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MEDREK

The Newsletter of the Forum for Social Studies
A Centre for Research and Debate on Development and Public Policy

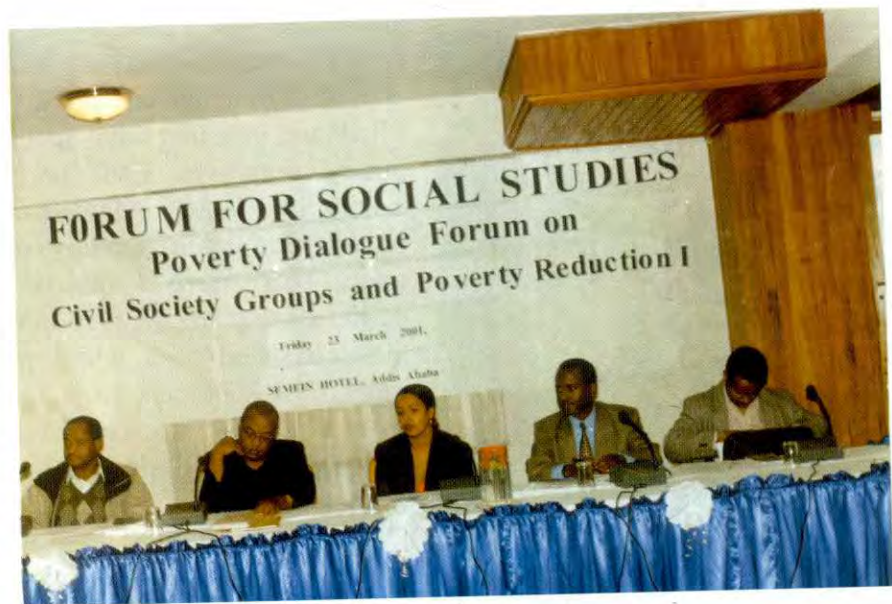
Volume 3 No. 1

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Editorial Note

This third volume of Medreck is a special issue on poverty and poverty reduction in Ethiopia and elsewhere. Launched in December 2000, the Poverty Dialogue Forum has become the major activity of FSS for the year 2001. Our brief foray into the consultative process has helped us appreciate the rich and concrete experiences that various groups have accumulated in the area of poverty and poverty reduction in Ethiopia. It is our sincere hope that this wealth of experience will be harnessed by the Government in preparing the Poverty Reduction Strategy Paper.

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Poverty Dialogue Forum

Civil Society Groups and Poverty Reduction

Report of the Workshop

The second Poverty Dialogue Workshop of the Forum for Social Studies was held at Semien Hotel on 23 March 2001. The focus of the debate was on the experiences of NGOs working with the poor in various parts of the country. The panelists consisted of Ato Fassil W. Mariam, Manager of the Forum on Street Children in Ethiopia; Ato Abowork Haile of PROPRIDE, an NGO working with the poor in various

parts of Addis Ababa, and Ato Berhanu Geleto, of the Rift Valley Children's and Women's Development Association. Ato Jemal Ahmed from ACTIONAID-Ethiopia provided a brief supplementary comment. All the NGOs have strong poverty-based programs and a good deal of first hand knowledge about the poor in their project sites. The purpose of this particular Workshop was to give the NGO community a chance to discuss the nature

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Structure of Governance

FSS is democratically governed, with decision-making shared by the General Assembly, the Board of Advisors, and the Management Committee. The General Assembly meets once a year to review and approve the broad policies of the organization. The Board, which meets more frequently, is responsible for drawing up the policies and strategies of FSS, monitoring the work of the executive, and reviewing and approving the finances. Of the nine members in the Board four are women. The Management Committee is the executive body of FSS. It is responsible for implementing the decisions of the Board and managing the activities of the organization.

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In addition to a synopsis of the second workshop, in this issue we have included a short review of the Interim Poverty Reduction Paper of Ethiopia, a discussion tracing the link between debt reduction initiatives and poverty reduction strategies as well as experiences of Ugandan civil society organizations

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and dynamics of poverty experienced by their constituents and to enable it to comment on the I-PRSP and consider what specific policy initiatives civil society groups like to see included in a poverty reduction strategy program. There were a total of 70 participants at the Workshop and they consisted of a wide spectrum of stakeholders from Government, civil society, donor agencies, professionals and women's groups.

Dr Meheret Ayenew of Addis Ababa University and Coordinator of the Policy Dialogue Forum opened the Workshop. He welcomed the audience and the panelists and introduced the main objective of the Workshop. Chairing the discussion was Ms. Aster Birke, a member of FSS and an activist in several women's advocacy groups. The first speaker was Ato Fassil who spoke on the subject of "Street Children and Poverty Reduction". He described the process by which children end up on the street as beggars, prostitutes and juvenile delinquents. He started out by saying that street children are a product of extreme forms of poverty, and while there are at present no accurate figures measuring its extent, the problem is of

in the revision of their country's Poverty Reduction Action Plan. A common theme of all three documents is the pivotal role of participation of stakeholders in the process of policy making and monitoring of outcomes. Participation has the potential to enrich the policy document, promote policy ownership and accountability.

serious national concern and expanding at a rapid pace. Many of the street children in Addis Ababa and Dessie, the two cities where Ato Fassil's organization is active, are homeless and make the street their home while others work on the street but share some kind of shelter with their parents or relatives at night.

Female children on the street are often victims of sexual abuse, and others of violence and loss of parentage. In many cases, street children are the main breadwinners for their parents. The speaker pointed out that the chances of street children turning to criminal activity are very high, and the offences include petty theft and robbery. He emphasized that law enforcement policies and judicial reform initiatives have not been designed to meet the needs of the poor, in particular poor children. The problem of children must be seen as part of the dynamic of urban poverty, a problem that Ato Fassil thought was not adequately addressed in the Government's I-PRSP.

The second speaker was Ato Abowork who spoke on "Poverty Reduction in Urban

Areas". PROPRIDE, the organization that Ato Abowork heads, runs income-generating, savings and credit and educational programs in several of the poorest communities in Addis Ababa. The speaker took a good deal of time to discuss the perception of poverty by the poor themselves; this perception, he noted, was different from that of public servants as well as of development agents attached to NGOs and other organizations. To the poor, poverty means lack of livelihood security, particularly of income, employment and assets.

As a result of many years of experience working with destitute communities, PROPRIDE believes that one of its goals should be to sensitize the poor to be aware of their latent potential and employ it to improve their condition. He noted that existing policies are rigid and do not support the efforts of civil society groups in poverty reduction. He gave several examples to support his case. The policy behind savings and credit schemes, for example, is not to alleviate poverty, the emphasis instead, he noted, was on profit maximization. The Addis Ababa City Government, he went on, continues to disapprove of the informal economy and harasses those engage in the sector. But the informal sector is an important source of livelihood for the urban poor. PROPRIDE has established a program of informal education, but the authorities are unwilling to recognize it as a useful means of promoting literacy and education. He emphasized that unless a poverty reduction strategy addressed these and

similar issues that are central to urban poverty, the conditions of the urban poor will continue to deteriorate.

"The main stakeholders... that the rural as well as the urban poor, for whom the poverty program was presumably designed, should have a role in the formulation of the poverty reduction strategy"

The third speaker was Ato Berhanu who is the Manager of the Rift Valley Children and Women's Development Association (RVCWDA), an NGO which runs an integrated rural development program in the Rift Valley areas of Oromia and of which poverty reduction is an important component. Ato Berhanu's presentation was mainly a review of the I-PRSP document. His emphasis was on the importance and necessity of

consultation and participation of the poor in policy making. While he recognized that the Government was not required by the donor agencies to involve all stakeholders in preparing the I-PRSP, he believed nevertheless that any policy initiative should involve the main stakeholders whether the donor community requires it or not. He was particularly insistent that the rural as well as the urban poor, for whom the poverty program was presumably designed, should have a role in the formulation of the poverty reduction strategy. For the rural poor, land and land holding is a critical issue and it was his opinion that the I-PRSP document has not given the matter the importance it deserves. The argument of the document that there is no landlessness is, he thought, untenable. He noted that the current I-PRSP suggests that poverty reduction is the role of the government, but there are many actors that are



involved in poverty programs but have not been given recognition.

All three NGOs represented in the panel were local NGOs run by Ethiopians. Ato Jemal Ahmed of the international NGO ActionAid gave a brief presentation about the basic principles of his organization in drawing up its poverty program. Ato Jemal stressed that poverty is not only the lack of assets and income but involves unequal power relation-

ships. He pointed out that the main actors in ActionAid's program of poverty reduction are community organizations, local NGOs and the Government. He stressed that the views of the poor should be incorporated in all poverty programs.

At the end of the presentation of the panelists the audience was given a chance to raise questions, make comments and suggest policy recommendations. There was a good deal of debate both on the

substance of the panelists' papers as well as on issues related to urban poverty. The questions raised in the Workshop as well as the papers of the panelists will be published in FSS' *Consultation Papers on Poverty*.

Financial support for the Workshop was provided by the FRIEDRICH EBERT STIFTUNG for which we are grateful.



Announcement

FSS is pleased to announce that the third workshop under its Poverty Dialogue Series will be held on June 8, 2001. The Theme of the workshop will be on Civil Society Groups and Poverty Reduction II.

Just off the Press.....Just off the Press

FSS Discussion Papers

No. 4. Small-Scale Irrigation and Household Food Security. A Case Study from Central Ethiopia. Fuad Adem. February 2001

FSS Monograph Series

No. 2. Environmental Change and State Policy in Ethiopia; Dessalegn Rahmato. 2001

FSS Conference Proceedings

3. Environment and Development in Ethiopia. Edited by Zenebework Tadesse. 2001

FSS Publications

FSS Newsletter

Medrek (Quarterly since 1998. English and Amharic)

FSS Discussion Papers

No. 1. *Water Resource Development in Ethiopia: Issues of Sustainability and Participation*. Dessalegn Rahmato. June 1999.

No. 2. *The City of Addis Ababa: Policy Options for the Governance and Management of a City with Multiple Identity*. Meheret Ayenew. December 1999.

No. 3. *Listening to the Poor: A Study Based on Selected Rural and Urban Sites in Ethiopia*. Aklilu Kidanu and Dessalegn Rahmato. May 2000.

No. 4. *Small-Scale Irrigation and Household Food Security. A Case Study from Central Ethiopia*. Fuad Adem. February 2001.

FSS Monograph Series

No. 1. *Survey of the Private Press in Ethiopia: 1991-1999*. Shimelis Bonsa. 2000.

No. 2. *Environmental Change and State Policy in Ethiopia: Lessons from Past Experience*. Dessalegn Rahmato. 2001

FSS Conference Proceedings

1. *Issues in Rural Development. Proceedings of the Inau-*

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DEBATES

We would like to invite readers to participate in an on-going debate on issues related to development and public policy in Ethiopia in Medrek. Send us think pieces, comments and letters (not more than 2000 words for publication in these columns.

Some Comments on the Ethiopian Government's Interim Poverty Reduction Strategy Paper (IPRSP)

Dessalegn Rahmato
Forum for Social Studies

The Government's IPRSP was issued in November 2000 and submitted to the IMF/World Bank soon after without sufficient consultation with civil society and the general public. The document's assertion that the Government has conducted "an extensive debate on development strategy and policies" with the electorate throughout the country during the election of May 2000 as part of the "preparatory process of the IPRSP" is disingenuous and cannot serve as a substitute for open public debate of the document.

While it is not a donor requirement that the IPRSP be subject to public consultation, we believe that any policy initiative should be submitted to extensive discussion by civil society and the public at large whether donors require it or not. FSS has always argued that the Government has a duty to consult all stakeholders during the preparation, formulation and implementation of public policy.

The poverty reduction program envisaged in the IPRSP is based on four elements: ADLI which is expected to improve in particular the income of the rural poor; judicial

and civil service reforms; decentralization and empowerment; and capacity building. Furthermore, sectoral programs such as education, health and infrastructure have also been included. In this short article we will focus our comments on the agricultural component of the strategy, but first a brief general observation. It is not quite clear how the four "building blocs" of poverty reduction are integrated and how they are meant to address the fundamental causes of poverty. I believe the IPRSP has submitted a cocktail of programs related to poverty but not an *integrated poverty program* without which the war against poverty will not be successfully won. A sound integrated program must start from a clear and in-depth analysis of the nature of poverty and its underlying causes, taking into account the differences in the rural and urban context. The IPRSP provides a few figures indicating the magnitude of poverty in the country but that is the extent of the discussion on the subject. It is paradoxical that while the document claims that there are sufficient data sources for poverty assessment, the analysis provided in the first five or so pages is grossly inadequate.

The centerpiece of the Government's development as well as poverty reduction strategy is ADLI (Agricultural-Development-Led Industrialization). Briefly stated, the thinking behind ADLI is that the development of the country's economy is dependent on agricultural growth, which is expected to help improve the income of the poor. Agricultural growth is important because it will provide an increasing supply of raw materials for industry and a larger market base for manufactured goods, thereby stimulating rapid progress in industrialization. But given the limited purchasing power of the rural population and the low level of urbanization in the country, the agricultural sector will have limited ability to serve as the engine of industrial growth. The document recognizes this limitation and argues instead that agriculture will be made to be internationally competitive and that part of the rural surplus will have to be exported. Competitiveness will be made possible, the document argues, because "there are no agricultural subsidies". This is a remarkable statement given the fact that both in Europe and North America, the international competitiveness of agriculture is ensured by means of

massive subsidies to the farm sector. Neither the IPRSP nor the earlier ADLI document talk about the competitiveness of local industry. Given the liberalization of the economy, Ethiopian industry (such as it is) has had to compete with the industries of the West and Japan and we all know the former is no match for the latter. Under these circumstances, it is pointless to talk about progress in industrialization with or without the stimulus of agricultural growth.

But there are other equally complex issues that have not been raised in the IPRSP. For agriculture to play the dynamic role expected of it, it must undergo structural change, an option that ADLI does not envisage. Agriculture in Ethiopia is best viewed as a mixed collection of micro-enterprises that are engaged largely in *farming for household survival* on an increasingly diminishing resource base. The sector is overwhelmingly dominated by millions of miniscule family farms that continue to decline in size, fertility and viability. Under whatever circumstances, micro-enterprises of this kind cannot be the basis for a dynamic sector capable of stimulating other economic sectors. The changes that are not considered in the document but which are critical if the rural economy is to be invigorated include changes in rights to access to land, in policies having to do with population movement and environmental protection. Actually, the latter two issues are closely related to the first.

What is missing at the moment and what should have been addressed in the IPRSP is changes in land policy to provide secure rights of access, to promote the movement of land from one holder to another so that, for example, farmers with sufficient means are able to obtain secure access to more plots, and to encourage all farm households to invest on their land

The land issue, which is the most critical issue facing any program of rural development in this country at present, is not addressed in the IPRSP. Surprisingly, the document states, in passing, that there is no landlessness as all farmers in the country have landholdings. However, there is ample case study evidence that not only is there considerable landlessness in almost all parts of rural Ethiopia but that it is, without exception, a growing problem. What is missing at the moment and what should have been addressed in the IPRSP is changes in land policy to provide secure rights of access, to promote the movement of land from one holder to another so that, for example, farmers with sufficient means are able to obtain secure access to more plots, and to encourage all farm households to invest on their land. The current land policy is grossly deficient and has given rise to tenure insecurity and land fragmentation. The countryside is now carrying an enormous population (54 million) that is growing at a rapid rate,

and the pressure on natural resources is equally alarming. There is therefore an urgent need to address the problem of how some of this population can find livelihood opportunities *outside* agriculture so that the structural changes this will entail (consolidated plots, shift to high value non-food crops, shift away from subsistence farming, etc.) will stimulate real growth in the farm economy. The goal is not to shift the rural population from one agroecology to another as is suggested under the proposed irrigation scheme but to relieve the agricultural sector of the demographic pressure that is currently responsible for uneconomic holdings, low output and low income. It is quite possible that changes of this nature may in the short-run impact unfavorably on the poor but this is a price one will have to pay for developments that in the long run will provide the poor better opportunities than they have under present conditions.

It is unrealistic, if not downright impossible, to expect agriculture alone, however improved its growth potentials, to provide sufficient livelihood for a population of this magnitude. A poverty reduction program will thus have to seriously consider a broad array of options to create employment opportunities outside agriculture

Let us return to the issue of landlessness noted earlier. The Government's claim that there is no landlessness would imply that there is no pressing

need to consider alternative employment opportunities for the rural sector. In fact, the IPRSP does not provide any discussion of options for promoting alternative employment as a means of reducing rural poverty. The document puts the magnitude of rural poverty at 47 percent of the rural population, however there is reason to believe that the real extent of poverty is much higher. Even if we take the official figure, we are talking about a population size that reaches well over 25 million.

Let us not forget also that the average annual rate of rural population growth is about 2.8 percent. The poor in the rural areas consist of the landless, households with insufficient land and/or insufficient farm animals, and vulnerable families. It is unrealistic, if not downright impossible, to expect agriculture alone, however improved its growth potentials, to provide sufficient livelihood for a population of this magnitude. A poverty reduction program will thus have to seriously consider a broad array of *options to create employment opportunities outside agriculture*.

The document considers the possibility of "voluntary resettlement" in lowland areas under irrigation schemes, presumably to address some of the problems created by demographic pressure. The country's resettlement and irrigation experience of the 1970s and 1980s has been disastrous in all respects and any fresh consideration of "voluntary resettlement" and irrigation will have to show that it has drawn valuable lessons from the experiences of the past and that it has

prepared innovative approaches both to the resettlement and irrigation ventures. There are many questions that need to be raised in this connection and we hope they will be fully addressed in the final PRSP.

Thirdly, a brief comment on the environment is in order. It is surprising that the pressing issue of environmental management is almost totally ignored in the IPRSP. For a country that continues to suffer high levels of environmental degradation with considerable loss of scarce natural resources, the environment should have been placed at the center of the poverty reduction strategy. There is ample evidence to show that natural resource loss has contributed significantly to low agricultural performance and the aggravation of poverty. What is particularly noteworthy in our case is that environmental change, in particular environmental crisis, has been closely associated with food insecurity. Environmental shocks such as drought, rainfall variation, pests, etc. have triggered food insecurity and food insecurity in turn has put enormous pressure on environmental resources paving the way for recurrent natural shocks.

Moreover, neither the land system nor other rural policies provide adequate incentives and safeguards to land users to invest on land resources and to manage the environment wisely. A poverty reduction strategy cannot therefore succeed unless it is based on a well thought-out program aimed at reversing the process of natural degradation and encouraging all land users to em-

ploy sound environmental management practices. It is hoped that the final PRSP will seriously address this important issue.

A poverty reduction strategy cannot therefore succeed unless it is based on a well thought-out program aimed at reversing the process of natural degradation and encouraging all land users to employ sound environmental management practices

The Government's agricultural development strategy is largely dependent on a single program: the extension package program introduced, again without sufficient public debate, in the mid-1990s. The program consists of the delivery of a rather crude package of agricultural technologies (agrochemicals, improved seeds, etc.) aimed at improving crop (and livestock) production. It is to be regretted that fertilizer subsidies, which were offered to farmers by the Derg during the 1980s as part of an attempt to promote consumption of modern inputs by smallholders, were withdrawn by the present Government in the mid-1990s following its endorsement of Structural Adjustment. International donors, in particular the IMF and World Bank, managed to convince Ethiopian decision-makers that any support to the impoverished peasants of this country was bad for the agricultural economy. It is equally unfortunate that the package program makes no provisions to the poorer and destitute peasants who are least able to afford

the cost of the technologies on offer. How ironic then that the IMF and World Bank, which have been adamantly opposed on grounds of principle to any kind of state support to hard pressed peasant farmers in all poor countries (but not to state support to the farm sector in rich capitalist countries) should now appear as friends of the poor and insist that the Government formulate a poverty reduction strategy.

This is not the place to attempt a full assessment of the package program but I would like to offer the following observations for the purposes of this commentary. 1. What is delivered to land users is a uniform package of fertilizers irrespective of differences in agroecology, farming systems, and cultural practices. Peasants with smaller plots run a higher risk of crop loss, and thus this hurts the poorer participants of the package program more than others. 2. The package is delivered to users on credit, however, while this is to be welcomed, peasants are forced to repay their loans at the time of harvest when grain prices are low. This hurts all peasants involved but is particularly damaging to the poor. 3. The price of the technology package, most of which is imported, continues to rise, which means that sooner or later it will reach a point that will be prohibitive to the poor and even to the middle peasant.

At some time in the near future, therefore, the package program will fail to attract new farmers on the one hand and large numbers of those who are now using the inputs will drop

out of the program on the other. In brief, rising technology prices, and the lack of market support for those who have successfully employed the inputs, as is the case at present, will raise doubts about the sustainability of the program. Questions of sustainability will also be raised as the environmental impact of expanded agrochemical use begins to make itself felt.

The promotion of modern inputs was begun in this country in the early 1970s.... Thus, package-delivery extension is not new in this country. The question is: have we learnt from our past experience?

The Government has pinned its hopes on the new extension program to solve the problem of food production and agricultural growth. But there are a number of basic questions that have not been addressed by the Government or that need to be considered in the light of past experience. The promotion of modern inputs was begun in this country in the early 1970s, the last years of the Imperial regime, and continued with fits and starts during the Derg. Thus, package-delivery extension is not new in this country. The question is: have we learnt from our past experience? The technologies on offer are for the most part thirsty technologies and crops treated with them will fail completely if they do not receive sufficient moisture. Traditional technologies, in contrast, adapt much better to rainfall variation and farmers are not faced with total loss of crops but will be able to reap

some harvest if the rains are not adequate.

The risks involved in using the new inputs are, in other words, much higher, particularly for poor farm households. Secondly, the new technologies are meant to improve the productivity of the land and not the productivity of labor. Thus, while there have been improvements in crop yield in the last five to six years, per capita food production continues to decline. This means that food production has not kept up with population growth and remains insufficient to feed the farming population. Unless fundamental measures are taken to improve labor productivity, real growth in the farm economy will be frustrated. This is a fundamental issue and addressing the problem requires an entirely different set of technologies and development strategies.

Food insecurity is one of the most critical problems facing the country and a poverty reduction strategy ought to have made it a priority concern. A sound food security strategy will have to include an analysis of the underlying causes of food insecurity and provide viable options for dealing with them

The issue of food security is raised in several sections of the IPRSP with emphasis on some of the measures taken to respond to food scarcity and emergency situations and the need for food aid for some time. The document states that "excepting conditions of

drought, even the present extension programme could have sufficed to bring about a satisfactory level of national food security." DPPC documents show however that this is not the case. Every year since the establishment of this Government, the Commission has appealed to international donors for food assistance because a large number of people in one part of the country or another have been exposed to hunger. In 1997/98, when the country obtained its best harvest for many years, there were some five million rural people who were vulnerable and over 400,000 metric tons of food aid was requested from donors.

Moreover, according to the Government's own poverty study, 52 percent of the rural population suffers from *food poverty*, meaning that some 28 million people cannot afford to meet their daily nutritional requirements. The document *lacks a coherent food security strategy*, which is surprising in view of the fact that the country has a long history of famine and at this very moment there are large numbers of rural households suffering from acute food shortages. Food insecurity is one of the most critical problems facing the country and a poverty reduction strategy ought to have made it a priority concern. A sound food security strategy will have to include an analysis of the underlying causes of food insecurity and provide viable options for dealing with them.

Finally, I would like to make a few observations about trends in poverty in the rural areas. The IPRSP claims that

there have been improvements in the poverty situation and cites as evidence the findings of a study of six poor villages. It does not give the reference and so we do not know when and how the study was conducted. A study published by FSS (Discussion Paper No. 3) maintains that there are more poor people both in the rural and urban areas now than a decade ago and that the conditions of the poor continue to deteriorate. There are also other evidence, such as data on per capita holdings, per capita food production, and nutritional status, etc. that indicate that poverty is increasing.

For instance, there is sufficient data showing that per capita food production has been declining markedly since the 1960s, which means that the ability of the rural population to feed itself has been deteriorating for more than four decades. Moreover, CSA data reveals that average annual yield of cereals (in quintals per hectare) for the years 1980 to 1995 showed no improvement and there was only a modest improvement for the years 1996 and 1997. What this indicates is that agriculture's performance was stagnant all through the 1980s and most of the 1990s. None of these may be considered adequate enough to allow definitive judgments (and there may therefore be a need for a more comprehensive research on the subject), nevertheless it will be untenable to claim that there has been a decline in poverty levels in the country.

Corrigendum

We would like to apologize for an incorrect information in the last issue of MEDREK. In the debate section, we had noted that one of the contributors, Zemedu Worku, PhD was former Dean of Alemaya College. Please note that he was Head of a Department in Alemaya College and Director of the Institute of Agricultural Research (IAR) presently known as Ethiopian Agricultural Research Organization.

(Continued from page 4)

gural Workshop of the Forum for Social Studies, 18 September 1998. Edited by Zenebework Tadesse. 2000.

2. *Development and Public Access to Information in Ethiopia. Edited by Zenebework Tadesse 2000.*

3. *Environment and Development in Ethiopia. Edited by Zenebework Tadesse. 2001.*

Forthcoming Publications Papers on Poverty

No. 1. *The Social Dimensions of Poverty. Papers by Minas Hiruy, Abebe Kebede, and Zenebework Tadesse. Edited by Meheret Ayenew. April 2001.*

No. 2. *Civil Society Groups and Poverty Reduction I. Papers by Abowork Haile, Berhanu Geleto, and Jemal Ahmed. Edited by Meheret Ayenew. May 2001.*

Books

1. *The View from Below: Democratization and Governance in Ethiopia. Edited by Bahru Zewde and Siegfried Pausewang.*

Forthcoming (Special Publications)

2. *Thematic Briefings on Natural Resource Management. Edited by Alula Pankhurst. Published jointly by the Forum for Social Studies and the University of Sussex. January 2001.*

The PRSP and the Enhanced HIPC Initiative : A Brief Discussion

Berhanu Nega

Director, Ethiopian Economic Research Institute

Introduction:

The various policy reform measures that have been undertaken over the past two decades in African countries have produced at best a mixed result but in many cases simply failed to achieve the intended objectives. At the core of these objectives are the reduction and eventually the elimination of the crippling poverty that torments a very sizable portion of the African population. The underlying assumption that informed the earlier reform process largely blamed lack of a stable macroeconomic environment and ill informed sectoral policies pursued by African governments that led to inefficient resource allocation and prohibited rapid economic growth, which are considered central to the fight against poverty.

While the requirements of a stable macroeconomic environment and efficient resource allocation through the market system are still acknowledged, it was also realized that making these policy reforms work requires substantial internal and external resources. In particular, the requirements of a stable macroeconomy and the fiscal prudence that this requires meant elimination of a number of expenditure programs that cater for the poor (such as subsidies for staple food products) poten-

tially aggravating the incidence of poverty unless otherwise supplemented by other poverty reduction measures.

Furthermore, the sizable resources transferred to developed countries from developing countries by way of debt service payments have to be substantially reduced if resources are to be available for poverty reduction programs on the one hand and to reduce the already accumulated debt to a level that enables macroeconomic stability on the other. Particularly for Africa, the debt problem has reached an unsustainable level. The nominal value of Africa's total debt stock has currently reached \$219.3 billion, which is 110% of its GNP and twenty five times its value in 1971. Africa's debt service ratio is 25% of its total exports, up from 9% in 1971. In other words, the debt overhang has to be reduced to free resources for poverty reduction and also engender debt sustainability.

In 1996, the World Bank and the International Monetary Fund (IMF) launched a programme known as the Heavily Indebted Poor Countries (HIPC) initiative to address the issue of the debt burden and to provide debt relief to the poorest and most indebted countries in the world. Under this initiative, some \$12.5 billion worth of debt relief was to be provided to 29 poor coun-

tries. However, it was soon realized that the relief offered was too little and the process too slow to engender meaningful debt relief that would contribute towards sustainable development for the affected countries. Accordingly, in September 1999, these same institutions enhanced the earlier initiative to provide deeper, faster and broader debt relief. The enhanced HIPC initiative will more than double the amount of assistance to over \$28.6 billion and increase the beneficiaries to 32.¹

However, the mandate of the initiative was broadened quite substantially by requiring potential beneficiaries not only to pursue sound policies and be committed to reforms as in the earlier initiative, but to show this commitment by producing and implementing a thorough program known as Poverty Reduction Strategy Paper (PRSP). The value of the PRSP goes much beyond the enhanced HIPC and the resources affected by a successful graduation from designing the strategy to achieving the targets established in the strategy and the monitoring and implementation process in between is massive. It involves the complete aid package that comes from multilateral and bilateral donors to poor countries. Some 80% of the potential beneficiaries from this initiative are Sub-Saharan African countries. Given the substantial resources involved

in the initiative and the sizable number of African countries potentially benefiting from it, it is important for African policy makers to have a clear idea about the principles behind the PRSP.

This brief discussion is intended to highlight some of the issues involved and the potential obstacles to be encountered in the PRSP process. The paper will first discuss the basic objectives and rationale behind the PRSP-HIPC linkage and provide some facts about the resources involved in the initiative both for SSA in general and for Ethiopia in particular. The second part looks at the PRSP process itself to clearly understand its requirements and identify the potential opportunities and challenges in successfully completing the process. By way of conclusion, the final section briefly raises some issues that policy makers need to consider in going through the PRSP process.

Objectives and Rationale behind the PRSP-HIPC Linkage

It has been clear from the early eighties that the debt burden of developing countries and even more so of the poorest countries of the world has gone much beyond their ability. A number of measures by bilateral creditors to relieve the debt burden of these countries failed to make much of a dent in reducing this burden. Realizing the need for a more substantial intervention, the first comprehensive debt reduction scheme-HIPC--including both bilateral and multilateral creditors was initiated in 1996 and provided full debt relief to four countries.

Following intense criticism of the initiative by governments and non-governmental organizations for providing too little relief too slowly, creditors agreed to enhance the initiative by providing more relief to more countries more quickly. An important objective of the enhanced initiative is *debt sustainability*.² That is, the debt levels of benefiting countries must be lowered to such a level that they will continue to be able to meet their future debt obligations on time without the need for further debt relief. According to the staff of the World Bank and the IMF, such debt sustainability is reached "when the ratio of the net present value of a country's debt level to its exports is 150 percent or less."³ By this measure, Ethiopia's debt to export ratio is currently about 524%, much higher than the sustainability threshold.⁴

The creditors also called for a strong link between debt relief and poverty alleviation and required that the initiative must be able to free up resources to enable countries to increase their spending on priority poverty reduction areas. This requires donor countries to continue to provide aid at least at the level earlier provided to enable the funds released through HIPC to be spent on poverty reduction. But for the initiative to be effective in achieving the twin objectives of debt sustainability and poverty reduction, it has to be fully integrated into a country's overall development strategy, which ought to be centered on poverty reduction. Therefore, the recipient country must prepare a comprehensive strategy known

as Poverty Reduction Strategy Paper (PRSP) whose successful preparation and implementation will not only be the main criteria for eligibility under HIPC, but also for all other development aid that comes from bilateral and multilateral donors.

For countries that succeed in qualifying, the resource involved is quite substantial. But the process that they need to pass through, if strictly pursued, is rather involved. As indicated earlier, the total amount of debt relief that could be provided under the enhanced HIPC is estimated at \$28 billion in 1999 next present value terms. As of May 2000, five countries-Bolivia, Mauritania, Mozambique, Tanzania and Uganda-had successfully passed through the decision point with an estimated total debt service relief in nominal terms over \$12.5 billion and a reduction in debt ranging from 30% for Bolivia to 72% for Mozambique and averaging 49.2% of the net present value of the debt at decision or completion point. Ethiopia is one of the countries that qualify for the initiative and has submitted its interim PRSP (IPRSP) to the multilateral financial institutions and is expected to submit the full PRSP by the end of 2001. If the country successfully completes the process, it expects to get a debt relief amounting to about one billion USD over twenty years in net present value terms, which is roughly about 40% of its total debt stock.

Under the enhanced HIPC, there are two stages that a country must successfully go through before it reaches the completion point. During the

first stage, a country must carry out economic and social reforms under World Bank and IMF supported programs, which serves as the basis for assessing HIPC eligibility. At this point, the World Bank and IMF Executive Boards determine whether the country could achieve debt sustainability under existing debt relief mechanisms⁵ or whether the country requires additional relief under HIPC.⁶ If at this point it is determined that the country needs additional assistance and creditors are willing to support HIPC debt relief with pledges of financing, the country is eligible to enter the second stage of the initiative. Then, IMF and World Bank staff together with recipient governments calculate the amount of debt relief creditors are to provide when countries complete this stage. This decision point is also the point where countries are supposed to submit their interim PRSP and get agreement with the IMF and World Bank on the specific actions to be taken or indicators to be monitored to ensure compliance with their program and to complete the initiative. This will enable them to get some interim debt relief without waiting for the full PRSP, which is expected to take at least two years to prepare. During the second stage, the country receives some interim debt relief from the Paris Club, the World Bank, IMF, and the possibly other multilateral creditors and implements the agreed economic and social reforms and adopts and implements a strategy to reduce poverty. That brings the country to what is known as a floating completion point "which links the completion point to the de-

velopment and implementation of a PRSP, and the implementation of a set of key, pre-defined structural and social reforms."⁷ Once the country implements the reforms, it receives irrevocable debt relief. To reach the completion point, the World Bank and the IMF Executive Boards must determine that the country has met the specific actions that they agreed to at the decision point. The completion point is to be based on countries' reform outcomes rather than the length of their track records in implementing reforms.

The recipient country prepares this strategy in a participatory process involving as many of the stakeholders as possible, including civil society and donors every step of the way

Clearly, in this process, success very much depends on the preparation and implementation of the PRSP. According to the bank and the Fund, the PRSP is "a country-owned action plan, developed through a participatory process, in which poverty-reducing measures are integrated into a coherent, growth-oriented macroeconomic framework...debt relief under the HIPC Initiative and access to concessional lending by the bank and the Fund is linked to the preparation and implementation of such poverty reduction strategies."⁸ The recipient country prepares this strategy in a participatory process involving as many of the stakeholders as possible, including civil society and donors every step of the

way. The strategy is to be developed in an iterative process and updated about every 3 years to reflect experience gained in implementing the strategy. At least in principle, as the IDS Policy Briefing succinctly summarized, the PRSPs are expected to be:⁹

- Country driven. That is, recipient governments will lead the process and there would be a broad-based participation in the adoption and monitoring of the strategy;
- It must be result oriented or outcome based. This requires identifying the desired outcomes and instituting a mechanism that lead towards their achievement;
- It should be comprehensive in the sense that it takes into account the various dimensions of poverty;
- It should be long-term in approach: recognizing the depth and complexity of some of the changes needed and
- It should be based on partnership between governments and other actors in civil society, the private sector and the donor community.

Although, as stated in the above principle, the strategy was to be country owned and driven, since it has to be finally endorsed by the bank and the Fund, it is at least expected to describe and incorporate, in as much detail as possible, the following key elements:

- The extent, nature, and causes of poverty;
- Key obstacles to reducing poverty;

- Long-term poverty reduction goals and outcomes;
- Policies and reforms for achieving these goals and their expected costs;
- The way the strategy is integrated into the country's macroeconomic framework;
- Identification of intermediate indicators that will measure progress toward achieving long-term goals;
- Indication of the process for involving civil society and others; and
- Description of the participatory process for monitoring progress.

If we combine the underlying principles and the specific requirements of the PRSP process, we can see that there are opportunities as well as challenges.

HIPC-PRSP Opportunities and Challenges

As stated earlier, on the face of it, the amount of money involved in this initiative is substantial enough to make a difference in the development process of many developing countries, particularly the poor and highly indebted countries of Africa. The possibility of moving towards debt sustainability through an effective use of this initiative is an important development for countries that have been strangled by the debt overhang. The amount of resources freed from debt service payment to be used for poverty reduction, although not enough by itself to achieve the recently adopted international standard of reducing poverty by half by the year 2015, is significant enough an opportunity that need to be exploited by potential beneficiaries.

The important principle of country ownership of the PRSP process is also a significant development particularly coming from multilateral institutions that had taken over most of Africa's policymaking process over the past couple of decades. The value in the concept of ownership is not just symbolic. It has a significant bearing on the likelihood of success of the program. Genuine ownership of programs provides a strong incentive for those involved in implementing it. After all, that is the underlying reason that makes capitalism as a better form of economic organization for the creation of wealth. Country ownership of the process itself, also adds value by building the capacity of government institutions. If successful, it could build the data collecting and organizing capacity of national statistical offices; it could also build monitoring reporting and implementation capacity.

Finally, such a practice contributes to the overall democratization process in a country. True democratization brings accountability in government and makes the bureaucracy responsive to the concerns of society. In short, building a successful participatory process would improve the overall governance structure of a country with benefits far beyond the resources that come by way of HIPC

Probably the most valuable opportunity that comes

with the PRSP process is its requirement for a genuine participatory process in the full range of strategy formulation that is in the design, implementation and follow up phases. This is a long overdue recognition among development practitioners and a triumph for civil society institutions (both in the donor and recipient countries) that fought for comprehensive debt relief and the legitimacy of civil society participation. It offers an unprecedented opportunity for civil society institutions, particularly those that work very closely in the field of poverty alleviation, to influence anti-poverty policies. Furthermore, given the comprehensive nature of the PRSPs, involving not only specific anti-poverty measures but also macroeconomic and expenditure policies of governments, it offers various stakeholders in society to have a say on the country's overall development policy. This includes researchers, business people, labor unions...et. who, if given the chance, can positively contribute to the policy making process. Such a broad participatory process has a number of advantages.

First, the chances of making egregious mistakes in policy formulation are diminished with wider participation. Secondly, the consensus that such a participatory process engenders is crucial for the success of the policy during implementation as it broadens the ownership base beyond government and its functionaries and reduces policy bickering and reversal mid way through the implementation process thus contributing to policy effectiveness. Finally, such a practice

contributes to the overall democratization process in a country. True democratization brings accountability in government and makes the bureaucracy responsive to the concerns of society. In short, building a successful participatory process would improve the overall governance structure of a country with benefits far beyond the resources that come by way of HIPC.

However, there are tremendous challenges faced both by recipient countries and donors to make this process work in line with the intention of the initiative. On the part of the recipients, the challenge is to successfully meet the detailed requirements of the initiative particularly as it relates to the preparation and implementation of the process. On the part of donors, the major challenge is to be able to provide the necessary finances, streamline the disbursement process and make the necessary attitudinal change required to make the initiative successful. Let us look at each of these challenges briefly.

Need for Diverse, Timely Data and Analytical Capacity

A credible PRSP process requires a wealth of data at the household, sectoral and macro levels. Such data is needed not only in quantity but also in quality. Even more, for the process to be effective, the data has to be timely. Leave alone for the detailed additional data required by PRSP, most poor African countries do not have the necessary infrastructure for collecting good quality data required for consistent macroeconomic analysis. As is

well known, in Ethiopia, the available aggregated data already has at least a one to two year lag causing delays in reporting for already existing programs. Surely, building the data collecting and organizing capacity of countries is desirable. But it takes time and resources that developing countries such as Ethiopia do not currently have and it certainly takes more time than allowed by the PRSP process. If the flow of funds from donors is going to be dependent upon the availability of such data in the short run, countries could suffer from a serious bottleneck with adverse fiscal consequences.

Even if the hurdle caused by availability of data is somehow overcome, the analytical capacity required for preparing the PRSP is substantial. At a minimum, preparing PRSP will require human resource reallocation within government institutions that are already stretched to their limits by the requirements of already existing programs. In worst cases, it might need employing high caliber professionals from abroad at a substantial cost. Realizing this constraint, the initiators of the program, the Bank and the Fund, have promised to provide technical support to help towards the preparation of the strategy. However, this poses a potential conflict with the principle of ownership that is so central to the initiative.

Even if this capacity constraint is somehow alleviated through a combination of domestic resources and technical support, the human resource challenge in the monitoring and implementation phases is even

more daunting. As stated earlier, the program is outcome based and thus requires constant monitoring. That requires periodic before and after evaluation with substantial data and human resource demands on poor countries. Again, if disbursement of funds is going to depend on a credible outcomes data, it could slow the flow of funds creating financing problems to beneficiaries.

Challenges of Participation

Probably the biggest challenge for developing countries is to manage the potential conflict between establishing a genuine participatory process on the one hand and the time constraint on the other. To make the participatory process effective, sufficient time must be allowed for participation or consultation. Information has to flow to potential participants quickly and in a manner that is accessible both in style and language. Participants must be chosen in a manner that is truly representative of all the stakeholders and there must be a transparent mechanism to follow the process through to its conclusion. Equally important, potential participants must believe the process to be fair and transparent to avoid frustration and cynicism among participants. Furthermore, all this has to be achieved in a time frame that will not cause delay in the preparation and monitoring of the PRSP, which is not going to be easy to achieve.

Debt Sustainability and Poverty Reduction Programs

The potential problems for HIPC-PRSP do not come

only from the challenges of implementing the process by recipient countries. There are some underlying tensions in the process itself that must be properly addressed to make the initiative successful. The first tension is between the objectives of debt sustainability and poverty reduction. Most analysts agree that the debt reduction under HIPC could eventually lead to debt sustainability if there were no additional expenditure requirements and assuming strong economic performance over a sustained period. However, the HIPC-PRSP link requires that the funds released under HIPC be spent on targeted poverty reduction programs requiring countries to borrow further and thus challenging the objectives of debt sustainability. A recent study on the subject by the United States General Accounting Office concluded that:

The enhanced Heavily Indebted Poor Countries Initiative will provide significant debt relief to recipient countries, with the debt for six of the seven countries we analyzed projected to be reduced by one-third or more. However, given the continued fragility of these countries, the initiative is not likely to provide recipients with a lasting exit from their debt problems, unless they achieve strong, sustained economic growth. Our analysis of the World Bank, IMF, and host country projections contained within the HIPC documents shows that the decline in debt service for the seven countries will only "free up" resources for additional poverty reduction if countries continue to borrow at the same level and concessional terms as in the year prior to their qualifying for debt relief. As such, recipients' debt levels will rise faster than they would without borrowing for increased spending on poverty reduction. Although such borrowing would increase each country's future debt levels, it would be appropriate if the money contributes to eco-

nomical growth. However, the need for debt relief is due in part to previous lending activities that did not sufficiently increase recipients' economic capacity, enabling them to pay their debt obligations.¹⁰

For the initiative to succeed in achieving its twin objectives of debt sustainability and poverty reduction, therefore, donors must be willing to commit funds over and above their current levels including the resources pledged for enhanced HIPC. Given recent declining trends in aid allocation, there is no reason to be optimistic that such funds would be made available.

Towards Program Aid

Historically, donor countries have been reluctant to provide unearmarked program aid preferring to give aid to specific projects. This reluctance comes from the fear that such aid given through budget support could be easily used for projects that donors do not approve of. This is part of the ongoing debate on the fungibility of aid that is getting currency among donor circles. However, even under project aid there is still the possibility of diversion of aid money since governments could use the money for their preferred projects the money that they would otherwise use for these projects. So fungibility is not a particular affliction of program aid. On the other hand, if PRSPs are going to be true to the underlying principles of country ownership of the design and implementation of the process, donors have to move away from supporting their specific pet to giving broad budgetary support to the totality of the strategy. This

tension between program aid that PRSP seem to implicitly require and project aid that donors have historically preferred and are reluctant to abandon need to be resolved in favor of program aid if the PRSP process is to be successful both in principle and in practice.

Country Ownership Verses Donor Conditionalities

Finally, there is the tension between true country ownership and donors' desire to have some say in the allocation of funds they provide both through HIPC or other sources (including all concessional lending from the Bank and the Fund such as the Poverty Reduction and Growth Facility) that now depend on a successful PRSP process. According to the framers, the PRSP is a comprehensive strategy that incorporates poverty reduction in an overall growth strategy. This means, that the strategy incorporates the country's macroeconomic policy. If the recent history of the IMF and the World Bank is any thing to go by, this is not an area that they are willing to relinquish control of not only to governments, but also to a policy making process that require true participation of stakeholders.

Surely, as we have seen repeatedly in countries where governments are truly accountable, the pressure on poor country governments not to implement reform programs (such as freeing the prices of basic commodities including fuel) that are against the interest of the poor is rather substantial. Moreover, the move towards PRSP seem to be largely informed by the

recent literature on aid that show a strong relationship between the effectiveness of aid and a "good policy" regime.¹¹ But, this "good policy" regime is pretty universal and not country specific in the sense that it does not allow much variation from country to country when it comes to "macroeconomic fundamentals." This issue of specificity has been a bone of contention between poor countries and the multilateral financial institutions in the implementation of structural adjustment policies. Opinions differ on the results achieved by these policies. The various measures that developing countries are expected to take to reduce poverty under the HIPC-PRSP process are additions to the numerous policy measures that these same countries are expected to implement under SAPs. Furthermore, a successful completion of PRSP requires the "endorsement" of IMF-Bank governors.

That is why some observers go to the extent of questioning the motives of the multilateral institutions by accusing them of imposing additional conditionality in PRSP rather than allowing governments of developing countries and the stakeholders in these societies to truly own the PRSP...It is equally important that stakeholders do not feel that the policies are already preordained if they are to have a true sense of ownership of the PRSP process

As the various documents prepared by the multilateral institutions clearly state, the PRSP is an overall growth strategy. But even among practitioners of development including experts in the Bank and the Fund, there is no consensus as to what constitute a good growth strategy or even a "good policy" particularly when it comes to second-generation reforms, which are certainly included in the PRSP. In a recent research assessing the effectiveness of aid in Africa with ten country case studies, the researchers clearly admit that:

"Not only does conditionality disguise the ownership of reforms, it also tends to limit the participation in decision-making. In Ghana, "The nature of the dialogue and Bank/Fund conditionality favored the use of a small group of technocrats making decisions." If each major dose of assistance requires detailed agreement on 40-50 policy measures, then it is difficult to have wide debate and participation in economic decision-making. Finally, conditionality cuts against the grain of the second-generation reforms that even successful reformers find elusive. Public sector reform, for instance, required a long-term commitment to institution building, something that cannot be achieved by conditionality-based lending. The institution-building of the second generation reforms is also more likely to require wide participation, which as noted is limited by conditionality. Finally, as we stressed in the introduction, with some of the second generation reforms we simply do not know what is good policy, and the issue for donors is to support genuine policy-learning, rather than to impose models though conditionality."¹²

That is partly why there is a serious question about the true meaning of country ownership and participatory process in the context of the PRSP. To what extent would multilateral

institution be willing to allow developing countries to design their own country-specific policies? What happens when stakeholders in these societies call for policies contrary to the hitherto recommended policies of the "Washington Consensus?" Are these institutions going to supply the funds even when they are not convinced that the policies chosen by governments and stakeholders are not "good policies?" If not, what is the true meaning of ownership if countries cannot choose their own course? Given the serious contentions around SAPs, it is entirely plausible to anticipate fundamental differences on the "Fundamental issues" of reform. Even more, the detailed micro management of policies that the PRSP will engender is likely to broaden rather than limit the differences. That is why some observers go to the extent of questioning the motives of the multilateral institutions by accusing them of imposing additional conditionality in PRSP rather than allowing governments of developing countries and the stakeholders in these societies to truly own the PRSP. These are issues that both donors and recipient country governments have to really iron out if the PRSP process is to succeed with all its otherwise admirable principles. It is equally important that stakeholders do not feel that the policies are already preordained if they are to have a true sense of ownership of the PRSP process. [ED. For a graphic description of the process, please refer to Box 1 on page 19]

Conclusion

The PRSP process is new and untested. Whatever one feels about it, it cannot be based on practical experience. It is one of those things that one learns as one goes into the process. As it is true in all such things, the chances of making mistakes are high and potentially costly. But, there are also opportunities with high benefits that come along with success. It is also the only game in town for many African countries wishing to reduce their debt burden and get needed foreign aid resources for their developmental efforts.¹³ It is therefore important to know how to play the game effectively. To play it effectively, governments must first thoroughly recognize both the opportunities and the challenges involved in the proposed initiative.

Unfortunately for African countries, there isn't a lot of practical experience out there to draw lessons from. Out of the thirty-three African countries included in the enhanced HIPC initiative, only Uganda and Burkina Faso have submitted a complete PRSP in Africa very recently and the outcome and the lessons from that experience are not easily accessible. **[ED. On page 20, we have included the experience of Uganda by way of sharing experiences.]** Nine other countries namely Chad, Ghana, Kenya, Mali, Mozambique, Sao Tome and Principe, Senegal, Tanzania and Zambia have presented their interim PRSPs.¹⁴ According to Bank and Fund assessment of Tanzania's interim PRSP,¹⁵ some of the expected problems identified

above (data problems and ensuring coordinated donor finance for example) are detected and are likely to plague other African countries that are beginning the process. In their general assessment, the Bank and the Fund claimed that while the two full PRSP countries and some I-PRSP countries have relatively good and up-to-date data, others:

Have had to rely on out-of-date or limited information. In some cases, multilateral and bilateral development partners are involved in supporting countries' data upgrading efforts. Countries also have limited institutional and analytical capacity to prepare full PRSPs. While I-PRSPs have outlined the participatory processes countries intend to use in preparing full PRSPs, the depth and quality of these plans have varies...

In particular proposed participatory processes will need to deal with such issues as the capacity of civil society to participate meaningfully in strategy preparation, how best to ensure that the views of the poor themselves are fully taken into account, and the need to ensure that broad-based participation does not undermine national parliaments and existing democratic processes. The transition to full PRSPs is likely to present other problems including effective costing of inputs and outcomes; tracking poverty-related public expenditure; and integrating poverty reduction strategies into a consistent macroeconomic framework.¹⁶

The requirement of a broad involvement of stakeholders in the policy consultation process has a significant value far larger than the financial resources involved. It would enhance policy effectiveness in the design and implementation process and, even more, it contributes to good governance and the overall democratization processes both crucial to the development of the country

Given the unsustainability of Ethiopia's debt, and the size of the expected debt relief, it is obvious that Ethiopia cannot afford to miss out on this opportunity and thus need to successfully complete the PRSP process. However, the value of the PRSP is not only in the financial flows that it facilitates it brings about. Probably the most important benefit, if carried out appropriately and in good faith, is the process it introduces in policy making in the country. The requirement of a broad involvement of stakeholders in the policy consultation process has a significant value far larger than the financial resources involved. It would enhance policy effectiveness in the design and implementation process and, even more, it contributes to good governance and the overall democratization processes both crucial to the development of the country. But, effective civil society participation requires more than the willingness of policy makers. It needs conscious, active and construc-

tive engagement on the part of civil society institutions. Developing mechanisms to engender that is, indeed, the immediate challenge facing civil society in Ethiopia.

Notes

¹ In 1996, the Bank and the Fund classified 41 countries as heavily indebted poor countries. This included, for analytical purposes 32 countries with a 1993 GNP per capita of \$695 or less and 1993 present value of debt to exports higher than 220 per cent or present value of debt to GNP higher than 80 percent. Also included were nine countries that received, or were eligible for, concessional debt rescheduling from bilateral creditors. In 1998, Nigeria no longer met the criteria, and Malawi was added. In 1999 the number of countries was reduced to 40 because Equatorial Guinea no longer met the criteria for "low income" or "heavily indebted." By September 2000, the number has gone back to forty-one. Thirty-three of the forty-one countries are in Africa while thirty-two are in sub-Saharan Africa. See IMF "Debt Initiative for the Heavily Indebted Poor Countries (HIPC): A fact sheet, September, 2000. See also United States General Accounting Office, "Developing Countries: Debt Relief Initiative for Poor Countries Faces Challenges." GAO/NSIAD-00-161, June 2000, p.8 and note 6,p.11.

² The enhanced initiative is not free from criticism either. There are respectable forces, such as Jubilee 2000, that believe that the only sustainable solution is complete debt cancellation. Some of the more radical forces are trying to make their voices heard on this issue of debt cancellation by staging huge demonstrations wherever the governors of the IMF and the World Bank are meeting as in Prague this September.

³ GAO, *op.cit.*, p.12.

⁴ This figure is calculated based on the country's current Net Present Value (NPV) debt of \$2.5 billion dollars (roughly about 5 billion in current dollars) and its estimated export for the year 2000 of about \$477 million.

⁵ Existing mechanisms refer to debt relief offered prior to the HIPC initiative such as terms offered by the Paris Club and other bilateral and commercial creditors.

⁶ This decision, as intimated earlier, is based on the 150% debt (in net present value terms) to export cut-off point. In case the target is evaluated in terms of debt to government revenue, the target ratio is 250 percent down from the earlier 280%. The eligibility threshold is also reduced from 40 percent to 30 percent for exports to GDP, and from 20% to 15% for government revenue to GDP ratio.

⁷ IMF and the World Bank, "The Enhanced Initiative for Heavily Indebted Poor Countries-Review of Implementation." September 7, 2000, p.4.

⁸ The World Bank Group and The International Monetary Fund, Memorandum to Members of the International Monetary and Financial Committee and Members of the International Monetary and Financial Committee and Members of the Development Committee on "Progress Reports on Heavily Indebted Poor Countries (HIPC) and Poverty Reduction Strategy Papers (PRSPs)", April 15, 2000, p.1.

⁹ Institute of Development Studies, Policy Briefing, Issue 13, April 2000, p.1.

¹⁰ GAO, *op.cit.*, p.42.

¹¹ See for example, the World Bank's recent study "Assessing Aid" World Bank, 1999. See also the recent work by the Development Research Group of the World Bank; Shantayanan Devarajan, David Dolla, and Torgny Holmgren: "Aid and Reform in Africa." December, 1999.

¹² Aid and Reform in Africa, *op.cit.*, p.30.

¹³ It is certainly this recognition that pushed African governments to endorse the PRSP process in their Libreville Summit of African heads of State, in January 2000.

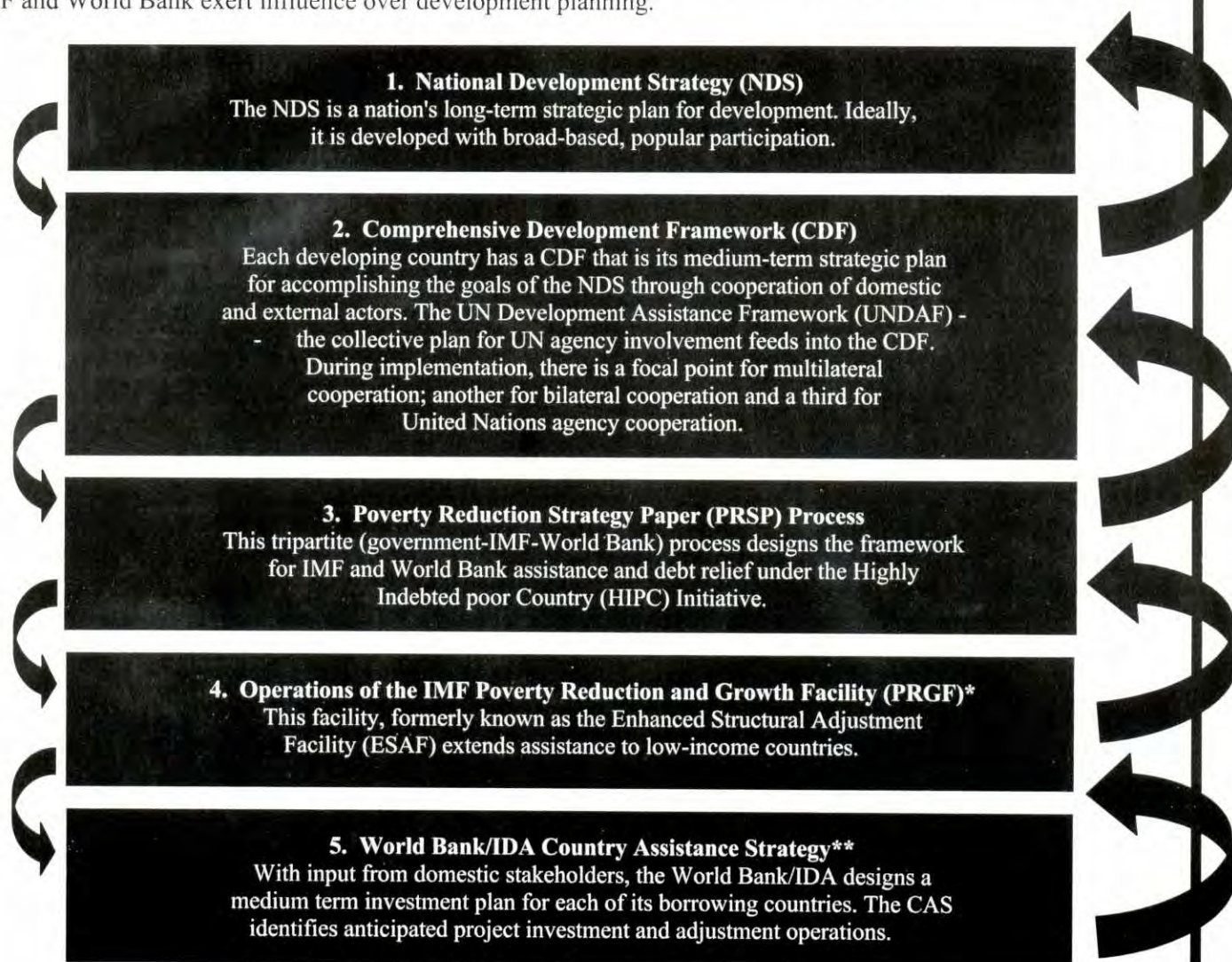
¹⁴ IMF, Poverty Reduction Strategy Papers (PRSPs), September 26, 2000. <http://www.imf.org/external/np/prsp/prsp.asp>.

¹⁵ The International monetary Fund and The International Development Association, "Tanzania: Assessment of the Interim Poverty Reduction Strategy Paper, March 14, 2000.

¹⁶ International Monetary Fund and the world Bank: Memorandum to Members of the International Monetary and Financial Committee and Members of the

The Poverty Reduction Strategy Paper (PRSP) One of Many Hoops Through Which Borrowing Governments Must Jump to Obtain External Resources

Development plans will remain "pie in the sky" plans unless they can be financed. The contents of a (low-income) country's PRSP will determine whether or not it obtains financing from the IMF and World Bank. Cash-strapped governments will take pains to ensure that the reforms required by the IMF and World Bank (as a precondition for financing) are integral components of their plans -- the National Development Strategy (NDS) and the Comprehensive Development Framework (CDF), as well as the Poverty Reduction Strategy Paper (PRSP). The need to implement orthodox reforms (SAPs), as a sine qua non of financing, can override pluralistic solutions to development challenges. In this way, the power of external actors to give or withhold resources exerts an uncanny power over government-led processes and undermines national ownership of the development process. The upward flow of arrows illustrates how the IMF and World Bank exert influence over development planning.



* Developing Country Governments usually convene another donor group, called the Consultative Group (CG) or round Table (RT), which attempt to help governments to close their external financing gaps.

** Officially, the Letter of Intent is written by the borrowing government to the IMF. In practice, the IMF often drafts it.

*** The World Bank CAS is only one of many creditor and donor planning documents.

Experiences of Uganda: Civil Society Participation in the Revision of the Poverty Eradication Action Plan & Formulation of Poverty Reduction Strategy Paper

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"It is extremely important to acknowledge that the participation of CSOs cultivated confidence in the entire process of making Government policy" Government Official

Background

As a result of intense lobbying and pressure for a rapid movement towards third world debt cancellation and calls for effective use of resources to be released, the joint Boards of the World Bank and the International Monetary Fund (IMF), at their Annual meetings in September 1999, voted to introduce Poverty Reduction Strategy papers (PRSPs). PRSPs replaced the Country Strategy Papers used under the Structural Adjustment Programmes. The formulation of PRSPs would now become the basis for highly indebted poor countries to receive the enhanced debt relief and concessional lending under the new Poverty Reduction and Growth Facility (PRGF). Under this arrangement, there is a requirement (or condition) that PRSPs have to be "participatory" and "country owned" (as opposed to just being Government-owned), necessitating Governments to demonstrate that they have consulted other stakeholders, including Civil Society Organizations (CSOs) in formulating PRSPs.

In November 1999, four CSOs, including Uganda Debt Network (UDN), were among stakeholders invited by Govern-

ment to a meeting at which a draft outline of the Table of Contents of the Revised Poverty Eradication Action plan (PEAP) was presented and input sought. In December, the Government invited other stakeholders, including the wider Civil Society, to participate in the revision of the PEAP that would also be the basis for the country's PRSP, encouraging them to participate effectively.

The Process

In January 2000, Uganda Debt Network and Oxfam Jointly convened a two-day workshop of CSOs to discuss the Government concept paper and develop strategies for their involvement in the process. Government officials and the World Bank/IMF mission were invited to explain the PSP. Forty-five representatives of a cross-section of CSOs attended the workshop. A tentative timetable was provided to the participants to provide the framework for their participation. The target was that there would be a first draft by the middle of March 2000, when the Consultative Group Meeting were due to take place in Kampala and a final draft PRSP in April to enable Uganda reach the completion point early for the en-

hanced debt relief.

Key outcomes of the workshop included: A resolve by CSOs to participate in the PEAP revision exercise as effectively as possible; a formation of a Taskforce to spearhead the process, with powers to co-opt as need arises; the selection of a Lead Agency to coordinate the process; and a decision that CSO participation be extended to the rest of the country to ensure it is not only Kampala-based.

It was envisaged that within this timeframe, the revised PEAP would be ready in May 2000. However, although the key targets of having a draft for the Consultative Group Meetings and the country reaching the completion point for enhanced debt relief were met, the process of revising the PEAP did not end until August 2000. By which time, additional aspects had been added to the process including the need to evaluate the participation of CSOs, the need for popularizing and disseminating the PEAP and setting up mechanisms to monitor its implementation, necessitating the extension of the mandate of the Task Force to December 2000.

Institutional Framework

The Taskforce

To ensure effective CSO participation and to spearhead the process, the January CSO meeting formed a Task Force comprising of a wide range of civil society actors such as indigenous and international NGOs, research and religious institutions and women's organizations. Those identified were Makerere Institute for Social Research (MISR), Center For Basic Research (CBR), Uganda Debt Network, and Forum for Women Educationalists - Uganda (FAWEU), Uganda Women Network (UWONET), represented by Action For Development (ACFODE), ActionAid-Uganda, VeCo-Uganda, Oxfam GB-Uganda, World Vision and the Uganda Catholic Medical Bureau. This combination brought together intellectual leadership and practical experience in the development and policy advocacy, some had grassroots connection, were judged to make a significant contribution, and could set aside the time and other resources to make the exercise a success. The role of the Taskforce was to:

- Develop plans, budgets and activities to implement the project of CSO participation in PEAP revision.
- Analyze issues relevant to the PEAP and sector plans to ensure they are pro-poor.
- Coordinate CSO participation and interface with Government.
- Take overall responsibility for the accountability of any funds contributed for the

exercise.

The Lead Agency

Uganda Debt Network (UDN) was selected as the lead agency. This was appropriate, as UDN is an advocacy and lobby coalition formed to campaign for debt cancellation and for monitoring the utilization of debt relief savings. The key roles of the Lead Agency were:

- To coordinate work on behalf of the Taskforce.
- To provide secretariat and institutional back up for the consultation process.
- To supervise personnel and manage funding.

The Technical Team

For some members of the Taskforce workload within their institutions could not allow effective participation in the Taskforce. Yet the PEAP revision process was moving ahead at a fast speed. Government itself had a full-time high-caliber technical team to ensure the process runs on schedule. Due to the limited time available for the exercise, a strategic decision was made to recruit a small technical Team. It would focus on providing technical support to the Task Force and be a counterpart to the Government technical team. It would be hosted by UDN, the lead agency.

Project Objectives

The project had three main objectives, which were:

- To ensure that a large section of civil society and in particular the majority poor take part in policy formula-

tion for poverty reduction

- To ensure that members of civil society are mobilized and sensitized on the PEAP to best facilitate their input
- To establish mechanisms for dialogue between policy planners, civil society and other stakeholders so that national policies and plans are better understood and owned by those they are intended to benefit as well as by the entire civil society in general.

Participation: Immediate and strategic benefits.

- There is increased awareness, understanding, enrichment and ownership of the national poverty plan by civil society members consulted.
- Even before finalization the revised PEAP is better known than the 1997 one.
- An estimated 2 million radio and TV listeners and Newspaper readers know something about the PEAP and some have expressed their views on how to combat poverty some of which have been considered
- CSO participation has contributed to Ugandans qualification for more debt relief estimated at 50 million dollars annually. This means more resource for direct and indirect poverty reducing programmes.
- The relationship between government and CSOs has deepened.
- Participation has helped CSOs to enhance their capacity in policy articulation and to identify capacity and skill gaps, which they need to address.

- CSO determination to disseminate PEAP widely and monitor its implementation will ensure improved public service delivery and reduce resource leaks.

Policy/Practice Change

In addition to immediate outcomes, there are other outcomes that could be categorized as strategic. These have led to policy or practice changes and include:

- *Governance gets strongly linked to Poverty Eradication*

For the first time and as a result of CSO participation, including the work Uganda Poverty Assessment Process (UPAP) of the revised PEAP has strongly linked governance to Poverty Eradication. Good governance - tackling corruption, guaranteeing the rule of law, instituting commercial justice, demanding accountability of the political, administrative and managerial authority; ensuring personal freedoms, security of life and property, human rights, democratization, decentralization, access to public information and empowerment of communities - was for the first identified as a critical element for poverty reduction. This is a fundamental policy shift. Prior to PEAP revision, poverty was perceived mainly in terms of incomes and expenditures.

- *Government orientation on some issues changes*

The revision of the PEAP process was done in a truly transparent manner. The Government and the CSOs "sat

on the same table" and deliberated on the best strategies to eradicate poverty. For the second time (after UPPAP), well-analyzed and focused ideas from the CSO were quickly taken on board and owned by the Government. The best example was the issue of articulating an employment strategy. Very weak at first, it now permeates the entire document. Some issues from the CSO were incorporated verbatim in the PEAP, a formal Government document. This goes a long way to improving the CSO-Government mutual trust. Secondly, some of the issues, which were initially considered "minor" such as peace building, disaster mitigation and preparedness, etc, were later expressed as fundamental issues in progressive drafts. Thirdly, there was an orientation of the Government philosophy toward peace building. The initial line of thinking favored only the military option to achieve peace, but the PEAP powerfully expresses the need to explore other non-military options to achieving peace. The process has further highlighted that where CSO make serious analyses of issues, the Government is willing to dialogue.

- *Participation of all stakeholders becomes a reality*

The PRSP process has re-emphasized the culture of participation. Government now views CSOs as essential partners in policy formulation and as a channel for monitoring and implementation of programmes. As one Government official has put it, *"It is extremely important to acknowledge that the participation of CSOs culti-*

vated confidence in the entire process of making government policy" (Mwesigye, Draft CSO Evaluation Report, 1999). This has changed the attitudes of some Government officials regarding CSOs. As a result of increased trust, when the donor consultative (CG) meeting was held in Kampala in March 2000, not only were the NGOs invited in significant numbers, but also for the first time, they were put on the agenda to make interventions. At the end of the exercise (of PEAP revision) the Minister of Finance, Planning and Economic Development wrote to the Chairperson CSOs Task Force.

"...Government in general and my ministry in particular acknowledges the valuable contribution that civil society has made particularly the PEAP revision. The wealth of information and knowledge about local development issues that civil society shared with us during the revision exercise greatly enriched the revised plan. Participation in decision making by all stakeholders, is a cornerstone for good governance. My ministry therefore, shall enhance participation of civil society in implementation of the PEAP, especially in the monitoring activities".

Due to the CSO participation, there is now more access to Government documents than was the case in the past.

- *PEAP Priorities get linked to Budget Allocations*

There is now increased Government commitment that future budgets and the Medium Term Expenditure Framework

(MTEF) should be based on the priorities identified in the PEAP. The 2000/2001 budget (released in June) clearly tried to link the budget to the PEAP. For instance, for the first time the Government has allocated resources to functional adult literacy. On assets used by the poor, exercise tax was eliminated and import duty harmonized at 15% for bicycles and their spares. Producers of agricultural inputs were all exempted from Value Added Tax (VAT), etc. Also for the first time, the Government allocated some money to the care of the orphans especially victims of HIV/AIDS. All these efforts are in harmony with the revised draft PEAP.

Issues

From the experience of CSO participation in the PEAP revision, the following issues deserve comment:

- *Consultation*

The involvement of CSOs in the PEAP revision exercise and the formulation of the PRSP was essentially a process of consensus building on poverty in Uganda and how to eradicate it. It was never seen as an effort to create something substantially new. Once the government had managed to convince the IMF and the World Bank that a revised PEAP would serve as a basis for the PRSP, the aim was to get a good updated version of the PEAP. CSOs had participated in the formulation of the original PEAP, launched in 1997. They therefore appreciated the fact that instead of starting from scratch, the IMF

and the World Bank had accepted to use an available document that met the criteria for a PRSP. Despite the fact that this was only a revision of an existing document, CSOs have been determined to make significant and identifiable input into the revised document and feel that to have added a voice to such an important policy document was a very big achievement. Consultation in this case has been a process of building, affirming, and validating consensus on poverty eradication strategies generated over long discussions starting with the original PEAP, through UP-PAP, PAF and other researches. All development partners - Central and Local governments, CSOs and donors - now subscribe to the revised PEAP as the national consensus on poverty reduction. Details of emphasis may vary from place to place and from partner to partner, but the general view is that the revised PEAP is a robust plan, which when well implemented will achieve significant levels of poverty reduction.

- *Participation*

In this exercise, participation had at least two aspects it: that of numbers and of quality. Achieving mass participation, though desirable, was already constrained by the limited timeframe and the availability of funding. Therefore more emphasis was put on moving from mere numbers to the quality of participation in the range of participants from local councillors, to religious leaders; from members of community based organizations to representatives of NGOs; from organized groups to farmers,

with special care taken to ensure a gender balance. Far from being a constraint, the limited timeframe became an incentive - a target to beat. CSOs were also aware that as long as they were good stewards of this opportunity, other opportunity would become available. Therefore this was only one part of an on-going process. Since the PEAP is to be revised every two to three years, what was not attained this time round could be attained in the next. CSOs can confirm that the revised PEAP is a genuine Ugandan product; participation involves aspects such as information sharing, consultation, decision-making and initiating action. This process definitely shared information, sought and got participants' views on the four goals of the Poverty Eradication Action Plan. Moreover, CSOs did not merely review and agree with drafts produced by Government. They challenged them. They were available to lead discussions at Government-organized workshops. These are important steps towards achieving true participating.

Admittedly, there are various levels of penetration in participation. We were only able to reach superficial levels. However, that represented a very critical stage from which many valuable lessons can be drawn for future involvement. One lesson is that genuine participation is financially demanding and commitments are not always disbursed on time for a thorough job to be done. CSOs can strategize early, and, for example, agree that for the next round of PEAP revision, on-going research such as

Uganda Poverty Assessment Process Phase Two, Poverty Action Fund monitoring exercises and other researches already being undertaken by CSOs will form the core of getting people's views for the next PEAP revision.

CSOs need to be aware of some dangers inherent with 'participation'. For example, 'participation' can easily be a psychological urge to raise an individual's or group's own profile, sustain bureaucracies, develop and defend own interest at home and abroad. The real interest for insisting on participation would always be to ensure that people's views are heard and taken into consideration when important plans affecting them are being made and that quality services are delivered when those plans are implemented. Genuine participation means increase responsibility. Once engaged, CSOs have to have the staying power to remain engaged. They have to take into consideration what sustained engagement entails and the fact that they may be accountable even for partners' actions. This exercise has

shown that not all CSOs have developed the staying power necessary to engage in such important policy work.

- *Ownership*

When the revised PEAP is finally launched, there is no doubt that many of those who participated in the consultations will be able to recognize their input and 'hear' their own voice, because it very closely incorporated their views. Already, even before it is launched, the revised PEAP is considered by those interviewed during the evaluation to be better known than its predecessor. In addition, CSOs are determined to popularize and disseminate it widely in order to make it truly a people's plan. Mechanisms are also underway for some CSOs like UDN to train people to monitor and implement the PEAP, making ownership a reality.

Another aspect of ownership is that for some of the CSOs, which were keenly involved, the learning process has become a transforming experience. For example, UDN's Co-

ordinator says that lessons from the PEAP have shaped the organizations outlook for many years to come. Consequently, it is undertaking a restructuring exercise that reflects this learning: recruiting high caliber staff to undertake its policy analysis work. It has also incorporated much of PEAP into its on-going programmes, greatly enriching them. It has since introduced District Poverty Action Fund Monitoring Committees, which will also become Poverty Monitoring Committees.

Conclusion:

CSOs participation in PEAP revision was effective. Process has built further the close relationship already existing between CSOs and the Government. It has strongly demonstrated that all stakeholders have something to give and learn from each other's experience. The challenge now is for the CSO to build capacity to stay engaged, and monitor the progress of the PEAP, specialize in their relevant sectors/fields and develop strategies to take on new opportunities.

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