surveys did not collect information on income, but Sahn et al (1999) obtained a proxy index for income based on assets and household characteristics. In this way, they examine trends in health capabilities (survival and nutrition) by wealth class. The poorest 20 percent of the populations appear to be the worst

affected by the deterioration in nutrition (Table 3). Stunting has deteriorated among the poorest in four countries (Ghana, Mali, Senegal and Tanzania) and improved in four (Madagascar, Uganda, Zambia and Zimbabwe). But the deterioration in short-run nutrition (wasting) has occurred among the poorest quintiles of six countries (Ghana, Madagascar, Mali, Senegal, Uganda and Zimbabwe). In general, the data indicate a major problem of increased wasting during the 1990s, especially among the poor. This is not fully understood, and clearly calls for further research.

**Table 3. Percent of Children Malnourished by Wealth Quintile for Eight African Countries**

*Children between 3 and 36 months of age with anthropometric z-score less than 2*

| | Ghana | | Madagascar | | Mali | | Senegal | | Tanzania | | Uganda | | Zambia | | Zimbabwe | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Survey Year | 1988 | 1993 | 1992 | 1997 | 1987 | 1995 | 1986 | 1992 | 1991 | 1996 | 1988 | 1995 | 1992 | 1997 | 1988 | 1994 |
| ***Height for age:*** | | | | | | | | | | | | | | | | |
| First quintile | 34 | 38 | 53 | 50 | 28 | 38 | 27 | 35 | 43 | 46 | 48 | 43 | 49 | 46 | 41 | 23 |
| Second quintile | 33 | 30 | 45 | 40 | 29 | 39 | 23 | 30 | 44 | 44 | 45 | 40 | 45 | 49 | 37 | 24 |
| Third quintile | 30 | 29 | 51 | 51 | 25 | 34 | 24 | 30 | 43 | 42 | 44 | 40 | 39 | 43 | 27 | 25 |
| Fourth quintile | 27 | 23 | 50 | 49 | 26 | 32 | 25 | 20 | 40 | 39 | 42 | 33 | 30 | 33 | 25 | 22 |
| Fifth quintile | 21 | 17 | 44 | 46 | 17 | 21 | 13 | 14 | 26 | 28 | 27 | 25 | 27 | 27 | 12 | 12 |
| ***Weight for height:*** | | | | | | | | | | | | | | | | |
| First quintile | 7 | 16 | 6 | 10 | 12 | 28 | 7 | 15 | 9 | 8 | 2 | 6 | 7 | 5 | 1 | 5 |
| Second quintile | 9 | 10 | 8 | 7 | 11 | 22 | 4 | 14 | 44 | 10 | 4 | 7 | 7 | 7 | 2 | 4 |
| Third quintile | 8 | 15 | 7 | 7 | 13 | 24 | 7 | 12 | 43 | 9 | 4 | 7 | 5 | 6 | 1 | 5 |
| Fourth quintile | 8 | 10 | 4 | 5 | 10 | 23 | 8 | 12 | 40 | 9 | 0 | 4 | 6 | 5 | 1 | 6 |
| Fifth quintile | 7 | 9 | 4 | 5 | 9 | 23 | 4 | 8 | 26 | 6 | 0 | 4 | 6 | 4 | 1 | 5 |

Source: Sahn et al (1999)

Table 4 reports trends in infant and child (under age 3) mortality, based on the Sahn et al (1999) study. Most countries have experienced declines in the levels of mortality, the exceptions being Kenya, Zambia and Zimbabwe. These trends are not always uniform across income groups. In particular, the ratio of the mortality levels among the poorest to the richest quintiles have changed during the 1990s. In most cases the ration has increased, pointing to a widening of mortality levels across income—where mortality has been falling, it has fallen faster among the richest groups. The exceptions are Zambia and Zimbabwe, and this clearly needs further explanation.

**Table 4 Infant and Under-Age Three Mortality by Asset Index for Nine African Countries**

*For five-year cohorts of children born one and three years prior to the survey, respectively*

| | *Ghana* | | *Kenya* | | *Madagascar* | | *Mali* | | *Senegal* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Survey Year* | *1988* | *1993* | *1988* | *1993* | *1992* | *1997* | *1987* | *1995* | *1986* | *1992* | *1997* |
| *Cohort at risk* | *'83-'87* | *'88-'92* | *'83-'87* | *'88-'92* | *'87-'91* | *'92-'96* | *'82-'86* | *'90-'94* | *81-85* | *'87-'91* | *'92-'96* |
| ***Infant mortality*** | | | | | | | | | | | |
| First quintile | 120 | 90 | 78 | 90 | 121 | 128 | 173 | 157 | 114 | 96 | 101 |
| Third quintile | 92 | 85 | 76 | 56 | 109 | 103 | 168 | 156 | 96 | 76 | 70 |
| Fifth quintile | 74 | 48 | 55 | 45 | 88 | 73 | 102 | 98 | 81 | 38 | 47 |
| *Ratio Q1/Q2* | *1.6* | *1.9* | *1.4* | *2* | *1.4* | *1.8* | *1.7* | *1.6* | *1.4* | *2.5* | *2.1* |
| ***Under-Age-three mortality*** | | | | | | | | | | | |
| First quintile | 160 | 152 | 93 | 128 | 200 | 191 | 318 | 266 | 224 | 169 | 157 |
| Third quintile | 138 | 108 | 83 | 67 | 176 | 166 | 237 | 256 | 175 | 136 | 120 |
| Fifth quintile | 113 | 80 | 60 | 54 | 135 | 85 | 184 | 148 | 114 | 60 | 66 |
| *Ratio Q1/Q2* | *1.4* | *1.9* | *1.6* | *2.4* | *1.5* | *2.2* | *1.7* | *1.8* | *2* | *2.8* | *2.4* |

| | *Tanzania* | | *Uganda* | | *Zambia* | | *Zimbabwe* | |
|---|---|---|---|---|---|---|---|---|
| *Survey Year* | *1991* | *1996* | *1988* | *1995* | *1992* | *1997* | *1988* | *1994* |
| *Cohort at risk* | *'86-'90* | *'91-'95* | *'83-'87* | *'90-'94* | *'87-'91* | *'92-'96* | *'81-'87* | *'89-93* |
| ***Infant mortality*** | | | | | | | | |
| First quintile | 114 | 116 | 141 | 107 | 134 | 143 | 66 | 57 |
| Third quintile | 97 | 89 | 115 | 100 | 129 | 101 | 69 | 54 |
| Fifth quintile | 76 | 66 | 103 | 73 | 72 | 103 | 37 | 39 |
| *Ratio Q1/Q2* | *1.5* | *1.8* | *1.4* | *1.5* | *1.9* | *1.4* | *1.8* | *1.5* |
| ***Under-Age-three mortality*** | | | | | | | | |
| First quintile | 156 | 144 | 189 | 182 | 217 | 224 | 84 | 71 |
| Third quintile | 152 | 138 | 184 | 168 | 187 | 184 | 92 | 70 |
| Fifth quintile | 127 | 91 | 158 | 100 | 103 | 147 | 36 | 53 |
| *Ratio Q1/Q2* | *1.2* | *1.6* | *1.2* | *1.8* | *2.1* | *1.5* | *2.3* | *1.3* |

Source: Sahn et al (1999)

### *Income inequality*

An important issue of some policy significance is whether growth during the 1990s in Africa has been associated with widening income distributions. On the one hand, increasing reliance on markets and the withdrawal of the state might be expected to increase income inequality. On the other, the previous tendency for the state to tax the rural sector heavily, and the removal of such state intervention, might result in improved income distributions. Table 5 provides an answer to

this question, at least for the five countries where the data would sustain robust over-time comparisons. Although differences in survey design make comparisons across countries difficult, the household survey data report quite wide differences in the degree of income inequality in these African countries. At one extreme, Zimbabwe has a highly unequal distribution (a Gini ratio of over 0.6), reflecting its colonial past. Income distributions in Ghana and Uganda are far more egalitarian. The general picture is one of very little change in overall income inequality in these countries. The evidence points if anything to a slight narrowing of overall income inequality. Interestingly, this is more likely to occur in countries (such as Zambia and Zimbabwe) experiencing declining mean incomes. During recessions, it is the better off who appear to lose most (see also Grootaert, 1997, who argues that this also applies to Cote d'Ivoire during the 1980s). But there is also an indication that growth in some African countries (notably Ghana and especially Uganda) has been pro-poor (see below).

**Table 5: Consumption[1] inequality during the 1990s**

| Gini coefficient | *Year1* | *Year2* | *Change* |
|---|---|---|---|
| **Ethiopia[2]** | | | |
| 1994-1997 (rural) | 0.42 | 0.43 | +0.01 |
| 1994-1997 (urban) | 0.44 | 0.48 | +0.04 |
| **Ghana[3]** | | | |
| 1992-1998 | 0.37 | 0.38 | +0.01 |
| **Mauritania** | | | |
| 1987-1995 | 0.43 | 0.39 | -0.04 |
| **Uganda** | | | |
| 1992-1997 | 0.38 | 0.36 | -0.02 |
| **Zambia** | | | |
| 1991-1996 | 0.56 | 0.52 | -0.04 |
| 1996-1998 | 0.52 | 0.51 | -0.01 |
| **Zimbabwe** | | | |
| 1991-1996 | 0.68 | 0.64 | -0.04 |

(1) Real expenditures per adult equivalent – real per capita expenditures for urban Ethiopia
(2) Purposively sampled villages and urban centers; not nationally representative
(3) Uncorrected for sample design
Source: Country Studies under Dynamics of Poverty study

However, the stability over time in these aggregate indices of inequality can be misleading. There have been quite sharp changes in the distribution of the benefits of growth, which become apparent when the data are cut differently. Some countries experienced strongly divergent patterns in inequality across regions. In Ghana, for example, inequality fell sharply in Accra, Urban Savannah, and Rural Forest, while it increased sharply in Coastal areas and the Rural Savannah. Note further that inequality in living standards between the regions is an important factor in explaining overall inequality in Ghana. Similarly, there was a strong decline in

inequality in most Zambian provinces, while some display a strong increase. Rural inequality declined between 1991-1996, while it increased from 1996-1998. Urban inequality on the other hand increased during the former period, with no corresponding decline during the latter period.

Yet in Mauritania, Uganda and Zimbabwe, inequality declined in both the urban and rural sectors. In Mauritania, inequality declined across all four regions. However, in contrast to Mauritania, the decline in inequality in Uganda was more pronounced in the urban than in the rural areas. In Zimbabwe, rural inequality declined faster than urban inequality. Also, inequality between urban and rural areas decreased substantially. We return to the issue of how the benefits of growth were distributed across the different socio-economic groups below. But first, we assess how the growth in incomes and their distributions combined to influence the evolution of poverty during the 1990s in these countries.

## IV. Trends in poverty during the 1990s

We come now to the central theme of this review—an assessment of what have been the trends in poverty in these African countries during the 1990s. The estimates reported here, which draw on the country studies undertaken under the *Poverty Dynamics* study, take consumption as the basic measure of economic wellbeing. Most of the studies take real household consumption per adult equivalent as the main welfare measure. Poverty lines in all cases are derived from a food consumption bundle estimated to yield a minimum caloric intake, with adjustments made for essential non-food consumption.. The results are summarized in Table 6.

These data suggest the following:

- Most countries can be considered as having to deal with 'mass' poverty. The latest available data report that 40 percent or more of most African populations are below national (nutritionally based) poverty lines. As many as 80 percent were considered poor in Zambia in 1996. The interaction between these low levels of income and the risks that affect the lives of the poor is important for social protection strategy.

- There is no uniform pattern. While poverty incidence declines substantially in most countries (Ethiopia, Ghana, Mauritania, Uganda, ), it rises sharply in Zimbabwe and Zambia. In Zambia there is some evidence of a recent recovery.

**Table 6: Consumption poverty in six African countries during in the 1990s [1)]**

| | *Poverty Incidence ($P_0$)* | | | *Poverty Gap Squared ($P_2$)* | | |
|---|---|---|---|---|---|---|
| | *Year1* | *Year2* | *Change (% points)* | *Year1* | *Year2* | *%Change* |
| **Ethiopia[2)]** | | | | | | |
| 1989-1995 (rural) | 61 | 51 | -10 | 0.17 | 0.12 | -31 |
| 1994-1997 (rural) | 39 | 29 | -10 | 0.08 | 0.06 | -26 |
| 1994-1997 (urban) | 39 | 36 | -3 | | | |
| **Ghana[3)]** | | | | | | |
| 1992-1998 | 51 | 43 | -8 | 0.09 | 0.07 | -22 |
| **Mauritania** | | | | | | |
| 1987-1995 | 58 | 35 | -23 | 0.17 | 0.06 | -65 |
| **Uganda** | | | | | | |
| 1992-1997 | 56 | 44 | -12 | 0.10 | 0.06 | -40 |
| **Zambia [4)]** | | | | | | |
| 1991-1996 | 69 | 81 | 12 | 0.31 | 0.32 | +3 |
| 1996-1998 | 81 | 72 | -9 | 0.32 | 0.23 | -28 |
| **Zimbabwe** | | | | | | |
| 1991-1996 | 26 | 35 | 9 | 0.04 | 0.05 | +29 |

1) Consumption measured as real regionally deflated expenditures per adult equivalent. Poverty lines mostly calculated according to the cost of basic needs approach, which includes an adjustment for non-food needs (except for Zimbabwe). Poverty line for Mauritania based on 1 dollar a day equivalent. Poverty lines are country specific, so that the data are not comparable across countries (only over time within countries).
2) Based on respectively six and fifteen purposively sampled rural villages for 1989-1995 and 1994-1997; urban figures are based on per capita expenditures, are based on seven large towns including Addis Ababa and Dire Dawa; not nationally representative
3) Preliminary sampling weights
4) Not corrected for regional price differences
*Source:* World Bank data and country studies under *Dynamics of Poverty* study.

- Where the incidence of poverty has declined, the data suggest that the poorest sections of the population (in Lipton's phrase, the 'poorest of the poor') have also benefited. This is suggested by the downward trend of the 'squared poverty gap' measure, which gives greater weight to the poorest.

These different evolutions in poverty are brought about by widely different processes. In some cases they happen in a context of economic decline (Zimbabwe and Zambia ), while in other countries they accompany overall economic progress (Ghana, Mauritania, Uganda). To shed some more light on the relation between poverty, inequality and growth Table 7 presents a decomposition of poverty incidence changes into two components: changes explained only by changes in mean consumption levels (keeping the *distribution* of consumption unchanged) and changes arising from changing consumption distribution (with the mean kept constant).

**Table 7: Relative importance of mean and distribution in the evolution of poverty incidence.**

| | *Total poverty change (%)* | *Growth* | *Redistribution* | *Residual*[1] |
|---|---|---|---|---|
| Ghana 1998/99 - 1991/92 | -8.1 | -6.7 | -2.1 | 0.7 |
| Mauritania 1995/96 – 1987/88 | -23.3 | -21.2 | -0.02 | |
| Uganda 1995/96 – 1991/92 | -11.5 | -10 | -1.3 | -0.2 |
| Zambia 1996 – 1991 | 12 | 8 | 4 | |
| Zambia 1998 – 1996 | -9 | -10 | 1 | |
| Zimbabwe 1996 –1990 | 9.1 | 16.2 | -7.6 | 0.5 |

[1] Decomposition based on Ravallion and Datt (1992); if no value is reported, decomposition based on Kakwani (1997)
*Source:* World Bank data and country studies under *Dynamics of Poverty* study.

Changes in poverty incidence are largely due to changes in mean expenditure. Yet, in some instances redistribution played an important role as well. In Zimbabwe for example, reduced inequality mitigated the poverty effect of the general income decline, while redistribution contributed for 25 per cent of the poverty headcount decline in Ghana. Finally, note that even though inequality decreased in Zambia, it still led to a poverty increase. This follows from the extremely high poverty incidence the poverty line is above the median of the expenditure distribution.

## V. The macroeconomics of poverty reduction.

In four of the six countries we review here, the evidence indicates that economic growth has reduced poverty significantly. Mean household consumption has risen as the recovery proceeded, and with no noticeable deterioration in the distribution of income, it appears that in general terms, growth was broad based. But the story is more complicated than this. We now examine the economic context in which changes in poverty occurred during the 1990s, in a search for regularities in the data.

We begin by observing that the changes in poverty that we observe are fully consistent with other information—particularly with the 'mainstream' data from the national accounts (Table 8). There is a very close match between the direction of change in the national accounts estimates of real private consumption per capita, and changes in real consumption poverty reported in the household surveys. In countries where poverty headcounts have fallen, the national accounts indicate growth in real private consumption per capita. Where poverty is indicated to increase

sharply (Zimbabwe), the national accounts also report private consumption declines. The only inconsistency appears to be the case of Zambia, where the different sources conflict. This needs further careful investigation.

**Table 8 Economic growth and consumption poverty reduction in the 1990s**

| | *Real GDP growth rate (market prices, local currency)* | *Real private consumption per capita growth rates* | *Change in poverty head count (percentage points per year)* | *Crop production annual growth (Percent)* | *Food crop production annual growth (Percent)* | *Real Agricultural GDP per capita growth rates* | *Change in rural poverty head count (percentage points per year)* |
|---|---|---|---|---|---|---|---|
| **Ethiopia (rural)[2)]** | | | | | | | |
| 1989-1995 | 2.9 | 0.5 | -1.7 | | | | |
| 1994-1997 | 7.6 | 1.6 | -3.3 | 12.9 | 8.7 | | |
| **Ghana** | | | | | | | |
| 1988-1992 | | 0.1 | -1.4 | 8.6 | 7.4 | -1.3 | |
| 1992-1998 | 4.3 | 2.4 | -1.4 | 4 | 3.6 | 1.1 | -1.6 |
| **Mauritania** | | | | | | | |
| 1987-1995 | 2.9 | 5.1 | -2.9 | 4.2 | 1.5 | 1.0 | -2.5 |
| **Uganda** | | | | | | | |
| 1992-1997 | 8.0 | 3.8 | -2.3 | 1.5 | 0.3 | 1.3 | -2.2 |
| **Zambia** | | | | | | | |
| 1991-1996 | 1.1 | 5.2 | +2.4 | 2.9 | 2.9 | 0.4 | +0.2 |
| 1996-1998 | 2.6 | -1.7 | -4.5 | -0.6 | -5.5 | -7.8 | -4.3 |
| **Zimbabwe** | | | | | | | |
| 1991-1996 | 1.3 | -5.7 | +1.8 | 3.7 | 1.9 | 2.3 | 2.4 |

The picture is more mixed, however, for the rural sector trends. In Ghana and Uganda rural poverty trends are supported by agricultural output statistics. But this is strikingly not true of either Zambia or Zimbabwe. Again, this needs further investigation.

To explore the growth-poverty relationship further, we develop the analysis in Demery and Squire (1997), in which they find an empirical association between countries undertaking economic policy reforms, specifically improving their macroeconomic policies, and subsequent poverty reduction. The better data of the 1990s (in terms of both quality and coverage) and the continued experience with reforms in the region, provide an opportunity for re-assessing the 'emerging picture' they portrayed.

We begin by following Demery and Squire in calculating a macroeconomic policy index or score based on changes in three key elements of sound macroeconomic policy: fiscal policy, monetary policy, and exchange rate policy.[4] These are computed for the three-year period prior to each survey, and changes in the index are then compared. The index is so computed that increases in

the score (either lower negative values or higher positive values) indicate an *improvement* in economic policy. Table 9 (and Annex 1—to be drafted) give the details.

**Table 9: Changes in macro-economic policy scores, selected countries**

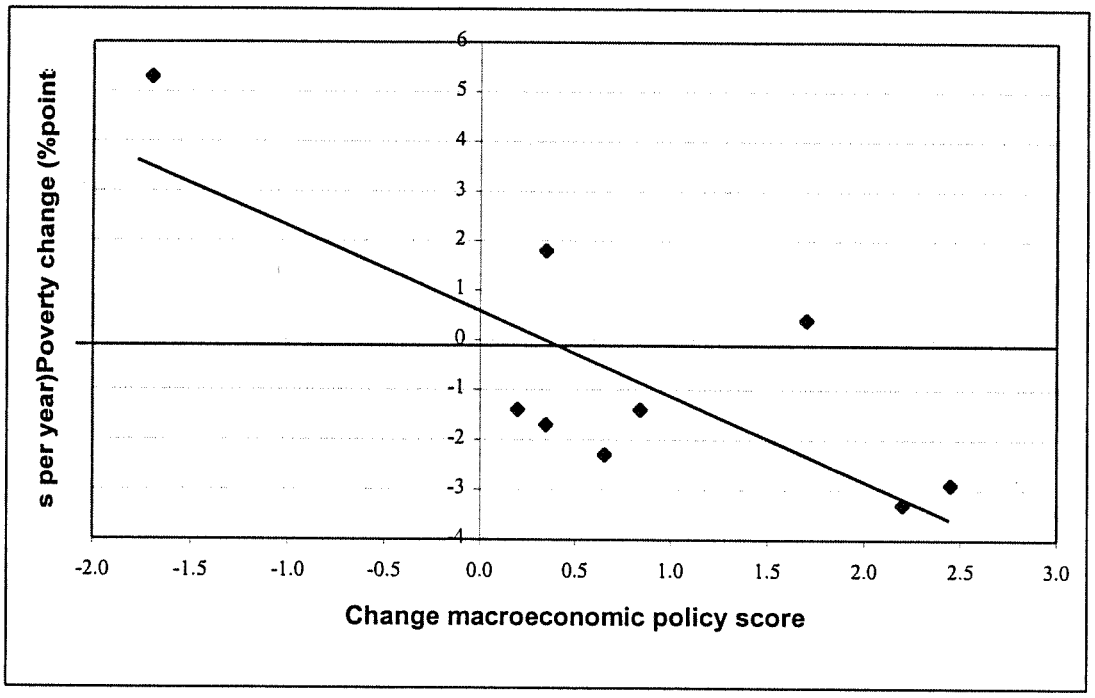
| | *Change during* | *Fiscal policy* | *Monetary policy* | *Exchange rate policy* | *Average Score* | |
|---|---|---|---|---|---|---|
| | | | | | *Unweighted* | ***Weighted*** |
| Côte d'Ivoire | 1985-88 | -2 | 1 | -2 | -1.0 | **-1.7** |
| Ethiopia | 1997-94 | 2 | 1.5 | 2.5 | 2.0 | **2.2** |
| Ghana | 1992-88 | -1 | 1.5 | 2 | 0.8 | **0.8** |
| | 1998-92 | 0 | -0.5 | 0.5 | 0.0 | **0.2** |
| Mauritania | 1995-87 | 3 | 0.5 | 2.5 | 2.0 | **2.4** |
| Uganda | 1997-92 | 2 | 1.5 | -0.5 | 1.0 | **0.7** |
| Zambia | 1998-91 | 2 | 2 | 1.5 | 1.8 | **1.7** |
| Zimbabwe | 1996-91 | -1 | -0.5 | 1.5 | 0.0 | **0.3** |

Given weaknesses in the underlying data, we prefer not to retain two countries included in the original Demery and Squire piece (Nigeria and Kenya).[5] For Ethiopia we take estimates from two nationally representative household surveys rather than retain those from the rural household panel data set (used by Demery and Squire). We then add the data for the 1990s for Ghana, and the experiences of Mauritania, Uganda, Zambia and Zimbabwe. Apart from Côte d'Ivoire in the 1980s, no country in this sample experienced a deterioration in its macroeconomic policy score. All have macroeconomic indicators for the second period (i.e. the three-year period prior to the second survey) that are considered better than those of the earlier period. Setting these against the trends in poverty reduction (Figure 1), generally confirms that countries engaging in macroeconomic reforms in Africa typically do not appear to have experienced (in the aggregate at least) any increase in income poverty—rather the reverse. Five of the eight episodes of change for which we have data indicate both macroeconomic policy improvement and poverty reduction. In one case (drawn from the 1980s) macroeconomic deterioration is associated with increased poverty. In only two of the eight countries does this empirical regularity not hold. This *association* between improved macropolicy stance and poverty reduction does not imply any causative or direct behavioral link. Rather the analysis serves to indicate that macroeconomic reforms need not be associated with rising levels of poverty. But this empirical regularity does raise some important questions about what were the links between policy reforms on the one hand and growth and poverty reduction on the other.

[4] Note, as with Demery and Squire, the scores assigned to each policy change are aggregated using weights derived from a cross country regression model, with growth as the dependent varaible

[5] The Nigeria case study is under preparation, and will be added if the data are considered reliable.

**Figure 1: Macroeconomic policy reform and poverty trends**




Clearly, the scatter of Figure 1 is a very incomplete picture of how the unfolding macroeconomic events of the 1990s impinged on income poverty outcomes in Africa. To provide more detail as it is emerging from the *Poverty Dynamics* studies, the remainder of the paper takes the analysis further in two directions. First, it examines a wider set of macroeconomic changes which characterized these countries during these episodes of poverty change. Second, it summarizes (albeit briefly in the following section) some of the country-specific detail that is emerging from the case studies.

We get a more complete picture of the wider economic events occurring in our sample of countries from the data arranged in Table 10. Key issues raised in the table are:

- In Ethiopia (later period), Uganda and Ghana the improvements in macroeconomic policies during the 1990s were combined with a marked trend towards increased openness to international trade. These countries also experienced favorable export prices (principally coffee and cocoa) which caused buoyant rural incomes and fuelled poverty reduction. A key issue is whether rural poverty reduction has since been sustained with less favorable world prices.

**Table 10: The macroeconomics of poverty trends in selected African countries during 1990s**

| | *Poverty change* | *Macro policy* | *Openness* | *External shocks* | | | *Institutional setting (1997-98)* | |
|---|---|---|---|---|---|---|---|---|
| | *Trend in Poverty Headcount* [1] | | *(Imp+Exp)/ GDP* | *Terms of trade* | *Price of major export commodity* | *Net external transfers (% GDP)* | *Government effectiveness* | *Regulatory burden* |
| | *Percentage points per year* | *Change in score* | *Percentage point change* | *Percentage point change* | *Percentage change* | *Percentage point change* | *Score* | *Score* |
| Ethiopia | | | | | *Coffee:* | | | |
| 1989-1994 | -1.7 | 0.3 | -3.9 | 3 | -47.4 | 3.7 | -0.146 | -0.033 |
| 1994-1997 | -3.3 | 2.2 | 3 | 2 | 49.4 | -0.2 | | |
| Ghana | | | | | *Cocoa:* | | | |
| 1992-98 | -1.4 | 0.2 | 6.1 | 1 | 26.2 | -8.6 | -0.287 | 0.278 |
| | | | | | Gold | | | |
| | | | | | -12.5 | | | |
| Mauritania | | | | | *Iron:* | | | |
| 1987-95 | -2.9 | 2.4 | -20.5 | 14 | -32.5 | 3.3 | NA | -0.846 |
| Uganda | | | | | *Coffee:* | | | |
| 1992-97 | -2.3 | 0.7 | 4.8 | 17 | 75.7 | | -0.251 | 0.184 |
| Zambia | | | | | *Copper:* | | | |
| 1991-96 | 2.4 | 1.6 | 3.7 | -21 | -17.5 | 1.0 | -0.399 | 0.252 |
| 1996-98 | -4.5 | 0.0 | 1.1 | -4 | -13.2 | 0.1 | | |
| Zimbabwe | | | | | *Tobacco:* | | | |
| 1991-96 | 1.8 | 0.3 | 13 | 0 | -28.3 | 2.5 | -1.129 | -0.341 |
| | | | | | *Cotton:* | | | |
| | | | | | -5.5 | | | |
| | | | | | *Gold:* | | | |
| | | | | | -11.4 | | | |

[1] Poverty figures for Ethiopia based on purposively sampled villages; not nationally representative
Sources: Poverty Dynamics case studies; World Bank data.

- In Zimbabwe and Zambia, macropolicy improvement and increased openness coincided with a deterioration in world prices for their principal exports. There was also a severe drought affecting poverty outcomes (data to be added to table). The effects of these needs disentangling.

- Net external transfers have been quantitatively important, but they have varied considerably across countries. There is no clear association between these external flows and poverty reduction.

- Ratings of government effectiveness are particularly low in Zambia and Zimbabwe. They are more favorable (though far from satisfactory) in the other countries (where poverty declined). The burden of government regulations is estimated to be lowest in Ghana and Zambia, with

Uganda also considered relatively favorable. In Zimbabwe, the regulatory framework is considered the most unfavorable of all countries.

[to be completed]

## VI. How broad based has the growth been?

To complete this review of the *Poverty Dynamics* work, we review what the studies tell us about how broad-based the growth process in Africa have been.. We pointed out previously that *in the aggregate* it appears that growth has reached down to the poorest. Both the aggregate Gini ratio and squared poverty gap indices suggested that there were broad based gains. Here we explore this with more detail from the case studies, which leads inevitably to some important qualifications of that conclusion.

We begin by disaggregating the changes in poverty into urban and rural trends (Table 11)

**Table 11: Rural/urban poverty trends in six African countries**

| overty Incidence | *Rural* | | | | *Urban* | | |
|---|---|---|---|---|---|---|---|
| | *Pop. Share Yr1* | *Year1* | *Year2* | *Change % points* | *Year1* | *Year2* | *Change % points* |
| **Ghana**[3)] | | | | | | | |
| 1992-1998 | 67 | 62 | 52 | -10 | 28 | 23 | -5 |
| **Mauritania** | | | | | | | |
| 1987-1995 | 56 | 68 | 48 | -20 | 45 | 17 | -28 |
| **Uganda** | | | | | | | |
| 1992-1997 | 88 | 59 | 48 | -11 | 28 | 16 | -12 |
| **Zambia** | | | | | | | |
| 1991-1996 | 62 | 89 | 90 | +1 | 47 | 65 | +18 |
| 1996-1998 | 62 | 90 | 77 | -13 | 65 | 63 | -2 |
| **Zimbabwe** | | | | | | | |
| 1991-1996 | 63 | 36 | 48 | +12 | 3 | 8 | +5 |

1) preliminary results, uncorrected for sampling design

Urban and rural areas have had different experiences. In some countries the decline in poverty is observed in both the rural and urban areas (Uganda, Mauritania, Ghana). In others, the change in poverty is confined mainly to rural areas (Zambia between 1996-1998, and in Ethiopia). Again, at this level of aggregation, it appears that the growth processes have generally been broad based. Rural populations have gained from the period of economic recovery, even in Zambia, where

urban poverty rose sharply.[6] But even within the rural sector, poverty changes have varied considerably. Some geographical areas have not benefited as much as others from growth, and some have even lost ground during the period of recovery. And the same applies to different *socio-economic groups* in these societies. These differences in poverty trends are masked to some extent by the aggregate data, valid though the data are. We turn to some of this detail emerging from the studies.

***Who gained from growth?***

Most of the country studies explored in some depth the changes in income poverty among the different socio-economic categories. Such decompositions can be particularly informative about who were the gainers (and losers) from the period of growth under review. Here we summarize some of the key findings of the studies.

***Ethiopia***

[to be drafted]

***Ghana: 8 percentage point headcount poverty reduction***

In Ghana, the (preliminary) evidence indicates that poverty declines occurred across all major occupations of the population, but there are striking differences in extent of the declines:

- *Food crop farmers* comprise the largest population group (42 percent in 1998). This is also the poorest group (just under two thirds of these farmers were poor in 1999). Poverty has declined among this group, and its share in the population has declined. The poverty decline among these farmers represents a half (4.2 percentage points of a total 8.5 percentage point decline in poverty during the decade). The reasons for the improvement in economic wellbeing among this group are currently being explored (note the Ghana case study is not yet complete). But there are likely to be clues in the *geographical* differences among the group. Food farmers in the remoter regions, especially in the Savannah area of the north, did not do so well. Such difference will provide insights into what is behind the improvements experienced. The message here is that given the size of this group, and its large population

[6] This is not consistent, however, with the national accounts and crop output data of Table8.

share, improvements in economic wellbeing have a significant impact on the trends in national poverty.

- *Export crop farmers* are a small group in the population (8 percent in 1999). They were highly impoverished, with almost two thirds in poverty at the beginning of the decade (the second poorest group after food crop farmers). There has been a sharp decline in poverty among these farmers, so that less than two fifths were poor in 1998), as well as a slight increase in their population share. There is no doubt that the decline in consumption poverty among this group is the result of favorable export (coffee) prices. But as the group is small, this decline accounted for less than one percentage point of the 8.5 percentage point poverty decline for the country as a whole.

- *Public employees* experienced a sharp decline in their population share, from 14 percent to less than 10 percent (between 1992 and 1998). During this period, headcount poverty has declined among this group (from 34 percent to 24 percent). Although the public sector has experinced continued retrenchment, the evidence indicates that those remaining in the sector have become better of. This has had a noticeable impact on national poverty (contributing 2.1 percentage points of the 8.5 percentage point decline in poverty.

- *Private formal sector employees* grew (marginally) relative to the total population, and headcount poverty declined sharply (from 30 percent to just 15 percent).

***Mauritania:* 23 percentage point reduction in poverty headcount**

[No decomposition by occupational group available; results based on mean per adult equivalent expenditures.]

As in Ghana, the survey indicates that all sectors gained, though there were large differences in the extent of these gains:

- *Small agricultural producers* experienced a sharp increase in average consumption (almost doubling during the decade). *Large agricultural producers* gained much less. Increases in their incomes came mainly from higher incomes from secondary occupations.

- *Public sector employees* also experienced sharp improvements in average consumption levels (by 70.6 percent during the decade). *Private sector employees* did not gain as much, potentially due to downward pressure on urban wages following rural migration.

***Uganda: poverty headcount decreased by 12 percentage points***

The Ugandan economy recovered from a low base during the 1990s, but not all gained:

- *Food crop farmers*, as in Ghana, are the largest group (comprising almost half the population in 1992). They are also the poorest group (headcount poverty just under two thirds). The group becomes less important in the total population during the decade, but remains as poor, with headcount poverty remaining unchanged. Those farmers exclusively producing food crops have not benefited from the economic recovery in Uganda.

- *Export crop farmers* (those engaged in food crop farming with some non-food cash crops) comprised 23 percent of the Ugandan population in 1992 and 27 percent in 1997 (indicating increased adoption of coffee farming). While about as poor as the food crop farmers in 1992 (headcount poverty around 60 percent), these farmers gained a great deal from the economic recovery and boom in coffee prices. Headcount poverty fell to just 44 percent in 1997. This accounts for 6.5 percentage points of the 12 percentage point decline in poverty.

- *Public sector workers* represent only 7 percent of the working population in 1992. Just over a third of them were poor, Both the population share and headcount poverty fell (the latter less than the average for the country as a whole

- *Manufacturing employees,* comprising only 4 percent of the population), have benefited greatedly from the economic growth of the 1990s. Headcount poverty among the group has fallen from 45 percent to just 27 percent, contributing 1.1 percentage points of the 12 percentage point decline in Ugandan poverty.

***Zambia: 3 percentage point increase in poverty.***

[ No classification by socio-economic group; only by household types.]

As noted previously, there are sharp differences in consumption poverty trends among households in rural and urban areas. Although headcount poverty is estimated to have increased marginally between 1991 and 1998 for the population as a whole, it appears to have fallen by 12 percentage points in rural areas, and increased by 16 percentage points in urban areas.

- *Small- and medium-sized farmers* experienced persistently high levels of consumption poverty up to 1996. The data indicate a sharp decline in headcount poverty (of 10 percentage points) between 1996 and 1998. Poverty among *non agricultural households* increased. This is indicative of a favorable effect of economic reforms on agriculture, but the household survey data do not fit squarely with other data sources.

- *Urban households* experienced sharp increases in consumption poverty. This applies to all three urban areas defined in the survey (low, medium and high cost)

***Zimbabwe: 9 percentage point increase in headcount poverty***

This is the only country in the sample where poverty as unambiguously increased during the decade (judging, that is, from the survey evidence to hand).

- *Households living in communal areas* experienced, at just under two fifths, the highest consumption poverty headcount. Together with households in resettlement areas, these comprise a large section of the rural population. Although they experienced a smaller relative increase in headcount poverty (from 38 percent to 52 percent) compared with households engaged in small and large scale commercial farms (which experienced increases in poverty of 16 and 11 percentage points respectively), they account for 11 percentage points of the 12 percentage point increase in rural poverty.

- *Public employees* appear to be relatively protected from poverty increase, whilst reduced in size. Households engaged in parastatals were harmed by the general economic decline. Such households represent a declining share of the population (from 12 percent of urban household heads to 5 percent), and have experienced an especially sharp increase in poverty.

- *Formal private sector employees* experienced serious losses during the decade, with a doubling of consumption poverty (the headcount increasing from 3 percent to 6 percent).

- *Informal private sector employees* also experienced a sharp increase in consumption poverty (from 6 percent to 18 percent). The numbers included in this category have also increased sharply.

## VII. Concluding remarks

[to be drafted]

## References

[to be drafted]

## Annexes

[to be prepared]

# DRAFT TERMS OF REFERENCE

## Study Regarding the Harmonisation of Technical Assistance under Sector Programme Support

## 1. BACKGROUND

It is increasingly acknowledged that Sector Wide Approaches (SWAp) provide a more effective channel for delivering aid to partner developing countries. This approach is intended to reduce fragmentation of aid, to improve co-ordination and to strengthen institutional capacity. A central feature of SWAps is the principle of strong recipient ownership and political commitment. The role of donors is that of legitimate stakeholders and partners in dialogue. As stakeholders in a joint sector programme, it is expected that donors harmonise their own support modalities and procedures in order to increase efficiency of sector programmes.

On 25/26 May 2000, a workshop hosted by the Netherlands Ministry of Foreign Affairs was devoted to the issue of harmonisation of donor procedures under sector programmes. It was attended by representatives of Denmark, Ireland, Netherlands, Norway, Sweden, United Kingdom. World Bank and Club du Sahel were also present. In the course of the workshop, a number of fields were identified as providing scope for short-term harmonisation of procedures. One of these fields was technical assistance[1] (TA).

A central tenet and objective of the Sector Wide Approach is that the planning and financing of all activities within the sector, including technical assistance, be part of an integrated and sustainable planning process. In actuality, however, use of technical assistance often falls short of this objective: it is frequently excluded from the sector planning framework and budget, and is subject to different donor practices and procedures. The workshop recognised that technical assistance commonly falls within four types of arrangements: TA is provided as tied (isolated or co-ordinated) or untied (donor or government managed). In order to achieve greater integration of technical assistance within a sector planning framework it is incumbent that donors harmonise their requirements and accept common implementation procedures. The workshop, however, acknowledged the fact that the actual degree of integration immediately achievable in each country will ultimately depend on local conditions (donor policy and commitment, recipient government human and institutional capacity etc.).

It was therefore agreed to examine the scope for donor harmonisation under sector programmes. The results of this study will feed into the SPA workshops on donor harmonisation.

## 2. PRINCIPLES AND DEFINTIONS

*Technical assistance*

Technical assistance for the purpose of this paper is understood as the total effort to create local capacity and address the underlying causes that resulted in a 'capacity gap'. It may be defined as the transfer, adaptation, mobilisation, and utilisation of services, skills, knowledge, technology, and engineering to build national capacity on a sustainable basis.

*Underlying principles*

It is generally accepted, as an underlying principle, that implementation of technical assistance will use recipient government procedures and management structures, where these are acceptable to donors. In cases where the systems are not acceptable or where the systems are constrained by weak

[1] In this paper the terms 'technical assistance' and 'technical co-operation' are used as synonyms.

institutional capacity, donors are willing to work with the recipient government to correct the problem. Until recipient government effectively administrates TA, third party management support under the authority of a lead donor may be envisaged as a transitory expedient. The attainment of common implementation procedures should be looked upon as a process, and should not be forced. Should the use of government procedures prove successful, all donors would be encouraged to use them.

*Pooling technical assistance*

The term 'pooling TA' refers to the integration of all technical assistance within a single management and financing framework under recipient country ownership or third party management support. This requires acceptance and usage, by all stakeholders, of common implementation procedures with regard to:

- Assistance to the recipient country in order to assess the yet installed capacity and capacity needed to implement development policies and strategies;
- Assistance to the recipient country in the identification and planning of TA needs;
- Elaboration and development of Terms of Reference for consultants, needs for training, coaching, networking and other relevant instruments aimed at capacity improvement;
- Identification and recruitment of consultants, services / investments to realise capacity building ;
- Financing of services and investments;
- Management of monitoring and reporting, output and impact of the purchased services and investments made.

## 3. OVERALL PURPOSE

The main purpose of the study is to draw the lessons from case studies in order to identify the criteria where pooling is appropriate and how it can be made more effective.

## 4. TASKS:

**1. To examine the case studies and identify best practices involved in the pooling of TA in a number of areas including notably:**

1.1. *Procedures and management structures*: describe both donor and local Government procedures with regard to the purchasing of TA services in case studies. Analyse processes involved in bringing about acceptance of common procedures and implementation of TA. Are Government procedures and management structures with regard to TA acceptable to most donors?

1.2. *Ownership* (to define as operational and financial management, supervision, monitoring and evaluation) and co-ordination: How- and by whom, was the need for TA identified? Are the goals and objectives of the TA services clear? what should, generally speaking, be achieved by the means of TA? How and by whom is the outcome and impact of the rendered TA services evaluated? What are the conditions that ensure adequate ownership of technical assistance by governments?

1.3. *Implementation capacity*: what capacity is required of Government at point of entry to appropriately manage technical pooled assistance programmes? include description of instruments used: i.e. handbooks, procurement guides, supervision guidelines etc.

**2. To identify and analyse constraints and reasons that have hindered pooling of technical assistance in the case studies:**

2.1. *Conceptual planning*: has the recipient country planned their need for TA independently? e.g. based on an (self) analyses of strength/weakness and an institutional development plan?

2.2. *Procedures and management structures*: have donor procedure requirements and practices hampered the realisation of pooled technical assistance? To what extent is technical assistance still tied?

2.3. *Ownership*: what factors have constrained Government ownership of technical assistance?

**3. Identify factors that make pooling TA more effective:**

3.1. *Procedures and management arrangements*: by what process can acceptance of common procedures and management structures be promoted?

3.2. *Ownership*: what is the position of donors on pooling and untying TA and how can they improve ownership? How should donors assist Government to achieve pooling of TA without substituting for it?

3.3. *Implementation capacity*: how can donors contribute to improving Government implementation capacity? Which are the most effective means to improve capacity?

## 5. SCOPE OF THIS STUDY

The study will focus on the scope for harmonisation of technical assistance of the following donors:

- DANIDA, Denmark;
- DFID, United Kingdom.
- Germany;
- Ireland Aid;
- Netherlands;
- NORAD, Norway;
- SIDA, Sweden;
- World Bank.

*Case studies*

Three case studies will be examined in the course of this study. While the final choice of these countries and sector programmes will be decided in conjunction with the consultants, it has been tentatively suggested that the case studies be in the following countries:

- Tanzania;
- Ethiopia;
- Mali

## 6. APPROACH AND METHODOLOGY

The study should be geared to providing pragmatic solutions to improving donor harmonisation of technical assistance with the ultimate goal of integrating technical assistance within a comprehensive planning and budgeting sector framework.

*First Phase: Issues related to donor policy and requirements (21 days)*

In the course of the first phase, the consultants will examine issues related to donor policies and requirements with regard to technical assistance. The consultants will focus work on the group of donors listed in Section 5 above. The methodology of the first phase will include the following:

- Review of existing literature by independent resources (to be provided by co-ordinators — see paragraph 9);
- Desk review of relevant legal and operational documents which specify donor requirements and procedures with regard to technical assistance;

- Visit to relevant personnel of each bilateral donor (to be identified by co-ordinators);
- Review existing donor policies for technical assistance in the context of sector programmes.
- Draft of inception note and first debriefing (1 day)

*Second Phase: Field visit of case studies (18 days including travel)*

This phase of the study will be carried out *in situ* by the consultants. The methodology of the second phase will include the following:

- Interviews with relevant personnel of each donor (to be identified by co-ordinators);
- Interviews with relevant government officials and stakeholders (to be identified by co-ordinators);
- Review existing procedures, management arrangements and practices for technical assistance.

*Third Phase: Drafting (9 days)*

- Second debriefing (1 day);
- Drafting preliminary and final report (8 days).

## 7. Reporting and Outputs

Consultant will provide an inception note at the end of the first phase.

The final report will develop the following points:

- Describe and analyse policy and management arrangement of technical assistance under sector support programmes both in general terms and in the context of the case studies;
- Consider the acceptable guidelines / factors that should be required from recipient countries in order that they effectively manage technical assistance within the context of sector support programmes;
- Identify the critical factors that are impeding pooling of technical assistance under sector programmes;
- Recommend required actions towards making pooling of technical assistance more effective.

The report should be presented in MS Word format (hard copy and electronic). An oral debriefing may be required.

## 8. Time Frame

The time frame for this study is as follows:

| | |
|---|---|
| **Bidding process (short list)** | October 2000 |
| **Appointment of consultants:** | November –December 2000 |
| **First phase:** | January 2001 |
| **Second phase:** | February 2001 |
| **Preliminary draft:** | March 2001 |

| | |
|---|---|
| **Feedback from donors:** | End of March 2001 |
| **Final Report:** | April 2001 |

## 9. CO-ORDINATION

The study is being co-ordinated on behalf of the donor group by The Netherlands, DFID and the Club du Sahel.

## 10. COMPETENCIES AND SKILLS REQUIRED BY CONSULTANTS

The following profile will be required from consultants:

- More than 10 years experience as a consultant;
- Experience in Public Administration;
- Track-record of research;
- Back-up of a recognised institution;
- Capacity to work independently;
- Diplomatic skills required

KfW

October 11~~June 26~~, 2000
BCa/FI/3826

**- Draft -**

# Efficiency and Outcome of selected Sector Programs (SP)

## Terms of Reference

### General

The – evolving – concept of a comprehensive sector approach is among the most widely discussed forms of aid modalities. In response to the increasingly diverging economic progress in Sub-Saharan Africa, donors are exploring ways to adapt aid instruments that better match with the requirements of recipient countries and improve aid effectiveness. In particular, emphasis has been given to a more comprehensive sector perspective that is less fragmented than a relatively narrow project approach. Furthermore, the more comprehensive sector approach provides support over a longer period than traditional structural adjustment support may offer.

The sector approach is one response – among others – to partly unsatisfactory performance of traditional aid forms. Although structural adjustment has radically changed the macroeconomic and sectoral policy environment in many SSA countries, the effectiveness of aid, in many cases, has generally remained below expectations. Commonly cited problems include, among others, the proliferation of poorly co-ordinated projects, low levels of government ownership and commitment, failure to adequately budget for recurrent costs, lack of consistency between capital investment, recurrent expenditure requirements, and the macroeconomic framework, and inadequate emphasis on building local capacities.

The key feature of SPs is the integration of donor support within a comprehensive sectoral strategy (defined by the government, agreed by the major donors, and based on a sector-wide analysis) and a consistent budget framework that covers several years ahead.

### Content of the study

A comprehensive study shall investigate the efficiency[1] and the outcome / impact reached by sector interventions with regard to the delivery of sector services. The study shall therefore

explore whether design and implementation of sector programmes are adequate to reach a maximum output with a limited amount of funds. Furthermore the study shall look into the question of adequate outcome of sector programmes.

1. Efficiency in implementing sector interventions

1.1 Time efficiency

The study shall review whether the implementation of sector interventions was in line with the priorities and the time frame. With the help of selected, representative examples it should demonstrate the average planning and implementation time and the experience gained in comparison with individual projects (being implemented outside the framework of SP).

1.2 Cost efficiency

Sector interventions need to be implemented in a cost-efficient way. The study shall evaluate whether the incurred unit costs correspond to the projected unit costs. In addition, with the help of representative examples these unit costs shall be compared with those realised in individual projects.

1.3 ~~Quality aspects~~

~~Sector interventions need to be implemented according to the quality standards and the technical specifications as laid down in the planning documents. The study shall review such quality aspects with the help of adequate examples.~~

1.4 ~~Over- or under-utilisation~~

~~The study shall verify to what extent the physical capacities (existing capacities as well as newly installed capacities) are adequately utilised.~~

1.5 Efficiency and quality of Implementation

Sector interventions need to be implemented according to implementation manuals as agreed upon by all partners (pre-/ post-qualification, tendering, contract award, acceptance of works/services). The study shall verify whether the sector interventions follow these manuals and what kind of major failures have to be stated. It should be verified whether projects employed higher quality standards.

1.6 Efficiency of Donors' procedures

~~The study shall verify to what extent the individual donors have adopted co-ordinated and harmonised sector interventions procedures.~~ It should explore whether and which donors' procedures applied were~~are~~ too cumbersome for the administration and contribute to distortions and sector fragmentation. The study shall verify to what extent

[1] Efficiency is here understood as reaching a maximum output with a given input (amount of funds) of the sector interventions

- the individual donors have adopted co-ordinated and harmonised sector interventions procedures. T~~Furthermore, t~~he study shall explore whether the existing recipient procedures could be employed as the relevant and harmonised procedures or offer opportunities to simplify donors' procedures.

1.7 Utilisation of funds

According to manifold experiences gained there are important risks regarding the proper use of funds. The study shall verify through adequate examples whether the measures financed have been correctly executed under the programme in question, and review whether the financing was done in accordance with the given regulations. ~~In addition, the study shall assess the quality of existing budget and control procedures and their application (e.g. monitoring and control systems, competencies of administrative personnel, parliamentarian and external control of budget planning and execution). The study shall give a risk assessment and indications about possible consequences of non-compliance.~~ Furthermore, the study shall verify whether auditor's comments have been taken into consideration e.g. whether they contributed to adoptions of procedures or behavioural changes. In addition, the study shall explore whether partner's country contribution increased or decreased during the implementation period.

1.8 Effectiveness of sector service delivery

The study shall verify whether the sector services are effectively delivered in comparison with costs incurred. The investigation is to be based on few selected key ~~adequate outcome and efficiency~~ indicators on efficiency and outcome level (e.g. visits of patients in basic health stations p.m.; vaccinations carried out per basic health station p.m.; school enrolment rates; pupils per classroom).

1.9 Efficiency of donors co-ordination

SP are also designed to increase the efficiency of fund delivery on the donors' side. The study shall look into the question of time and expertise needed to co-finance and co-ordinate the sector programmes in comparison to individual projects and programmes within an co-ordinated sector framework. In addition, the study shall explore the amount of time and expertise needed for co-ordination of donors in the country (monthly meetings etc.) the significance of the donors contributions in expertise and time in comparison to individual projects.

## 2. Outcome of the SP interventions

In general, sector programmes are meant to foster the structural impact of external interventions. The study shall explore these effects especially in comparison to the impact

generally contributed to programme or project aid. Furthermore, the following issues shall be reviewed.

2.1 Overcoming major bottlenecks of the sector

Based on an updated review of the sector framework the study shall verify whether the SP is still focused on the major bottlenecks of the sector. It should be analysed whether actions have been taken to adapt to changes of and within the sector framework. The study shall explore whether ~~the~~ scope and objectives of the SP would still be ~~still~~ justified today.

2.2 ~~The study shall explore whether the physical capacities correspond to the need / demand of the target groups. it~~ It should be verified whether the physical capacities are under- or overutilised as a proxy for need correspondence. ~~the SP achieve a better match than an isolated project approach.~~ The study shall indicate whether the sector services are targeting the poorer sections of society.

2.3 Sustainability of capacities newly created by the SP intervention

The study shall also review whether the utilisation of the newly created capacities is ensured in the future and whether precautions have been taken to ensure sustainability in the future.

2.4 ~~Effectiveness in poverty reduction~~

~~The study shall investigate whether the sector services are efficiently alleviating poverty in comparison with costs incurred (covering the issues listed by the World Bank in the PRSP Sourcebook).~~

2.5 2.5 Increasing Ownership and improving framework conditions

~~Effectiveness in improving framework conditions~~ The study shall comment on degree of and subsequent changes in ownership of the partner countries in defining and implementing a coherent sector strategy. The study shall explore whether the framework conditions of the sector including budget frameworks have been assessed and taken into consideration during the planning phase of the SP and whether the existing sector distorsions have been effectively improved during implementation of the SP. Which influence did the framework conditions exert on the efficiency and performance of the sector.

~~The study shall explore whether the framework conditions of the sector have been taken into consideration during the planning phase of the SP and whether the existing sector distorsions have been effectively improved by the SP. Which influence did the framework conditions exert on the efficiency and performance of the sector.~~

3. Results and Proposals

3.1 Based on the aforesaid investigations the study shall make substantiated proposals how to overcome specific deficiencies, to improve the specific approach of the SP in question, or to rethink the adequacy of the SP in the individual country. The study shall also show possible fields of actions and possible areas of participation for German development co-operation.

3.2 ~~Criteria shall be elaborated to assess whether and when budget management capacities and implementation capacities are sufficiently developed so that sector budget support becomes an adequate tool. Hereby, the study shall specify the minimum requirements to be fulfilled in advance and outline the risks involved. Possible implications for results and impacts of development co-operation should be presented.~~

4. Method of working

On the basis of experiences gained so far and best practices identified, the study shall investigate efficiency and outcome aspects of SPs yet to be selected. It shall be composed of case studies on specific SPs (sample of 3-4 representative SPs in preferably priority partner countries of German Development Co-operation and in the same sector). The case studies should be pursued in close co-operation with the sector experts of the main donors dealing with the specific SP in the individual country. Furthermore, local expertise and know-how is to be involved during the preparation and elaboration of the case studies. The main method of investigations shall be interviews based on previous scrutiny of the relevant files. The result of the case studies shall be discussed with these sector experts before finalisation. General lessons learned from all case studies shall be summarised in a separate chapter being the only subject of discussion within the SPA plenary in order to avoid interference from that level into the specific SP.

**Year 2000 Sector Program Tracking Exercise -Threshold Test Report**
**August 2000**

This note provides a concise report on the Threshold Test (TT) findings and highlights some technical and substantive points for further consideration by the SPA Task Team on Sector Programs. The TT results are compiled for convenience in a separate file, "TT 2000 Results" below. The report is supported by tabulated data and analysis that are included in the file " TT 2000 Analysis."

TT 2000 Results Aug 01_00 TT 2000 Analysis Aug 01_00

- Of the 47 Programs that were included in the TT, 30 operations will proceed with the tracking exercise: 19 will be subjected to both Quality Assessment and Quantitative Tracking; and 11 will be subjected to the Quality Assessment only.

## 1. Number of operations proposed for the Threshold Test (Tables 1.1 and 1.2)

At the SPA plenary meeting in December, 1999, it was agreed that the Threshold Test 2000 would be conducted on all Programs (operations) that passed the Threshold Test last year plus any additional Programs donors proposed for inclusion this year. It was also agreed that Programs that passed the Threshold Test in the previous year but failed to pass it again this year would continue to be included in the Quality Assessment. In this manner, information on the reasons for a Program's deterioration might be captured.

Altogether, 47 operations were proposed for the Threshold Test this year: 22 Programs that had been tracked in 1999 and 25 additional proposed this year. Table 1.1 lists these operations and, for the additional operations, the donors who have proposed them.

Table 1.2 shows breakdowns of the proposed operations by sector. We have received 173 reports on tests conducted on the 47 operations. More than a quarter of the Programs are in the health sector. Transport and roads combined have about the same number are in this sector. The third largest number are in the education sector. In the same order, health, transport/roads and education sectors prevail in the number of operations that passed the TT.

- It would be interesting to consider whether these sectors are more inherently ready for, or amenable to, sector programs, or whether there are just more operations in these sectors; and, in either case, the reason(s) for this.

## 2. Threshold Test responses – completeness, interpretation and consistency (Tables 1.3, 1.3A and 1.3B)

Table 1.3 presents the responses to each question included in these reports. Front line staff of the responding donors have had substantial input in the TT.

We note that several operations had responses from only three donors (see also Table 1.5). As you recall, it has been agreed that : "For the result of the Threshold Test to be meaningful at least four donors would have had to complete the Threshold Test. The purpose would be to ensure a minimum degree of interest in the concerned sector program. " Application of this guideline this year did not have a material impact as most of the concerned operations were carried over from 1999 and were to be subjected to the TT 2000 anyway.

We also note that a few donors indicated that they skipped the TT but will subsequently participate in the Qualitative Assessment and Quantitative Tracking. It is, thus, possible that there is more interest than was demonstrated through the number of TT reports submitted.

- In light of the above, it would be interesting to consider whether the guideline that at least four

donors would need to complete the TT for a Program in order for the TT to be meaningful is reasonable or should be adjusted (perhaps to say that completion of the TT from three donors indicates sufficient interest).

Altogether 35 Programs are included in this analysis of the TT reports: all the operations that were tracked in 1999 (22) and, of the operations that were added in 2000, those that received TT reports from at least four donors (13). The analysis of the responses is shown in Table 1.3A. As can be seen, a number of responses are still left blank and a there are a few "yes/no" and NA answers after several donors revisited their reports for completeness and consistency. For analytical purposes, and to have more confidence in the results, we have taken into account only the clear "yes" answers.

Tables 1.3 and 1.3A indicate that, in a number of cases, donors differ in their responses and, in a few instances, the response is a tie. Subsequent to clarifications and arbitration with concerned donors, we searched for unanimity and clear majority in the responses to identify the operations that will be subjected to the Quality Assessment only, or the Quality Assessment/Quantitative Tracking, or neither of the two. We have also noted two borderline cases: the Ghana Community Water; and Mozambique Health. We propose that these operations be included in the tracking exercise for the reasons noted below and they may serve as case studies to ascertain donor response. Details on these operations are included in the file "TT 2000 Border Line" below.

TT 2000 Border Line .

Ghana Community Water has a strong positive response from four organizations to all six questions of the TT except for Question # 3 (Is donor coordination Government led?) that has 50% positive response. We propose that this operation be subject to both the Qualitative Assessment and Quantitative Tracking.

Mozambique Health has a 50% positive response to Test #1 (Is there a comprehensive sector policy and strategy?) and clear majority of positive answers (67%) to Test #2 (Is there an annual expenditure program and medium term sector expenditure framework ?) and Test # 3 (Is donor coordination Government led?) from six organizations. We propose that Mozambique Health be subject to the Qualitative Assessment. Feedback from a donor who had given negative answer to Test #1 was supportive of this proposal.

Several programs passed all parts of the TT with flying colors (positive score 75-100%); for example, Ghana Health, Mozambique Agriculture, Chad Health, Benin Transport, and Senegal Education, Health, Transport.

- What are the key factors that contribute to this high positive majority?

### 3. Number of tests by sector and organization (Tables 1.4 and 1.5)

Table 1.4 indicates that the largest number of tests are in the health, education, and road/transport sectors, in that order. As noted in Table 1.2, one of the main reasons for this is that the largest numbers of operations proposed for testing are in these sectors.

Tables 1.4 and 1.5 also indicate the number of tests submitted by donors. It is interesting to note the large variation in the number of reports submitted by various agencies and the sectors of interest. The column second to the last in Table 1.6 shows the total number of tests for each operation and highlights the interest of donors in the concerned operations.

### 4. Comparison of responses between 1999 and 2000 (Table 1.6)

Table 1.5 is limited to the 22 operations carried over from 1999 and compares the type of tracking in that year with that determined in 2000. In general, there is considerable consistency in responses. But there

are some striking exceptions. For example, in the case of Guinea Health and Kenya Energy, there is strong consensus among the donors who responded that these Programs do no pass the threshold test in 2000 even though they passed it in 1999.

- It would be important to know the reasons for the changes in ratings (improvement or deterioration) over time.

It would be useful to deepen our understanding of the substantive points highlighted in this report during the subsequent Qualitative Assessment and Quantitative Tracking.

**5. Patterns in the responses (Tables 1.7 and 1.8)**

Tables 1.7 and 1.8 attempt to illustrate patterns in the response with reference to the TT Questions and sectors. We note the following:

Most of the blanks, "Y/N" and "NA" occur for responses to Tests # 5 (consistency between sector and macro framework). If most of these blanks and "NA" mean "don't know", it may suggest that two different specialists need to answer these questions: tests 1, 2, 3, and 6 by sector specialists, and tests 4 and 5 by macro-economic specialists. At a minimum, it would be important for sector specialists to check their understanding of the macro-economic situation with colleagues focusing on this area before recording their answers.

As Table 1.7 (Pattern of Response per Question) shows, Test # 5 has also received the lowest percentage of positive answers (61%). Comments from respondents often link the positive response to Test # 5 with the on-going PRSP process. The highest percentage of positive responses (83%) is noted in Test #1 (existence of sector strategy and policy). The highest percentage of negative response is noted in Test # 5 (25% --consistency between sector and macro framework) followed by Test # 3 24%- - Government's leadership in donor coordination) and Test #2 (21% --existence of annual expenditure program and medium term sector expenditure framework). Formulation of Test # 2 with two parts often produced many Y/N answers for each part of the question.

Overall, divergence in donor responses suggests differences in views and judgment for making a determination. Written or verbal comments sometimes suggest a "quality" assessment that is beyond the scope and purpose of the question at this stage.

- It would be useful to consider whether providing appropriate clarifications and guidance on some of the TT questions is helpful to the respondents and practical to implement.

The pattern of response per sector shows in Table 1.8. It is interesting to observe that the health, education and transport/roads sectors demonstrate the most even pattern of donor response and a trend of "positive" majority.

- It would be interesting to consider whether these three sectors stand out because there is more experience with sector programs in these sectors, or because of more interest, or because these sectors lend themselves to SP approach, or other factors.

NOTE. The documents mentioned above will be posted on the SPA Website.

Website address: spa-psa.org

Restricted area:
User name: spauser
Password: spa5

# Sector Programme Tracking YR 2000 -- Threshold Test
## Table: 1.7 Pattern of Response Per Question

### TT.1 Is there a comprehensive sector policy and strategy?

| | | Agriculture | Education | Health | Urban | Water | Roads/Transport | Energy | Rural | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Yes | Count | 10 | 34 | 52 | 7 | 4 | 30 | 3 | 3 | 143 |
| | % within Sector | 66.7% | 79.1% | 85.2% | 100% | 100% | 90.9% | 75.0% | 50.0% | 82.7% |
| No | Count | 5 | 7 | 9 | | | 2 | 1 | 2 | 26 |
| | % within Sector | 33.3% | 16.3% | 14.8% | | | 6.1% | 25.0% | 33.3% | 15.0% |
| Blank | Count | | 2 | | | | 1 | | 1 | 4 |
| | % within Sector | | 4.7% | | | | 3.0% | | 16.7% | 2.3% |
| Total | Count | 15 | 43 | 61 | 7 | 4 | 33 | 4 | 6 | 173 |
| | % within Sector | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | % of Total | 8.7% | 24.9% | 35.3% | 4.0% | 2.3% | 19.1% | 2.3% | 3.5% | 100% |

### TT.2 Is there an annual expenditure program and a medium term sector expenditure framework?

| | | Agriculture | Education | Health | Urban | Water | Roads/Transport | Energy | Rural | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Yes | Count | 10 | 33 | 50 | 3 | 3 | 27 | 1 | 3 | 130 |
| | % within Sector | 66.7% | 76.7% | 82.0% | 42.9% | 75.0% | 81.8% | 25.0% | 50.0% | 75.1% |
| No | Count | 5 | 10 | 10 | 3 | 1 | 2 | 2 | 3 | 36 |
| | % within Sector | 33.3% | 23.3% | 16.4% | 42.9% | 25.0% | 6.1% | 50.0% | 50.0% | 20.8% |
| Blank | Count | | | | 1 | | 3 | 1 | | 5 |
| | % within Sector | | | | 14.3% | | 9.1% | 25.0% | | 2.9% |
| Y/N | Count | | | 1 | | | | | | 1 |
| | % within Sector | | | 1.6% | | | | | | 0.6% |
| NA | Count | | | | | | 1 | | | 1 |
| | % within Sector | | | | | | 3.0% | | | 0.6% |
| Total | Count | 15 | 43 | 61 | 7 | 4 | 33 | 4 | 6 | 173 |
| | % within Sector | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | % of Total | 8.7% | 24.9% | 35.3% | 4.0% | 2.3% | 19.1% | 2.3% | 3.5% | 100% |

### TT.3 Is donor co-ordination government led?

| | | Agriculture | Education | Health | Urban | Water | Roads/Transport | Energy | Rural | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Yes | Count | 7 | 30 | 51 | 5 | 2 | 31 | | 3 | 129 |
| | % within Sector | 46.7% | 69.8% | 83.6% | 71.4% | 50.0% | 93.9% | | 50.0% | 74.6% |
| No | Count | 8 | 13 | 9 | 1 | 2 | 2 | 4 | 3 | 42 |
| | % within Sector | 53.3% | 30.2% | 14.8% | 14.3% | 50.0% | 6.1% | 100% | 50.0% | 24.3% |
| Blank | Count | | | | 1 | | | | | 1 |
| | % within Sector | | | | 14.3% | | | | | 0.6% |
| Y/N | Count | | | 1 | | | | | | 1 |
| | % within Sector | | | 1.6% | | | | | | 0.6% |
| Total | Count | 15 | 43 | 61 | 7 | 4 | 33 | 4 | 6 | 173 |
| | % within Sector | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | % of Total | 8.7% | 24.9% | 35.3% | 4.0% | 2.3% | 19.1% | 2.3% | 3.5% | 100% |

# Sector Programme Tracking YR 2000 -- Threshold Test
## Table: 1.7 Pattern of Response Per Question

### TT.4 Does the country have a sound macro economic framework (all stabilisation conditions in IMF programme fulfilled?)

| | | Agriculture | Education | Health | Urban | Water | Roads/Transport | Energy | Rural | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Yes | Count | 12 | 33 | 50 | 7 | 4 | 27 | 2 | 4 | 139 |
| | % within Sector | 80.0% | 76.7% | 82.0% | 100% | 100% | 81.8% | 50.0% | 66.7% | 80.3% |
| No | Count | 3 | 9 | 11 | | | 5 | 2 | 2 | 32 |
| | % within Sector | 20.0% | 20.9% | 18.0% | | | 15.2% | 50.0% | 33.3% | 18.5% |
| Blank | Count | | 1 | | | | 1 | | | 2 |
| | % within Sector | | 2.3% | | | | 3.0% | | | 1.2% |
| Total | Count | 15 | 43 | 61 | 7 | 4 | 33 | 4 | 6 | 173 |
| | % within Sector | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | % of Total | 8.7% | 24.9% | 35.3% | 4.0% | 2.3% | 19.1% | 2.3% | 3.5% | 100% |

### TT.5 Has a check been made of the consistency between the sector expenditure programme and the macro economic framework?

| | | Agriculture | Education | Health | Urban | Water | Roads/Transport | Energy | Rural | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Yes | Count | 9 | 23 | 37 | 5 | 3 | 26 | 1 | 2 | 106 |
| | % within Sector | 60.0% | 53.5% | 60.7% | 71.4% | 75.0% | 78.8% | 25.0% | 33.3% | 61.3% |
| No | Count | 5 | 11 | 19 | 1 | | 2 | 3 | 3 | 44 |
| | % within Sector | 33.3% | 25.6% | 31.1% | 14.3% | | 6.1% | 75.0% | 50.0% | 25.4% |
| Blank | Count | 1 | 3 | 3 | 1 | 1 | 5 | | 1 | 15 |
| | % within Sector | 6.7% | 7.0% | 4.9% | 14.3% | 25.0% | 15.2% | | 16.7% | 8.7% |
| Y/N | Count | | 4 | 1 | | | | | | 5 |
| | % within Sector | | 9.3% | 1.6% | | | | | | 2.9% |
| NA | Count | | 2 | 1 | | | | | | 3 |
| | % within Sector | | 4.7% | 1.6% | | | | | | 1.7% |
| Total | Count | 15 | 43 | 61 | 7 | 4 | 33 | 4 | 6 | 173 |
| | % within Sector | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | % of Total | 8.7% | 24.9% | 35.3% | 4.0% | 2.3% | 19.1% | 2.3% | 3.5% | 100% |

### TT.6 Do major donor provide support within the agreed framework?

| | | Agriculture | Education | Health | Urban | Water | Roads/Transport | Energy | Rural | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Yes | Count | 9 | 34 | 46 | 7 | 4 | 31 | 3 | 1 | 135 |
| | % within Sector | 60.0% | 79.1% | 75.4% | 100% | 100% | 93.9% | 75.0% | 16.7% | 77.5% |
| No | Count | 5 | 6 | 11 | | | 1 | 1 | 2 | 26 |
| | % within Sector | 33.3% | 14.0% | 18.0% | | | 3.0% | 25.0% | 33.3% | 15.0% |
| Blank | Count | | 2 | 1 | | | 1 | | 2 | 6 |
| | % within Sector | | 4.7% | 1.6% | | | 3.0% | | 33.3% | 3.5% |
| Y/N | Count | 1 | | 3 | | | | | | 4 |
| | % within Sector | 6.7% | | 4.9% | | | | | | 2.3% |
| NA | Count | | 1 | | | | | | 1 | 2 |
| | % within Sector | | 2.3% | | | | | | 16.7% | 1.2% |
| Total | Count | 15 | 43 | 61 | 7 | 4 | 33 | 4 | 6 | 173 |
| | % within Sector | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | % of Total | 8.7% | 24.9% | 35.3% | 4.0% | 2.3% | 19.1% | 2.3% | 3.5% | 100% |

# Sector Program Tracking YR 2000
## Table B - Operations for Quality Assessment

| | Country | Sector | Name | Year (first/last tracking) | Quality Assessment | Quantitative Tracking |
|---|---|---|---|---|---|---|
| 1 | Burkina Faso | Education | Basic Education | 2000 | Y | N |
| 2 | Ethiopia | Education | Education Sector Inv. | 1999 | Y | N |
| 3 | Ethiopia | Health | Health Sector | 1999 | Y | N |
| 4 | Ethiopia | Roads/Transport | Road Sector Dev. Program | 1999 | Y | N |
| 5 | Guinea | Health | Health | 1999 | Y/1 | N |
| 6 | Ivory Coast | Transport | Transport Sector Adj. | 1999 | Y | N |
| 7 | Kenya | Energy | Energy Sector Reform | 1999 | Y/1 | N |
| 8 | Madagascar | Health | Health II (new) | 1999 | Y | N |
| 9 | Mali | Health | Integrated Health Srv. Inv. | 1999 | Y | N |
| 10 | Zambia | Health | Health Sector | 1999 | Y | N |
| 11 | Mozambique | Health | Health sector | 2000 | Y | N |

1/ Programmes tracked in 1999 that did not pass the TT 2000 but, as agreed, will be subject to the Quality Assessment

# Sector Program Tracking YR 2000
## Table C - All Operations to Be Tracked

| | Country | Sector | Name | Year (first/last tracking) | Quality Assessment | Quantitative Tracking |
|---|---|---|---|---|---|---|
| 1 | Benin | Transport | Transport Sector | 1999 | Y | Y |
| 2 | Burkina Faso | Education | Basic Education | 2000 | Y | N |
| 3 | Burkina Faso | Transport | Transport SECAL | 1999 | Y | Y |
| 4 | Cameroon | Transport | Transport Sector | 1999 | Y | Y |
| 5 | Chad | Health | Health Sector | 2000 | Y | Y |
| 6 | Ethiopia | Education | Education Sector Inv. | 1999 | Y | N |
| 7 | Ethiopia | Health | Health Sector | 1999 | Y | N |
| 8 | Ethiopia | Roads/Transport | Road Sector Dev. Program | 1999 | Y | N |
| 9 | Ghana | Health | Health Sector Support | 1999 | Y | Y |
| 10 | Ghana | Roads/Transport | Highway Sector Inv. Prg. | 1999 | Y | Y |
| 11 | Guinea | Health | Health | 1999 | Y/1 | N |
| 12 | Ivory Coast | Transport | Transport Sector Adj. | 1999 | Y | N |
| 13 | Kenya | Energy | Energy Sector Reform | 1999 | Y/1 | N |
| 14 | Madagascar | Health | Health II (new) | 1999 | Y | N |
| 15 | Mali | Education | Education Sector | 2000 | Y | Y |
| 16 | Mali | Health | Integrated Health Srv. Inv. | 1999 | Y | N |
| 17 | Mauritania | Health | Health Sector Inv. | 1999 | Y | Y |
| 18 | Mozambique | Agriculture | Agriculture Sector | 1999 | Y | Y |
| 19 | Mozambique | Education | Gen. Education Exp. Prg. | 1999 | Y | Y |
| 20 | Senegal | Education | Education Sector | 2000 | Y | Y |
| 21 | Senegal | Health | Integrated Health Srv. Inv. | 1999 | Y | Y |
| 22 | Senegal | Transport | Transport II | 1999 | Y | Y |
| 23 | Tanzania | Health | Health Sector | 2000 | Y | Y |
| 24 | Uganda | Education | Education Sec. Adj. Credit | 1999 | Y | Y |
| 25 | Uganda | Health | Health Sector | 2000 | Y | Y |
| 26 | Uganda | Roads/Tranport | Road Sector/ Inst. Support | 1999 | Y | Y |
| 27 | Zambia | Health | Health Sector | 1999 | Y | N |
| 28 | Zambia | Roads/Transport | National Road | 1999 | Y | Y |
| 29 | Ghana | Water | Community Water | 2000 | Y | Y |
| 30 | Mozambique | Health | Health sector | 2000 | Y | N |

1/ Programmes tracked in 1999 that did not pass the TT 2000 but, as agreed, will be subject to the Quality Assessment

## Sector Programme Tracking Year 2000 -- Threshold Test

## Table: 1.8 Pattern of Response Per Sector

| Sector | Question | Positive majority (>50%) | | Tie (50%) | | Negative majority (<50%) | |
|---|---|---|---|---|---|---|---|
| | | operations | % | operations | % | operations | % |
| **Agriculture:** 5 Operations | TT 1 | 3 | 60% | 1 | 20.0% | 1 | 20.0% |
| | TT 2 | 2 | 40.0% | 3 | 60.0% | 0 | 0% |
| | TT 3 | 1 | 20.0% | 3 | 60.0% | 1 | 20.0% |
| | TT 4 | 3 | 60% | 2 | 40.0% | 0 | 0% |
| | TT 5 | 2 | 40.0% | 2 | 40.0% | 1 | 20.0% |
| | TT 6 | 2 | 40.0% | 2 | 40.0% | 1 | 20.0% |
| **Education:** 9 Operations | TT 1 | 8 | 88.9% | 0 | 0% | 1 | 11.1% |
| | TT 2 | 8 | 88.9% | 0 | 0% | 1 | 11.1% |
| | TT 3 | 7 | 77.8% | 1 | 11.1% | 1 | 11.1% |
| | TT 4 | 7 | 77.8% | 0 | 0% | 2 | 22.2% |
| | TT 5 | 5 | 55.6% | 1 | 11.1% | 3 | 33.3% |
| | TT 6 | 7 | 77.8% | 1 | 11.1% | 1 | 11.1% |
| **Health:** 13 Operations | TT 1 | 10 | 76.9% | 1 | 7.7% | 2 | 15.4% |
| | TT 2 | 11 | 84.6% | 0 | 0% | 2 | 15.4% |
| | TT 3 | 11 | 84.6% | 0 | 0% | 2 | 15.4% |
| | TT 4 | 11 | 84.6% | 0 | 0% | 2 | 15.4% |
| | TT 5 | 7 | 53.8% | 0 | 0% | 6 | 46.2% |
| | TT 6 | 10 | 76.9% | 0 | 0% | 3 | 23.1% |
| **Urban:** 3 Operations | TT 1 | 3 | 100% | 0 | 0% | 0 | 0% |
| | TT 2 | 1 | 33.3% | 1 | 33.3% | 1 | 33.3% |
| | TT 3 | 2 | 66.7% | 1 | 33.3% | 0 | 0% |
| | TT 4 | 3 | 100% | 0 | 0% | 0 | 0% |
| | TT 5 | 2 | 66.7% | 0 | 0% | 1 | 33.3% |
| | TT 6 | 3 | 100.0% | 0 | 0% | 0 | 0% |
| **Water:** 1 Operation | TT 1 | 1 | 100% | 0 | 0% | 0 | 0% |
| | TT 2 | 1 | 100% | 0 | 0% | 0 | 0% |
| | TT 3 | 0 | 0% | 1 | 100% | 0 | 0% |
| | TT 4 | 1 | 100% | 0 | 0% | 0 | 0% |
| | TT 5 | 1 | 100% | 0 | 0% | 0 | 0% |
| | TT 6 | 1 | 100% | 0 | 0% | 0 | 0% |
| **Road/Transport:** 12 Operations | TT 1 | 11 | 92% | 1 | 8% | 0 | 0% |
| | TT 2 | 9 | 75% | 2 | 17% | 1 | 8% |
| | TT 3 | 11 | 92% | 1 | 8% | 0 | 0% |
| | TT 4 | 9 | 75% | 1 | 8% | 2 | 17% |
| | TT 5 | 9 | 75% | 2 | 17% | 1 | 8% |
| | TT 6 | 11 | 92% | 1 | 8% | 0 | 0% |
| **Energy:** 2 Operations | TT 1 | 2 | 100% | 0 | 0% | 0 | 0% |
| | TT 2 | 0 | 0% | 0 | 0% | 2 | 100% |
| | TT 3 | 0 | 0% | 0 | 0% | 2 | 100% |
| | TT 4 | 1 | 50% | 0 | 0% | 1 | 50% |
| | TT 5 | 0 | 0% | 0 | 0% | 2 | 100% |
| | TT 6 | 2 | 100% | 0 | 0% | 0 | 0% |
| **Rural:** 2 Operations | TT 1 | 1 | 50% | 0 | 0% | 1 | 50% |
| | TT 2 | 1 | 50% | 0 | 0% | 1 | 50% |
| | TT 3 | 1 | 50% | 0 | 0% | 1 | 50% |
| | TT 4 | 1 | 50% | 0 | 0% | 1 | 50% |
| | TT 5 | 1 | 50% | 0 | 0% | 1 | 50% |
| | TT 6 | 0 | 0% | 0 | 0% | 2 | 100% |

## Sector Program Tracking YR 2000

### Table 1.3A Analysis of Threshold Test Response for Qualifying Operations

| | | | | | | Threshold Test Responses | | | | | | | Tracking 2000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Country | Sector | Name | Resp. Org. | TT 1 | TT 2 | TT 3 | TT 4 | TT 5 | TT 6 | Year (first tracking) | Qualitative Assessment | Quantitive Tracking |
| 14 | 14.1 | Ghana | Water | Community Water | CIDA-Canada | Yes | Yes | Yes | Yes | Yes | Yes | 2000 | | |
| | 14.2 | Ghana | Water | Community Water | KFW - German | Yes | No | No | Yes | Yes | Yes | | | |
| | 14.3 | Ghana | Water | Community Water | DANIDA- Denmark | Yes | Yes | No | Yes | Yes | Yes | | | |
| | 14.4 | Ghana | Water | Community Water | IDA - WB | Yes | Yes | Yes | Yes | **Blank** | Yes | | | |
| | | Ghana | Water | Community Water | Positive response | 100% | 75% | 50% | 100% | 75% | 100% | | ??? | ??? |
| 30 | 30.1 | Mozambique | Health | Health sector | IDA - WB | Yes | Yes | **Y/N** | Yes | Yes | **Y/N** | 2000 | | |
| | 30.2 | Mozambique | Health | Health sector | USAID - US | No | No | Yes | Yes | No | No | | | |
| | 30.3 | Mozambique | Health | Health sector | Netherlands | Yes | Yes | Yes | Yes | **Y/N** | Yes | | | |
| | 30.4 | Mozambique | Health | Health sector | NORAD Norway | Yes | Yes | No | Yes | No | **Y/N** | | | |
| | 30.5 | Mozambique | Health | Health sector | EU | No | Yes | Yes | Yes | No | No | | | |
| | 30.6 | Mozambique | Health | Health sector | Ireland Aid - Ireland | No | No | Yes | Yes | Yes | No | | | |
| | | Mozambique | Health | Health sector | Positive response | 50% | 67% | 67% | 100% | 33% | 17% | | ??? | N |

# A CONCISE ASSESSMENT OF THE SPA TECHNICAL GROUP'S PROGRESS AFTER SIX MONTHS OF OPERATION

Most donors now have in mind a common idealized framework for providing assistance to Africa. This framework consists of the following main ideas:

- A common goal of reducing poverty;
- A common acceptance of the new Washington consensus[1];
- A common belief that development is more sustainable the more ownership there is by the African partner;
- A common recognition that the multiplicity of donors with multiple objectives and multiple procedures and processes results in excessive costs for the African partners; and
- A common commitment to reducing debt and debt service of the poorest African countries

Over the past few years, this framework has resulted in a number of initiatives which reflect the shifting perspective of donors and African partners. The central idea has been to focus on the government budget as the instrument through which a concerted poverty reduction strategy can be constructed and implemented. By centering on the budget as the primary instrument of public policy, donors and the African partners have a potent tool for achieving their mutual goals. Too often in the past, donor programs have acted to undermine coherence in public policy by both forcing their own ideas on recipient governments and by providing their resources off-budget. While, in practice, the lion's share of development assistance is still provided in this fashion, donors now have a set of standards to guide them in restructuring their assistance to forms more in keeping with African ownership and coherence. The basic principles are clear enough:

- The objective of both assistance and government policy and budget must be poverty reduction;
- Assistance should, to the extent possible, be provided on-budget;
- Governments must improve the effectiveness of their expenditures as a tool of poverty reduction and economic growth;
- This means that government financial management must become more transparent and more credible, and that government budgeting must become more efficient and more equitable;
- Debt relief should be tied to improved government management of fiscal resources;

---

[1] The basic outline of this consensus is that (1) rapid economic growth is necessary for poverty reduction; (2) different growth paths can be either more or less poverty reducing; (3) rapid growth must be largely based on the private sector; (4) rapid growth requires economic openness, well-working markets, macroeconomic stability, political stability, good governance and well-working institutions which define the environment within which private-sector led growth takes place; (5) reform of government to make it market-friendly and to make it both more efficient and more equitable in the provision of those services which are the purview of government; and (6) recognition that markets fail and that a proper role of government is to intervene in situations where market failure imposes serious economic or distributional costs. Within that consensus there is considerable room for disagreement around specific policy issues, as well as on the relative importance of different elements.

- Governments must become more responsive and more accountable to their people[2];
- In a time of currency convertability, fiscal gaps are better measures of the need for and the uses of external finances than are balance of payments gaps;
- Assistance should increasingly be provided in the form of budget support rather than in the form of projects[3];
- Assistance and local resources as well, need to be programmed in a strategic context, with much greater attention to monitorable results in terms of impacts on poverty;
- Under these conditions, assistance is no longer provided under a quid pro quo contractual framework, but under a partnership with common objectives and strategies and in which failure leads to joint analysis and joint rethinking of both strategies and objectives;
- Donors must work to harmonize the procedures by which they provide assistance in terms of procurement, auditing, and reporting so as to reduce the burden on African governments and to improve African government capacity to manage these functions; and
- All partners agree to work to improve the capacity of African institutions to manage their own development effectively: plan and execute budgets, purchase goods and services, undertake policy analysis, collect and analyze data, manage finances transparently, audit government books, communicate effectively with their stakeholders.

However, as might be expected, the ideal and the real are often in conflict. In fact, for almost every principle above, there exists a tension that makes implementation problematic. This is laid out in Table I, below.

---

[2] This raises important questions. If governments are democratic, in fact as well as in name, then does it follow that the poor are well-represented? In democratic governments does civil society have special perquisites? Are legislatures more responsive to the will of the people than is the executive? Do decentralized or federal governmental systems automatically have more accountability?

[3] The "project" is a concept that is related to large engineering or infrastructural activities – building a road or a bridge. Such projects are concrete, limited and well-defined. Over time, however, both donors and recipients used the concept to lump together any set of activities which could theoretically be defined as linking inputs to outputs. Most of these softer projects have at their heart, institutional and policy change, and most are abstract, unbounded and ill-defined. Many of these "projects" really deal with process change, and many of the inputs they finance are more often things like training and methods for transferring information such as conferences. The most important inputs are local costs such as staff salaries, rather than imported commodities. Equally important, the line between investment and recurrent costs is very blurry and often not useful.

## TABLE I: SOURCES OF DISSONANCE

| PRINCIPLE | REALITY | TASK TEAM TASKS (task teams in parentheses) |
|---|---|---|
| Poverty Objective | Both donors and African governments have multiple objectives; how to reduce poverty is not known in detail | • Review growth experiences (G&E)<br>• Review long-run determinants of growth (G & E)<br>• Review of market liberalization and poverty (G & E) |
| On-Budget Support | Government budgets remain unfocused; donors' own interests lead to continued funding of projects off-budget | • |
| Budgetary Effectiveness | Capacity limitations; politically-determined budgets | • Review African problems with medium term frameworks (FP)<br>• Disseminate good practice in budget preparation (FP) |
| Acceptable Financial Management | Few governments meet the tests for financial management to the donors' standards | • Improve understanding of African financial management systems (FMA)<br>• Assess the needs for improvement in financial management systems (FMA)<br>• Suggest ways in which SPA donors can contribute to improved financial management (FMA) |
| Debt Relief tied to PRSP | Political pressure to accelerate debt relief; good, well-focused, participative strategy development takes time | • Review donor experiences with PRSP (PRSP Process)<br>• Review the extent to which PRSP framework is being integrated into national policies and programs (PRSP Process) |
| Accountable Governments | Even in democracies politics tends to reflect regional, not economic interests; the poor are unorganized and unrecognized | • Review the extent to which PRSP framework is being integrated into national policies and programs (PRSP Process) |

| | | |
|---|---|---|
| Fiscal rather than FX Gaps | Technical problems; requires a culture shift which is still in the future | • Explore integration of fiscal gaps into IMF programming (FP)<br>• Enable fiscal frameworks to be used in CGs and SPA resource commitments (FP)<br>• Encourage SPA Secretariat to present fiscal frameworks (FP) |
| Budget Support rather than Projects | Government weakness and donor reluctance to cede control makes this a distant goal | • Deepen SP tracking exercise (SP)<br>• Explore issues and identify best practices in sector programs (SP)<br>• Examine usefulness and practicality of program budget support (SP)<br>• Identify donor response when programs go off track (SP)<br>• Identify the accountability requirements for program budget support (FMA/SP) |
| Results Orientation | Time dissonance between key impacts and donor and government needs to demonstrate impact | • Prepare synthesis on present state of poverty information systems (PM)<br>• Poverty Monitoring Status Report (PM) |
| Beyond Conditionality | Donor reluctance to trust African governments | • Draw conclusions from Burkina Faso pilot (TCRS)<br>• Monitor donor conditions associated with PRSPs (TCRS)<br>• Analyze issues associated with selectivity and suggest way forward (TCRS)<br>• Review donor practice in selectivity (TCRS) |
| Harmonization of Donor Procedures | Donor reluctance to put public funds at risk and to reduce tying of procurement | • Suggest ways of harmonizing donor procedures related to financial management (FMA) |

As can be seen from Table I there are, not surprisingly, two main poles of tension. The first pole is on the recipient side, and results from seven sources of weakness in the government's management of its economy:

- Lack of accountability
- Lack of transparent financial management
- Lack of analytic capacity to link outcomes to strategy
- Lack of representativeness of the political system
- Weaknesses in budget formation and execution
- Weaknesses of systems for collecting useful data
- Corruption

On the donor side there are three major problems: culture, distrust and inability to change policies and procedures. These problems are all interlinked. The culture of most donors, and, in particular, of their parliaments is resistant to change. Risk-taking is frowned on. The changes suggested by the new framework require reduction of control at the micro level in order to improve impact at the macro level, and the reduction in control increases risks of all kinds. However, donors have difficulty in recognizing that the critical risk, that of development failure, is embedded in the old models, and that, on the whole, the sum of the risks associated from reduced direct control is much less than the big risk of mission failure.

So how to move forward? Clearly, there are two complimentary approaches. If the weaknesses of African governance which are listed above can be eliminated, then donor perception of risk will be reduced. At the same time, SPA must continue to press forward the intellectual argument that the new "paradigm," is more likely, in the long run, to lead to sustainable poverty reduction in Africa than the old ways of doing business.

The main purpose of the SPA Technical Group and the seven Task Teams is to reduce these tensions so as to enable donors to provide assistance more efficiently and to enable African governments to be in charge of their own development in a way that reduces poverty sustainably. The Terms of References of the Task Teams provide a useful guide to how SPA is approaching this challenge, and have been summarized in Table I.

The work program laid out in Table I is both very ambitious and very comprehensive. It sets out a set of analyses on the strengths and weaknesses in African governments' budgeting, poverty monitoring and financial management capacities, and proposes, that once this analysis is done, the TTs come up with strategies for strengthening these capacities. On the other hand, it will review donor practices and suggest ways for moving these practices in the directions dictated by the new approaches. There are several questions to be asked in reviewing these work plans:

1. Is there overlap and redundancy?
2. Are there important gaps?
3. Will the plans in their entirety lead to the desired changes?
4. Are the plans being implemented effectively?

**Overlap and redundancy.** There does not seem to be any. Where the task teams have overlapping mandates they are working together.

**Important gaps.** The main gap is a strategic one. Much of the work program of the task teams is stocktaking or analytical. This, of course, is an important first step, and may be all that is possible at this time. However, most task teams need to have on their agendas the development of action plans to move from analysis to implementation. Only three of the task teams (fiscal policy, financial management and accountability, and beyond contractual relationships and selectivity) have, as part of their terms of reference, plans for moving from analysis to action, at least in terms of suggesting ways forward for the partnership. This lack of action-oriented thinking should be addressed in the other groups.

Another gap is linked to the delicate question of integrating the poor into the political process. As has been laid out forcefully in *The World development Report,* one of the main problems facing the poor is their powerlessness. The PRSP is being used as an instrument to incorporate the views of the poor into poverty reduction strategies. More broadly, the shift from authoritarian to democratic regimes offers the promise for providing the institutional context for more open, responsive government. But democracy does not mean power to the poor, especially in Africa, where the poor are unorganized and unable to give voice to their concerns. Even the explosion of civil society does not mean that the poor are well represented. There are three promising avenues that need exploration:

- Uganda has demonstrated considerable success through the use of poverty indicators, particularly with respect to provision of public services. The Ugandan model of publishing in local communities the expected government expenditures in those communities has made government much more responsive.
- The World Bank (and other donors as well) is experimenting with direct assistance to local communities; one challenge, inter alia, is to incorporate such grants into the fiscal systems.
- Many donors are working with civil society to organize the poor. Of particular import is the organization around economic functions – farmers' groups, for example – which helps lead to the articulation of the public policy interests of these groups.

Presumably the PRSP TT should be examining the degree to which PRS strategies include the empowerment of the poor.

Finally, there does not seem to be any work that directly affects what should be one of the simpler tasks – making sure that assistance is provided on-budget rather than off-budget. This is a fundamental issue in strengthening African ownership, and should not require major restructuring of donor processes.

**Effectiveness.** The model being used by most task teams (either explicitly or implicitly) makes a great deal of sense – analyze the existing situation, identify constraints, and offer suggestions for reducing or removing constraints. There are several problems with this model, however:

- *Some situations do not lend themselves to easy analysis.* For example, the study on donor involvement in PRSPs found a wide variety of situations and differing

perceptions. The main messages conveyed by the study are weak (open up process to other donors) or unrealistic (delink PRSPs on debt relief).

- *The studies do not always lead to change.* For example, using the PRSP study again, there is no process for taking the conclusions of the study and engaging the IFIs in a way that would lead to systematic changes in the culture. If the main problem (though not a universal one) is that the PRSPs have tended to reflect old modes – managed by IFIs, with limited donor and host country ownership, how is this problem to be addressed. Is this an issue for Bank and Fund management, or for the SPA as a whole?
- *Some issues are too large to deal with.* The clearest example of this is the tension between the international community's desire to accelerate debt relief through HIPC and the international community's desire to ensure that such debt relief leads to poverty reduction. Because of weak analysis, weak data and limited participation these are contradictory desires. But recognizing the contradictions and deriving a policy response has to be done at a higher level than SPA (and there is little evidence that the worthies meeting in Prague are dealing with this issue realistically).
- *Some issues require a bold assistance response.* In the end, the pace of movement towards these new assistance ideas will be limited by the governance capacities of the African governments. Some of the TTs are dealing with these issues, but not in a wholistic way. Perhaps a piecemeal approach is the best way, picking first "the low-hanging fruit." The Bank is discussing a capacity building credit. Perhaps SPA donors would be willing to join forces in a couple of countries to provide the assistance needed, both technical and financial, to dramatically improve the capacity of government to manage development – to jointly improve planning, policy analysis, use and collection of data, budget formation and execution, transparency, procurement, financial management and program implementation to such a level that donors will see the risks of budget support decreased to an acceptable level.

**Implementation.** It is not surprising that teams are moving ahead at different speeds. Nevertheless, the Technical Group meeting in Paris should hold task teams accountable for progress, and where progress seems too slow, then changes need to be made. The problem which needs to be kept in the forefront is that all of these issues are linked, and that lack of progress in one area will impede progress in other areas.